TUNGTEX

Tungtex (Holdings) Company Limited 同得仕（集團）有限公司

Stock Code 股份代號：00518

2019 年報

ANNUAL REPORT

FACTORIES / OFFICES

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Martin Tung Hau Man *(Chairman)*
Raymond Tung Wai Man (*Managing Director)*
Billy Tung Chung Man

Independent Non-Executive Directors

Tony Chang Chung Kay
Robert Yau Ming Kim
Leslie Chang Shuk Chien
Kenneth Yuen Ki Lok

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Robert Yau Ming Kim *(Chairman)*
Martin Tung Hau Man
Tony Chang Chung Kay
Leslie Chang Shuk Chien

NOMINATION COMMITTEE

Martin Tung Hau Man *(Chairman)*
Tony Chang Chung Kay
Robert Yau Ming Kim
Leslie Chang Shuk Chien
Kenneth Yuen Ki Lok

COMPANY SECRETARY

Liu Hoi Keung

REGISTERED OFFICE

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AUDITOR

D & PARTNERS CPA LIMITED
Certified Public Accountants

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

SHARE REGISTRAR AND TRANSFER OFFICE

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STOCK CODE

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On behalf of the Board of Tungtex (Holdings) Company Limited, I would like to present the annual results of the Group for the year ended 31 March 2019.

After strong growth in 2017 and early 2018, global economic activity slowed notably in the second half of 2018, reflecting the complex external factors including upheavals of international conflicts, Brexit challenge and growth reducing in countries like Germany and China.

Amid the change in the international and global arena, the fashion industry, like all other industries, is facing more disruption than ever. Alongside consumers' adoption of digital are raised expectations of customer experience and a higher scrutiny on pricing, speediness, quality as well as design. We have to acknowledge the pace of change which has never happened so fast before and we see dramatic change each day.

All these factors took their toll on consumer and business confidence. Operating against all these unfavorable external factors, the Group continued to strive. Through our relentless efforts, we achieved annual sales of approximately HK$965.9 million in a difficult year, representing a slight drop of 3.2% compared with the last financial year.

Despite a recent strong economic upswing across the world in the beginning of the year, many economic and political uncertainties remain. Coping and surviving in the new paradigm of change and unpredictability, the Group actively and constantly made strategic adjustments based on market conditions and policies changes to achieve steady progress and to embrace opportunities. In the current year, the Group has achieved main strategic initiatives focused along four major scopes: 1) Production base consolidation by i) completion of its migration of manufacturing operations from Shenzhen to Zhongshan and Dongguan and; ii) expansion of production capacity in our multi-country manufacturing platform based in Vietnam; 2) Cost efficiency enhancement program encompassing aspects relating to production quality, turnaround time, administration procedures; 3) Restructure of business and operations by i) the disposal of Hangzhou e-commerce operation park as well as our factory premises in Thailand subsequent to the financial year end as disclosed in the announcement by the Group on 27 May 2019; ii) streamlining of the Group's retail operations and closing down of unprofitable retail outlets in the PRC; and 4) Consumer collaboration by ensuring the interests of our customers is our priority and to ensure their needs and demands are consistently met from the right beginning of the value chain through to the logistics and final delivery of the order.

Based on the existing strategic layout and coupled with our market knowledge and experience built from our many years of hard work and dedication, I believe the Group will be in a better position to actively explore and capture upcoming business opportunities in the future.

APPRECIATION

I would like to take this opportunity to express my immense gratitude to our valuable shareholders, business partners and customers for their unfailing trust and support. Likewise, I would like to extend my heartfelt thanks to our directors, management team and staff for their tireless endeavour and effort all through these years.

Martin Tung Hau Man
Chairman
Hong Kong, 28 June 2019

SUMMARY OF OPERATING RESULTS

During the fiscal year ended 31 March 2019, the Group operated against the backdrop of a prolonged Sino-US trade disputes and a slowing of global momentum. As a result, both business and consumer consumption sentiment were softened, and the Group's revenue was affected with a slight reduction in sales of 3.2% year-on-year to HK$965.9 million.

Despite the economic slowdown, the costs of operation in China continued its rising trend. At the same time, the ever-intense global competition online and offline in the fashion and apparel industry further drove down prices and hurt margins. The gross profit of HK$180.2 million represented a gross profit margin of 18.7%, which was 3.2 percentage points lower than that of the last fiscal year.

On the back of an array of political and economic uncertainties coupled with extreme volatility of the global stock markets especially approaching the second half of the year, the overall performance of the Group was adversely affected and the loss before taxation enlarged to HK$91.8 million, representing an increase of about 116.7% compared with the last fiscal year. Excluding the financial effect of the decrease in fair value of financial assets at fair value through profit or loss ("FVTPL") of HK$31.9 million, the increase in fair value of investment property of HK$5.3 million, the impairment loss recognised on financial assets of HK$0.2 million and the gain on disposal of subsidiaries of HK$11.4 million, which were non-operating in nature, the operating loss before taxation attributable to the main operating activities of the Group was HK$76.3 million.

The operating loss before taxation attributable to the main operating activities of the Group for the last fiscal year ended 31 March 2018 amounted to HK$70.4 million, which was arrived at after excluding the financial effect of the increase in fair value of held for trading investments of HK$20.0 million, the gain on sales of held for trading investments of HK$0.7 million and the increase in fair value of investment property of HK$7.4 million.

The operating loss before taxation attributable to the main operating activities of the Group for the fiscal year amounted to HK$76.3 million, represented an increase of 8.4% as compared to the last fiscal year. Such increase was mainly attributable to (i) the continuous yet reduced operating loss of the core manufacturing business of the Group against the backdrop of trade friction and then trade war between China and the United States during the fiscal year, and (ii) the operating loss before taxation of HK$24.6 million recorded for the retailing business of the Group in China for the fiscal year as compared to an operating profit before taxation of HK$1.1 million for the last fiscal year.

BUSINESS REVIEW

Faced with the intense competition and low growth prevailing in the global economic environment, and coupled with the impacts of Sino-US trade friction affecting the economy of the PRC, the overall apparel and fashion industry condition appeared gloomy.

Technological changes resulted in the emergence of cross border e-commerce. The speed and forces of technological innovations have led to tremendous threat to the existing industry players, driving up intensity of competition on a global scale and breaking down consumer loyalty on brands.

Acknowledging that change and uncertainty is the norm of business nowadays, the Group has already acted more proactively to review, adjust and fine tune its business strategies to mitigate downside risks associated with change and unpredictability.

The threat to the Group and the whole fashion and apparel industry brought along by the unpredictable Sino-US trade relations can both be a threat or an opportunity. While the trade dispute between the US and China is still ongoing, the trend for the US retailers and apparel brands to shift their sourcing away from Chinese suppliers continue to accelerate. Our business strategy implemented a few years ago to expand our production footprint beyond China into Vietnam enabled the Group to enjoy the market advantage of diversified sourcing which is the key to offsetting the risks associated with an ongoing trade war.

In response to the ever-rising costs of operating in China coupled with fluctuation of Renminbi, we continued to monitor our cost structure and closed under-performed business units and unprofitable retail outlets. During the year, we have also completed the migration of our major manufacturing operations from Shenzhen to Zhongshan and Dongguan incurring one-off expenses relating to the migration of the factories and its associated lay-off and severance payment of approximately HK$9.4 million. We believe the efforts to consolidate and streamline the organization will enhance the competitiveness of the Group in the long run.

Sales to US and Canada

Sales to the North American countries constituted 49.0% of the Group's total revenue for the year, amounted to HK$473.5 million representing a year-on-year decrease of 9.1%. Sales to the US alone softened and decreased by 11.8% in the year to HK$317.6 million.

U.S economy started to cool approaching the end of 2018 on the back of a deteriorating economic confidence and a less robust private consumption due to multiple headwinds. According to the US Bureau of Economic Analysis, the real GDP growth of the US recorded a 2.6% annualised rate in the fourth quarter of 2018 which marked a significant slowdown from the middle of the year.

Ever since the Sino-US trade relations became intense in 2018, we have witnessed Vietnam garment exports to the US on the rise. Brought on by years of operating and manufacturing experience, our Vietnam production subsidiary has developed into a competitive manufacturing hub which has become a regional one-stop shop for our customers ranging from material sourcing to logistics and delivery of final products offering a flexible outsourcing alternative to China.

As a result, the demand for manufacturing orders in Vietnam especially from our existing US customers continued to increase steadily in this fiscal year. Production orders originated in Vietnam accounted for an increase of 21.2% in sales dollar amount compared with the last financial year. We managed to safeguard production orders from our existing US customers which would otherwise have been lost due to our customers' concern over the possible escalating tariffs in the foreseeable future. We have expanded a few more production lines to cope with the increasing purchase orders and we expect overseas orders to increase steadily. The flexible production capacity in our Vietnam production hub allows the group to respond without delay sudden increase in customer orders. It also effectively offsets the loss of overseas customers due to the US-China trade war while mitigating the adverse impact on production costs brought by the wage increase and tighter environmental regulations in China.

Economic growth for Canada eased to 1.8% for the year of 2018, with consumption slowing in response to smaller increase in housing wealth, and both employment and exports moderating as the US growth declined. The Group's sales to Canada during the year amounted to HK$155.9 million, representing a year-on-year decrease of 2.9%. Nevertheless, Canada remains the third single largest market of the Group.

Sales to Asia

The Group recorded a growth in sales to Asia to reach HK$461.1 million, representing a year-on-year increment of 3.0%. Sales to China remained the largest constituent for sales to Asia accounting for sales revenue of approximately HK$442.7 million, a year-on-year increase of almost 4% and consistently representing over 95% of the total sales to Asia.

In China, the first half of 2018 was marked by notable growth in the consumption market. However, a slowdown was evident in the middle of the year following central government's regulatory campaigns to curb debt risks and even more so since July when the US government has officially imposed tariffs on goods from China and started the wrestling trade war. Despite the challenging business environments, the mainland China market continued to generate largest revenue contributions to the Group and we expect it to remain so in the near future.

The most imminent difficulties facing fashion and apparel operations in China continued to be rising wages, decreasing population of skilled workforce, tightening government and environmental legislations as well as fluctuations in Renminbi. The Group has been actively responding by constant reviewing of cost structure and timely consolidating and streamlining of organization structures and operations to maintain cost efficiency and effectiveness in order to stay competitive in a difficult environment.

The fast-changing taste of consumers especially from the younger generation has given rise to the flourishing of domestic local brands who are seeking high quality and reliable manufacturers who can respond quickly to their order. Our steadfast efforts to maintain our core competitiveness has allowed our production plants to stay agile and nimble and react swiftly to different and changing orders from our local customers.

Retailing Business

Our retailing business was operating under a regime of slowing economic growth and a fiercely competitive market. Business environment took a turn for the worse in the latter half of 2018 following the initial round of tariffs imposed on China by the United States which triggered the lingering trade war. Adding to the challenge is a new group of customers who has a new mode of consumption and without brand loyalty.

Amid all the difficulties in the year ended 2018, the revenue contributed by our retailing business amounted to HK$308.3 million, representing a decrease of 11.0% as compared to the last fiscal year. Such decrease in sales was a direct result of the closing down of non-performing retail stores and the fiercely competitive price pressure.

The retailing business recorded an operating loss of HK$24.6 million (2018: operating profit of HK$1.1 million) which reflected the combined effect of a thinning margin caused by the decrease in sales and increase in discounts against the backdrop of weak consumer sentiment, unseasonal weather and severe competition in online sales platform.

Sales revenue from the retailing business remained driven by e-commerce and online sales which accounted for over half of the total sales of brand business, however, increasing competition from competing websites meant that increased sales could only come along with bigger sacrifice in margins.

Appealing to the next generation of customers is challenging, the Group has partnered with digital retail giants and major online platforms such as Tmall, JD.com and VIP.com and participated actively in online shopping and marketing events. In November, the Group achieved remarkable sales records on Alibaba's Single Day, so far the largest online shopping day.

China is the largest e-commerce market in the world and is projected to become the world's largest cross-border e-commerce market by 2020, according to China Internet Watch. On the one hand, the growth and dynamism of China's e-commerce markets has brought new and innovative ways for businesses to access the huge markets, but on the other hand, the large number of participants also heightened competition and price pressures among the existing players. Besides the traditional online B2C platforms, the explosive growth of online sales in 2018 was also brought about by online platforms displaying innovative business models. The flourishing of social media platforms focusing on internet celebrities and those premium and life style online retailers which sell premium products at an affordable price have served to escalate the intensity of competition to an even higher level.

Business for our self-operated retail shops was also impacted by the dampened consumer sentiment in the second half of the year. The Group decided to streamline the retail operation and close shops which were non-performing and unprofitable.

E-commerce operation park

As stated in the announcement for discloseable transaction made by the company on 30 January 2019 in relation to the disposal of a subsidiary ("the Disposal"), the Company entered into the sales and purchase agreement on the disposal of a wholly owned subsidiary which in turned owned 100% registered capital of Tungtex (Hangzhou) at a consideration of approximately HK$52.4 million. The principal asset of Tungtex (Hangzhou) is the Property which has been developed as an e-commerce operation park. As stated in the announcement, the net proceed from the Disposal would be used for general working capital of the Group and the Company also recommended the payment of a special dividend (the "Special Dividend"), which is subject to the completion, in the amount of approximately HK$5.1 million. Both the Disposal and the payment of the Special Dividend were completed as stated in the announcement of the Company made on 22 February 2019.

The Disposal enables the Company to streamline the business of the Group so that more resources can be allocated to the existing business of the Company and to seek for other potential business and expansion opportunities.

Disposal of a property in Thailand subsequent to the year end

As stated in the voluntary announcement made by the Company on 27 May 2019 in relation to the disposal of a property in Thailand, the Company entered into the sale and purchase agreement on the disposal of a factory premises in Thailand which was owned by Tung Thai Fashions Limited, a direct wholly-owned subsidiary of the Company with its operation already discontinued in 2016, at a cash consideration of Thai Baht 42 million (equivalent to approximately HK$10.8 million). The disposal and transfer of ownership of the property was completed on 26 June 2019.

Update on the Group's proposed sale of its factory premises located in Shenzhen

On 11 July 2019, the Company and a potential purchaser who is a third party independent of the Company and its connected persons (the "Potential Purchaser") entered into a memorandum of understanding (the "MOU") in relation to the proposed disposal by the Company of all the shares of Sing Yang (Overseas) Limited ("SYOL"), a directly wholly-owned subsidiary of the Company. SYOL owns an industrial building with the name "同得仕大廈" located at 中國深圳福田區北環路市政二號路 (Shizheng No. 2 Road, BeihuanRoad, Futian District, Shenzhen, the PRC).

The Potential Purchaser is entitled to an exclusivity period of 20 days after payment of earnest money for due diligence process. The initial exclusivity period will be extended for 25 days for negotiation of the formal sale and purchase agreement if no material issue is identified by the Potential Purchaser in the due diligence process. The exclusivity period can be further extended by mutual agreement.

Reference is made to the announcement on 11 July 2019, this possible disposal, if materialised, may constitute a notifiable transaction for the Company under the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Company will make further announcement(s) as and when appropriate and comply with all other applicable requirements under the Listing Rules in this regard.

PROSPECTS

Going forward, we are still surrounded by uncertainties and instabilities and a looming global economic slowdown threatened by the unpredictable US-China trade relation. The International Monetary Fund already projected slower global growth in 2019. The Group must still strive hard to meet the challenges and to adopt necessary changes for our future developments and long-term success.

Uncertainty about the direction of the economy has made our key customers in the US more cautious. The trade war with China remains a key downside risk.

With geographical presence in Vietnam, we are in a better position to retain and even capture new US customers who are reconsidering alternative sourcing options. The diversified sourcing has mitigated the risk of trade stand-off already escalated and turned uncertainty into opportunity of even a stronger supply chain. The Group will continue to expand and diversify its production and sourcing strategies by production facilities and by forging new strategic alliances in Vietnam or other low-costing sourcing countries.

In the meantime, we remain optimistic on the growth prospect in Vietnam especially after it has become the seventh country to ratify the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) which took effect in January 2019, following Japan, Canada, Australia, New Zealand, Mexico and Singapore, with customs duties on 95% of trade in goods due to be removed, including all textiles and apparel. This will allow Vietnam to access nearly 40% of the world apparel import market duty-free.

Being the second largest economic giant, China has responded to the economic slowdown by stepping up extensive fiscal stimulus and monetary easing policies. A salient feature is the focus on more long-term strategies to move the economies towards greater domestic consumption and services, as well as policies that can boost the quality of future growth. Despite the apparent moderation in consumption momentum due to a brewing trade war and the fluctuations of Renminbi, the Board believes long term opportunities will continue to unveil amid short term volatilities.

Our two manufacturing sites located in Zhongshan and Dongguan in China employ cost effective production facilities with extensive experiences serving reputable overseas customers and mainland China local fashion brand, and remain our strong foothold of production to grow the vast mainland China and Canada markets.

In the retail business, we are alert to changes in consumer taste, habits and behaviors and well connect with them, especially with the new generation of customers in popular online platforms. We will also engage more active participation in online promotion and offline marketing events. We think customers' online shopping is a global phenomenon, but we want to be good at both, combining online with brick-and-mortar experience. Going forward, we will be dedicating more efforts into innovation and digital means to drive better outcomes.

Overall, the trade war is not expected to be resolved within a short period of time, the Group will remain observant of market conditions as well as government policies both at a local and international level. We continue to maintain a cautious stance and will timely adjust our strategic moves to rationalise our business and structure to mitigate possible economic risks and maximise opportunities. In the upcoming year and in the future, we will commit even further and stay focused and hardworking to reshape and prepare the Group to take on the challenge of this new era.

CAPITAL EXPENDITURE

During the Year, the Group incurred approximately HK$11.1 million capital expenditure as compared to approximately HK$9.9 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 increased to HK$246.3 million (of which HK$116.7 million was pledged bank deposits) as compared to HK$226.4 million (of which HK$116.9 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$143.6 million, which were mainly denominated in USD, HKD and RMB, consisted of HK$135.6 million short-term bank borrowings and HK$8.0 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 41.5%. 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 Year, working capital cycle remained under stringent control. Trade receivable turnover decreased from last year's 46 days to 36 days. Inventory turnover decreased from last year's 67 days to 50 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$14.1 million (2018: HK$15.6 million) were pledged to banks to secure general banking facilities granted to the Group.

SIGNIFICANT INVESTMENTS

As at 31 March 2019, the financial assets at FVTPL of the Group amounted to approximately HK$7,628,000 which consist of securities of four companies listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). During the Year, there were no movements in the Group's financial assets at FVTPL. Set out below is a breakdown of the Group's financial assets at FVTPL as at 31 March 2019 and their performance during the year ended 31 March 2019:

Description of investments	*Notes*	**Market value as at 31 March 2019** *HK$'000*	**Unrealised fair value loss** *HK$'000*	**Percentage to the Group's audited total assets as at 31 March 2019**	**Percentage to the Group's total securities investments as at 31 March 2019**	**Carrying value as at 31 March 2018** *HK$'000*
EPI Holdings Limited (Stock code: 689)	*(a)*	4,726	(30,721)	0.76%	61.96%	35,447
Other listed securities	*(b)*	2,902	(1,191)	0.47%	38.04%	4,093
		7,628	(31,912)	1.23%	100.00%	39,540

Notes:

(a) This investment represented 38,115,000 shares of EPI (Holdings) Limited ("EPI"), representing approximately 0.73% of the total issued shares of EPI as at 31 March 2019.

Based on the annual report ("EPI 2018 Annual Report") of EPI for the year ended 31 December 2018, EPI together with its subsidiaries ("EPI Group") is engaged in the business of petroleum exploration and production, money lending and investment in securities. As disclosed in the EPI 2018 Annual Report, for the year ended 31 December 2018, the EPI Group recorded a revenue of HK$71,419,000 (which is increased by 23.4% compared to the prior year), and a loss for the year of HK$115,227,000 (which is increased by 110.1% compared to the prior year). As disclosed in the EPI 2018 Annual Report, the management of EPI will seize business and investment opportunities with good prospects, particularly in the energy sector, create new value to shareholders.

(b) These equity securities listed in Hong Kong represented the Group's investments in 3 companies whose shares are listed on the Main Board or the GEM of the Stock Exchange. Each of such investments has a market value or fair value that account for less than 0.5% of the Group's audited total assets as at 31 March 2019.

FINANCIAL REVIEW

The Key Performance Indicators ("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 81.3% (2018: 78.2%). The comparison of percentage of consolidated cost of sales is as follows:

	2019 ***HK$'000***	2018 *HK$'000*
Revenue	**965,928**	998,070
Cost of sales	**(785,722)**	(780,140)
Percentage of consolidated cost of sales	**81.3%**	78.2%

Selling and distribution costs and administrative expenses

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

	2019 ***HK$'000***	2018 *HK$'000*	*%* *Changes*
Selling and distribution costs	**109,238**	129,702	(15.8%)
Administrative expenses	**147,177**	159,523	(7.7%)

Selling and distribution costs

	2019 ***HK$'000***	2018 *HK$'000*	Changes *HK$'000*	*%* *Changes*
Advertising and promotion expense	**21,472**	21,022	450	2.1%
Freight and handling charge	**8,342**	9,369	(1,027)	(11.0%)
Shop management fee	**15,339**	15,359	(20)	(0.1%)
Retail shop rental and running expenses	**11,798**	11,753	45	0.4%
Staff costs	**41,841**	67,199	(25,358)	(37.7%)
Other selling and distribution costs	**10,446**	5,000	5,446	108.9%
Total	**109,238**	129,702	(20,464)	(15.8%)

Advertising and promotion expense was attributable to the operation and growth in online retail sales. Brand building and high visibility are essential for promoting sales through e-commerce platforms such as Tmall and Jingdong.

Shop management fee includes fixed and variable management fees paid to department stores and e-commerce platforms.

In view of the weak domestic consumption in the PRC and the adverse retail environment during the year, the Group streamlined and refined the retail management and shop sales team, closed under-performed business units and unprofitable retail shops. As a result, staff costs were reduced strategically. Savings in shop rental and running expenses were offset by shop closure expenses and would become more obvious in the coming year.

Other selling and distribution costs were mainly composed of sales commission, sales claim, late shipment charge, and miscellaneous retail store expenses.

Administrative expenses

	2019 HK$'000	2018 HK$'000	Changes HK$'000	% Changes
Auditor's remuneration	**1,118**	1,405	(287)	(20.4%)
Bank charge	**3,268**	3,405	(137)	(4.0%)
Depreciation and amortisation	**5,450**	4,697	753	16.0%
Entertainment and travelling	**7,940**	9,087	(1,147)	(12.6%)
Insurance	**1,729**	2,098	(369)	(17.6%)
Legal and professional fee	**7,229**	5,039	2,190	43.5%
Loss on liquidation of a subsidiary	**–**	3,032	(3,032)	(100.0%)
Rent and building management fee	**6,241**	4,002	2,239	55.9%
Staff costs	**96,693**	95,949	744	0.8%
Office expenses	**7,736**	12,058	(4,322)	(35.8%)
Other administrative expenses	**9,773**	18,751	(8,978)	(47.9%)
Total	**147,177**	159,523	(12,346)	(7.7%)

Legal and professional fee was relatively high for both years as it was composed of consultancy, legal and other professional fees for the proposed disposal of subsidiaries.

Office expenses includes office supplies, postage and courier charge, repair and maintenance, telephone and internet expense and miscellaneous office running expenses. Other administrative expenses include miscellaneous administrative expenses such as utilities, motor vehicle running expense, loss on disposal of property, plant and equipment, security service fee and property tax. During the year, the Group streamlined the operations at different locations, closed the majority of operation at Shenzhen Tungtex Building, and reduced the office expenses and other administrative expenses by HK$13.3 million or 43.2% in total.

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

The negative EBITDA for the fiscal year is HK$67.5 million (2018: HK$17.3 million). The comparison of EBITDA is as follows:

	2019 HK$'000	2018 HK$'000
Loss for the year	**(94,979)**	(47,311)
Add:		
Finance costs	**6,866**	5,024
Income tax expense	**3,205**	4,964
Depreciation	**16,660**	19,181
Amortisation	**797**	801
EBITDA	**(67,451)**	(17,341)

Operating loss

The Group incurred an operating loss before tax of HK$76.3 million for the fiscal year (2018: HK$70.4 million). The comparison of operating loss is as follows:

	2019 HK$'000	2018 HK$'000
Loss before tax	**(91,774)**	(42,347)
Less:		
Impairment loss recognised on financial assets	**(208)**	–
Decrease in fair value of financial assets at FVTPL	**(31,912)**	–
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 property	**5,272**	7,383
Gain on disposal of subsidiaries	**11,415**	–
Operating loss before tax	**(76,341)**	(70,410)

Loss before tax

Loss before tax for the fiscal year is HK$91.8 million (2018: HK$42.3 million).

Loss per share

The Group's loss per share for the fiscal year is HK20.3 cents (2018: HK10.0 cents).

Inventory turnover days

Inventory turnover days decreased by 17 days to 50 days for the year ended 31 March 2019 (2018: 67 days). The comparison of inventory turnover days is as follows:

	2019 *HK$'000*	2018 *HK$'000*
Revenue	**965,928**	998,070
Inventory as at 31 March	**132,920**	182,246
Inventory turnover days	**50 days**	67 days

The decrease of inventory turnover days was mainly attributable to the stringent control over the inventory level and the relative lower purchase activities near the fiscal year end in anticipation of reduced purchase orders placed by the Group's customers for delivery in the immediate month subsequent to the fiscal year end, as compared to the last fiscal year.

Trade receivable turnover days

Trade receivable turnover days decreased by 10 days to 36 days for the year (2018: 46 days). The comparison of trade receivable turnover days is as follows:

	2019 *HK$'000*	2018 *HK$'000*
Revenue	**965,928**	998,070
Trade and bills receivables as at 31 March	**93,969**	126,051
Trade receivable turnover days	**36 days**	46 days

The decrease of trade receivable turnover days was mainly attributable to the stringent control over trade receivable collection and the relative decrease in purchase orders placed by the Group's customers for delivery during the period from lunar new year to the fiscal year end, as compared to the last fiscal year.

Other receivables

	2019 *HK$'000*	2018 *HK$'000*	Changes *HK$'000*	% *Changes*
Deposits paid to suppliers and vendors	**16,070**	25,355	(9,285)	(36.6%)
Other tax receivables	**6,717**	6,663	54	0.8%
Prepayment	**1,333**	2,018	(685)	(33.9%)
Rental and utilities deposits	**4,280**	4,804	(524)	(10.9%)
Others	**2,620**	4,474	(1,854)	(41.4%)
Total	**31,020**	43,314	(12,294)	(28.4%)

Total deposits, prepayments and other receivables decreased by 28.4%, mainly representing the relative decrease in prepayments and deposits paid to suppliers for processing the production orders placed by the Group, in anticipation of the corresponding reduced purchase orders placed by the Group's customers for delivery in the immediate month subsequent to the fiscal year end, as compared to the last fiscal year.

Other payables and contract liabilities

	2019 *HK$'000*	2018 *HK$'000*	Changes *HK$'000*	% *Changes*
Accrued subcontracting and processing fees	**1,497**	11,437	(9,940)	(86.9%)
Franchise deposits received	**3,928**	4,972	(1,044)	(21.0%)
Other tax payables	**3,453**	7,037	(3,584)	(50.9%)
Other accruals and receipts in advance	**4,993**	7,378	(2,385)	(32.3%)
Wages payable	**15,308**	20,832	(5,524)	(26.5%)
Contract liabilities	**8,969**	–	8,969	100.0%
Deposits received from customers	**–**	31,117	(31,117)	(100.0%)
Others	**16,698**	15,377	1,321	8.6%
Total	**54,846**	98,150	(43,304)	(44.1%)

Other payables and contract liabilities decreased by 44.1%, mainly comprising of the decrease in accrued subcontracting and processing fees, wages payables and contract liabilities/deposits received from customers, which was attributable to the relative lower production level and purchase activities during the period from lunar new year to the year end, which was in line with the reduction in purchase orders placed by the Group's customers for delivery near the fiscal year end and the immediate month subsequent to the fiscal year end, as compared to the last fiscal year.

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 31 March 2019, the Group has approximately 2,800 employees as compared to 3,300 as at 31 March 2018. Such decrease is mainly attributable to the cessation of certain production lines in Shenzhen factory in the process of rationalization across two fiscal years, and reduced number of self-operated retail shops. 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.

Staff costs, including Directors' emoluments, of the Group amounted to approximately HK$252.7 million for the Year (2018: approximately HK$303.8 million). Remuneration of the employees is determined with reference to market terms and the performance, qualification and experience of individual employees. In addition to a basic salary, year-end discretionary bonuses are offered to those staff with outstanding performance to attract and retain eligible employees to contribute to the Group.

LITIGATION

As at 31 March 2019, the Group was involved in a litigation, details of which are set out in note 37 to the consolidated financial statements.

PRINCIPLES

Tungtex (Holdings) Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") is pleased to share this Environmental, Social and Governance ("ESG") report which reaffirms to demonstrate its efforts on sustainability developments into our strategic planning and day-to-day operation through a reasonable measurement, and to deliver long term value to its stakeholders. This ESG report has been prepared in accordance with the ESG Reporting Guide contained in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

This ESG report covers the financial year ended 31 March 2019 ("Year 2019").

As a responsible corporate citizen, the Group cares for the community and creates value for stakeholders including its shareholders, customers, employees, suppliers, creditors, regulators and the general public. The Group believes that by strictly following with regulatory requirements on employment, human rights, labour rights, supply chain management, product responsibility and anti-corruption, it will enable the Group to thoroughly mitigate the risks which may arise from these ESG issues.

STAKEHOLDER ENGAGEMENT

The stakeholder engagement plays a core role in the sustainability of the Group. The Group recognises the mechanism for ongoing communications established with the stakeholders by building online and offline communications channels, as well as providing the stakeholders with timely reports on the strategic planning and performance regarding sustainability of the Group. In addition, the Group consults all stakeholders on its recommendations and propositions to ensure the business practices to meet the expectations of the stakeholders.

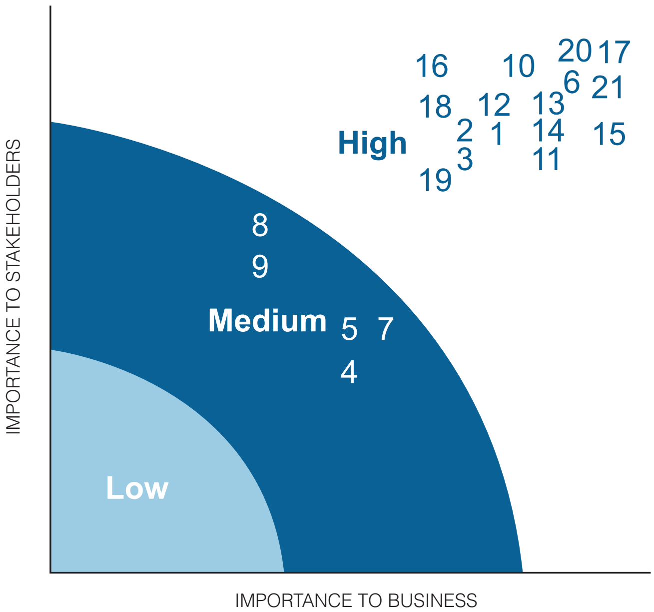
The stakeholders include the Board, employees, government/regulatory authorities, customers, suppliers, communities, shareholders/institutions and individual investors, media and nongovernmental organisations. The Group will engage in discussions with the stakeholders including the Board, employees and the regulatory authorities about the relevant issues through various channels such as regular board meetings, staff meetings and other daily communications and reporting.

MATERIALITY ASSESSMENT

In Year 2019, the Company undertook its comprehensive materiality assessment exercise. This involved conducting interviews and/or surveys with internal and external stakeholders to identify the most significant operating, environmental and social impacts towards their business.

With reference to the disclosable scope as required under the ESG Reporting Guide, as well as taking into consideration the corporate business characteristics, the Company has identified and determined 21 issues, which cover emission, energy and water consumption, training and development, occupational health and safety, labour standards in supply chain, corporate governance, customer privacy, anti-corruption, community investments and so on.

Materiality Matrix



MATERIALITY ASSESSMENT *(Continued)*

Environmental issues

1. Greenhouse gas emissions
2. Energy consumption
3. Water consumption
4. Waste
5. Use of raw materials and packaging materials
6. Customer engagement in environmental issues
7. Use of chemicals

Social issues

8. Local community engagement
9. Community investment
10. Occupational health and safety
11. Labour standards in supply chain
12. Training and development
13. Employee welfare
14. Inclusion and equal opportunities
15. Talent attraction and retention

Operating issues

16. Economic value generated
17. Corporate governance
18. Anti-corruption
19. Supply chain management
20. Customer satisfaction
21. Customer privacy

In addition to compliance with the ESG Reporting Guide, the Group will include more details regarding the issues to which the stakeholders pay greater attention in the Report. Meanwhile, the materiality assessment results will provide the Group with guidance on formulating strategic objectives and plans to resolve the ESG issues for the coming year, as well as on continuing to push forward its sustainability development.

EMISSIONS

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

Zhongshan Tungtex Silk Garments Co. Limited (中山同得仕絲綢服裝有限公司) ("Zhongshan Tungtex") and Tungtex Fashions (Vietnam) Limited ("Vietnam Tungtex") use natural gas and biofuel boilers respectively to generate heat and steam for ironing in production process and for hot water supply to the staff dormitory. Vietnam Tungtex has added dust filters and monitors the biofuel boiler's operation regularly to ensure the biofuels are completely burnt. Such arrangements can reduce the emission of ash, smog or dust. Zhongshan Tungtex also uses natural gas for cooking in the staff canteen.

The biofuel boiler in Vietnam Tungtex

The natural gas boiler in Zhongshan Tungtex

EMISSIONS *(Continued)*

The sewage treatment facilities
in Zhongshan Tungtex

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

The sewage treatment facilities established by Zhongshan Tungtex mainly process sewage arising from textile manufacturing operations. Zhongshan Tungtex has obtained Waste Water Discharge Permit (排污許可証) which is issued by Zhongshan Environmental Protection Bureau, with a valid period from 18 September 2017 to 17 September 2020.

Vietnam Tungtex, Zhongshan Tungtex and Dongguan Tungtex Garments Co. Limited (東莞同得仕時裝有限公司) ("Dongguan Tungtex") set management measures for domestic waste and water consumption in staff dormitory and offices. Vietnam Tungtex, Zhongshan Tungtex and Dongguan Tungtex remind staff and relevant persons in charge to process daily waste properly and to treasure water resources and avoid wasting.

Non-hazardous waste from the factories in Vietnam Tungtex, Zhongshan Tungtex and Dongguan Tungtex include packaging of product, paper for office use and kitchen waste. The factories in Vietnam Tungtex, Zhongshan Tungtex and Dongguan Tungtex have contributed their best effort to minimise the impact on the environment by using recyclable raw materials or supplementary materials in the production process. The factories in Vietnam Tungtex, Zhongshan Tungtex and Dongguan Tungtex have promoted separation of wastes such as cartons and plastic bottles, which were placed in certain areas assigned to recycled suppliers for collection.

EMISSIONS *(Continued)*

Gaseous Fuel Consumption

Environmental Performance	Unit	2019	2018
Liquefied petroleum gas	Litres	16,060	10,749
– NO_x	Kg	3.0	2.0
– SO_x	Kg	0.02	0.01
Natural gas	Cubic meter	54,219	61,557
– CO_2	Kg	2,951.7	3,351.2
– CH_4	Kg	55.9	63.4
– N_2O	Kg	5.4	6.2

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

Gaseous Emissions from the Use of Motor Vehicles

Environmental Performance	Unit	2019	2018
NO_x	Kg	28.5	35.3
SO_x	Kg	0.9	1.3
PM	Kg	1.8	2.6

Greenhouse Gas ("GHG") emission	Unit	2019	2018
GHG emission (Scope 1)	Kg CO_2e	165,404	421,035
GHG emission (Scope 2)*	Kg CO_2e	3,338,742	1,823,919
GHG emission (Scope 3)	Kg CO_2e	148,686	213,168
Total GHG emission	Kg CO_2e	3,652,832	2,458,122
Total production unit	Piece	3,677,309	3,425,168
GHG emission Intensity (Scope 1,2 and 3) per number of production unit	Kg CO_2e/unit produced	1.0	0.7

* Emission factor adopted in accordance with the China Southern Power Grid in 2017 for calculation of GHG emission of Zhongshan Tungtex and Dongguan Tungtex and the Vietnam Grid Emission Factor in 2015 for calculation of GHG emission of Vietnam Tungtex.

Scope 1: It represents the gaseous fuel, diesel and fuel from consumption from electricity generators, motor vehicles and boilers.

Scope 2: It represents the electricity purchased from power suppliers.

Scope 3: It represents the paper waste disposed at landfills and water used.

EMISSIONS *(Continued)*

Environmental Performance	Unit	2019	2018
Hazardous waste produced	Tonnes	Note 1	Note 1
Intensity per number of production unit	Tonnes CO_2e/unit produced	N/A	N/A
Non-hazardous waste produced	Tonnes	108.4	223.5
Intensity per number of production unit	Tonnes CO_2e/unit produced	0.00003	0.00007

Note 1: Hazardous waste produced by Vietnam Tungtex, Zhongshan Tungtex and Dongguan Tungtex are minimal. Therefore, no relevant figure is quantified.

Wastes produced by Vietnam Tungtex during manufacturing processes are passed to qualified recyclers for recycling. Details are as follows:

Waste	Qualified recyclers
Industrial waste	Rach Chanh Collecting Waste Basis
Hazardous waste	VN Green Environment Joint Stock Company

Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with 《中華人民共和國環境保護法》,《中華人民共和國水污染防治法》, Law on Environmental Protection of Vietnam and other applicable laws and regulations that have a significant impact on the Group relating to air and GHG emissions, discharges into water and land, generation of hazardous and non-hazardous waste during the reporting period.

No fines or non-monetary sanctions for non-compliance had been incurred during the reporting period.

USE OF RESOURCES

We anticipate our plants to conform the concept of the environmental care and energy saving into our daily production and operation. The Group is committed to minimising the impact of business activities on the environment by implementation of environmental protection programmes. In particular, a number of initiative measures designed to conserve natural resources were introduced to promote employee's awareness in order to achieve efficient utilisation of natural resources.

As mentioned in the above "Emission" section, Vietnam Tungtex, Zhongshan Tungtex and Dongguan Tungtex have a series of policies and procedures, including but not limited to Tungtex Energy Saving Plan and Tungtex Environmental Protection Policies, to minimise the electricity consumed by the employees in the office and factory premises of Vietnam Tungtex, Zhongshan Tungtex and Dongguan Tungtex.

We keep on communicating with and encouraged our staffs to use resources efficiently, such as shutting down all electrical appliances after office hours, maintaining the drinking water containers well to prevent leakage. According to Tungtex Environmental Protection Policies (Tungtex 環境保護政策), the scrap of production process will be reclassified and the recyclable scrap will be sold to recognised recyclable waste collector.

USE OF RESOURCES *(Continued)*

Regarding measures to save energy, the Group closely monitors the level of energy consumption, GHG emissions and waste disposed from Vietnam Tungtex, Zhongshan Tungtex and Dongguan Tungtex. Every year, Vietnam Tungtex, Zhongshan Tungtex and Dongguan Tungtex are required to set their respective energy and carbon reduction targets, and come up with feasible measures to achieve them. The details and results achieved are listed as follows:

Light-emitting diode (LED)

Part of lightings in the factories in Vietnam Tungtex, Zhongshan Tungtex and Dongguan Tungtex have been installed light-emitting diode instead of compact fluorescent lamps which have saved much electricity as compared with compact fluorescent lamps.

Electricity conservation

Zhongshan Tungtex and Dongguan Tungtex have extensively installed energy efficient motors into the garment sewing machines, which consume less electricity and have longer useful life than traditional motors.

Water conservation

Vietnam Tungtex, Zhongshan Tungtex and Dongguan Tungtex set management measures for water consumption in factory, staff dormitory and offices. Vietnam Tungtex, Zhongshan Tungtex and Dongguan Tungtex also remind staff and relevant persons in charge to use water properly and to treasure water resources and avoid wasting.

Installed "蒸氣回水利用節能器" for energy saving

Zhongshan Tungtex and Dongguan Tungtex have installed the "蒸氣回水利用節能器" which could sharply reduce the consumption of fuel, electricity and water by the boiler.

Installed a recycle steam system for fuel saving

Vietnam Tungtex has installed a recycle steam system, which could sharply reduce the consumption of fuel to burn the water to become steam.

Use of resources data from the operations of the Group are set out as follows:

Environmental Performance	Unit	2019	2018
Energy Consumption			
Electricity Consumption	KWh	6,128,286	5,939,169
Electricity Intensity	KWh/unit produced	1.7	1.7
Water Consumption			
Water Consumption	Cubic metre	285,902	304,409
Water Intensity	Cubic metre/ unit produced	0.08	0.09
Packaging material Consumption			
Packaging material used for finished products	Tonnes	380.2	569.6
Intensity per number of production unit	Tonnes Co_2e/ unit produced	0.0001	0.0002

THE ENVIRONMENT AND NATURAL RESOURCES

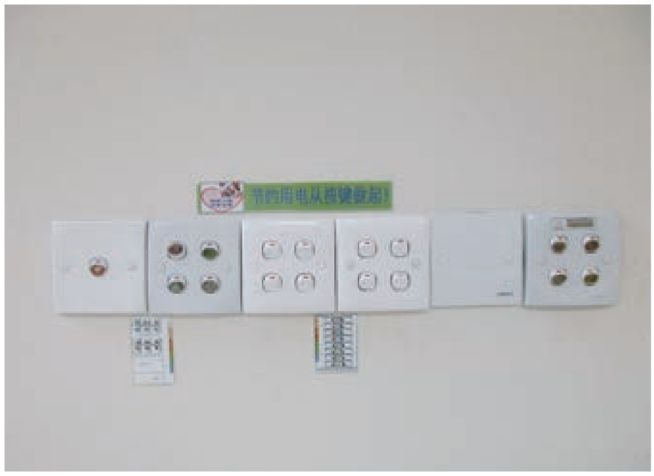
The Group is accountable for the environmental impacts of their operations. The Group is a supplier of some active members of the Sustainable Apparel Coalition, and has been using its Higg Index, a groundbreaking industry tool designed to measure environmental and social performance and the sustainability impacts of the operations and to enhance the efficiencies and improve the operation of the business. Ultimately, the goal of the Higg Index is to understand and quantify sustainability impacts, and to create a common way of communicating sustainability to consumers. Since 2013, the Group introduced the Higg Index's social and environmental assessments to their operations. The Group has worked with its customers to set energy saving target, helping the Group to improve their performance while reducing cost.

The Group encourages all employees to participate in different kinds of recycling activities and minimise the use of nature resources. In Year 2019, there is no significant impact on the environment and natural resources from the operations of the Group, in particular, the office and factory.

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

Recycling rubbish bin

In the Year 2019, Vietnam Tungtex, Zhongshan Tungtex and Dongguan Tungtex have actively introduced environmental protection measures in the office spaces, including (i) priority use of energy-saving lighting and electrical appliances; (ii) turning off electric equipment and lighting during non-office hours; and (iii) reuse of papers and driving forward paperless office gradually. In addition, the Group also encourages its employees to save resources, cherish food and avoid waste of resources by beginning with trivial things.



Slogan for saving of electricity usage

EMPLOYMENT

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

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

EMPLOYMENT *(Continued)*

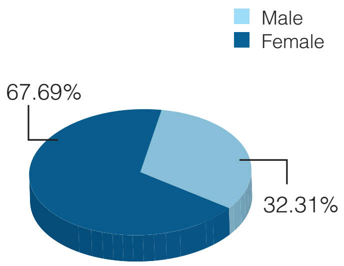
The Group has a set of comprehensive human resources management policy, namely the Tungtex Employees Handbook, Tungtex Code of Conduct and Tungtex Guidelines for Recruitment to provide guidances and requirements for employees behaviour. The Tungtex Employees Handbook has stated the areas of compensation and dismissal, recruitment and promotion, working hours, appraisal, training and benefits. The Group has always strictly observed the relevant legislations in our offices and factory locations regarding the equal employment opportunities, labour and forced labour.

The Group has implemented in place the policies and procedures in accordance with the employment regulations, relevant policies and guidance of the relevant jurisdictions where it operates, including the Employment Ordinance, the Employees' Compensation Ordinance and the Occupational Safety and Health Ordinance, etc. in Hong Kong; and the Labour Law of the People's Republic of China (the "PRC") (中華人民共和國勞動法) and the Labour Contract Law of the PRC (中華人民共和國勞動合同法) in the PRC and the Labour Code of the Socialist Republic of Vietnam.

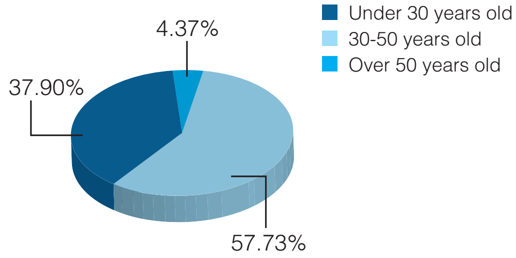
The Group has its internal procedure to report employees' information regularly in order to review employment practices so as to avoid any non-compliance. Furthermore, the Group strictly complies with the internal recruitment procedure to ensure no employments of child labour and forced labour.

Distribution of Workforce classified by Different catalogues for Zhongshan Tungtex, Vietnam Tungtex and Dongguan Tungtex

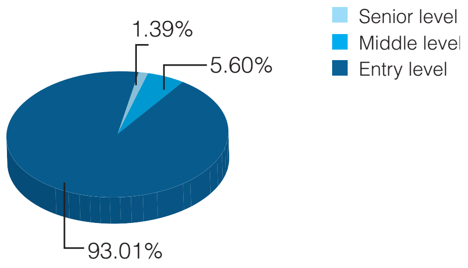
By gender



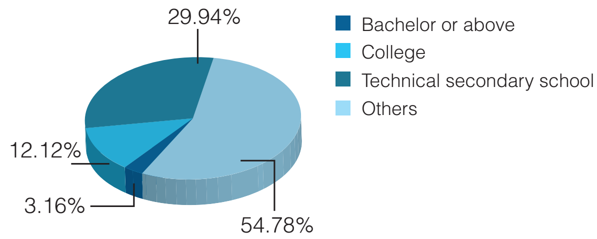
By age group



By employment category



By academic qualifications



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

EMPLOYMENT *(Continued)*

The Vietnamese media visited Vietnam Tungtex in Year 2019

In Year 2019, the Vietnamese media, located in the Long An Province of Vietnam has mentioned that Vietnam Tungtex's manpower is always stable due to the regime of salary, bonus and policies to retain its employees. In addition, Vietnam Tungtex does not discriminate against people and ensures conditions for employees to achieve high productivity and safety.

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

In order to help local disadvantaged groups integrating into the society, Zhongshan Tungtex and Dongguan Tungtex employ 8 and 10 staffs respectively who are physically disabled or mentally handicapped during the Year 2019. The Group strives to establish harmonious labour relationships. The Group protects the rights of staff by providing break time and leave days in accordance with relevant government laws and regulations.

Zhongshan Tungtex and Dongguan Tungtex employ staff who are physically disabled or mentally handicapped

Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with the Labour Law of the PRC, Labour Contract Law of the PRC, Labour Code of the Socialist Republic of Vietnam and other applicable laws and regulations that has a significant impact relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare on the Group during the Year 2019.

In addition, there was no non-compliance with relevant law and regulations that resulted in significant fines or sanctions in the Year 2019.

HEALTH AND SAFETY

The Group regards occupational health and safety as one of our first priority responsibilities. Vietnam Tungtex, Zhongshan Tungtex and Dongguan Tungtex are committed to complying with requirement of applicable laws and management principles on health and safety. Vietnam Tungtex, Zhongshan Tungtex and Dongguan Tungtex have established a series of monitoring procedures in relation to safety management. In addition, health and safety facilities are installed throughout the factory buildings.

HEALTH AND SAFETY *(Continued)*


Fire extinguishers and fire slogans are placed in the factory


The first aid boxes are placed throughout the factory


The factory's medical clinic provides medical services and emergency medical responses

The Group has implemented comprehensive emergency fire drill on semi-annually basis to enhance employee risk prevention and crisis management. A series of fire and safety drills were held under the plan of Year 2019. The plan includes training on controlling infectious diseases in the workplace, preventing heatstroke in hot working environments, personal protective equipment safety, hazardous chemical labeling as well as storage and safety training.

To promote the employee's awareness of environment, health and safety, the Group has set up an "Environmental, Health and Safety Committees" which comprises managers from various departments. The committees held meeting regularly during Year 2019.

Vietnam Tungtex, Zhongshan Tungtex and Dongguan Tungtex have equipped their factories with fire-fighting facilities such as fire extinguishers. Designated staff conducts inspection from time to time so as to ensure the exit passageways are clear and unblocked. In addition, Zhongshan Tungtex and Dongguan Tungtex have established volunteer firemen team to monitor the fire-fighting facilities equipped in the factories.


Employee of Zhongshan Tungtex and Vietnam Tungtex participated in respectively the fire drills on 19 April 2018 and 9 June 2018

HEALTH AND SAFETY *(Continued)*

Vietnam Tungtex, Zhongshan Tungtex and Dongguan Tungtex have stringent policies named Tungtex Sharp Tools Management System, Tungtex Log Out Tag Out Procedure and Tungtex Guidelines for Employees' Safety which are implemented in place to periodically review the functionality of machinery and equipment as well as working place condition during the production process. Vietnam Tungtex, Zhongshan Tungtex and Dongguan Tungtex continuously reduce workload intensity for frontline staff and improve the working environment. In Year 2019, Vietnam Tungtex, Zhongshan Tungtex and Dongguan Tungtex have arranged the first aid training seminar for their employees.

Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with the Law of the PRC on Work Safety (中華人民共和國安全生產法), Regulations on Work-Related Injury Insurance of the PRC (中華人民共和國工傷保險條例), Law on Occupational Safety and Health in Vietnam and other applicable laws and regulations that has a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards during the Year 2019. In addition, no non-compliance with relevant laws and regulations that resulted in significant fine or sanction in the Year 2019.

DEVELOPMENT AND TRAINING

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

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

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

Quality assurance training in Zhongshan Tungtex

LABOUR STANDARDS

The Group fully understands that exploitation of child and forced labour is universally condemned, and therefore takes the responsibilities against child and forced labour very seriously. The policy named Juvenile Employment Management Policy is implemented in place to ensure that no person who is underage or under coercion is hired and, if any such case is identified during the recruitment process, it will be reported to the relevant authorities.

Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with Labor Law of the PRC, Provisions on the Prohibition of Using Child Labour, Law on the Protection of Minors of the PRC, Labour Law of the Vietnam and other applicable laws and regulations that has a significant impact relating to preventing child or forced labour on the Group in Vietnam and the PRC during the Year 2019.

In addition, there was no non-compliance with relevant laws and regulations that resulted in significant fines or sanctions in the Year 2019.

SUPPLY CHAIN MANAGEMENT

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

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

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

Vietnam Tungtex, Zhongshan Tungtex and Dongguan Tungtex have a policy named Tungtex Approval and Management Procedure for Contractors, which requires the newly hired suppliers and contractors to have demonstrable track records of performance excellence. The Group requires its suppliers to act responsibly and adhere to its environmental, social and governance standards. In a situation where several suppliers can meet procurement requirements, the Group will select those with a good reputation for being environmentally and socially responsible and/or that hold relevant environmental certificates.

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

PRODUCT RESPONSIBILITY

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

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

Before Vietnam Tungtex, Zhongshan Tungtex and Dongguan Tungtex's products are dispatched, they must be passed for a series of internal quality control procedures, such as the procedure named "Needle detecting procedure". Vietnam Tungtex, Zhongshan Tungtex and Dongguan Tungtex also take the added initiative on follow up of every purchase with consumers to ensure that all products were inspected before delivery. Should there be any issues with its products after delivery, those products will be initiated on both due compensation and recall.

Product quality and safety are stated in employees' manuals and are clearly communicated to the employees. In addition, Vietnam Tungtex, Zhongshan Tungtex and Dongguan Tungtex run training sessions for their staff, suppliers and business partners in respect of product responsibilities.

Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with Law of the PRC and Law of Socialist Republic of Vietnam on relevant regulations and standards, such as product quality, technical regulations and other applicable laws and regulations that has a significant impact relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress on the Group during the Year 2019. In addition, there was no non-compliance with relevant laws and regulations that resulted in significant fines or sanctions in the Year 2019.

ANTI-CORRUPTION

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

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

Suggestion boxes are placed throughout the office

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

Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with Prevention of Bribery Ordinance, Anti-Unfair Competition Law of the PRC (中華人民共和國反不正當競爭法), Law on Competition in Vietnam and other applicable laws and regulations that has a significant impact on the issuer relating to bribery, extortion, fraud and money laundering during the Year 2019. In addition, there was no legal case concerning corruption brought against the Group or its employees in the Year 2019.

COMMUNITY INVESTMENT

The RMIT University in Ho Chi Minh City invited the general manager of Vietnam Tungtex, Mr. Amen Chin, as a guest to the event "Fashion@RMIT" during the Year 2019

COMMUNITY INVESTMENT *(Continued)*

Dongguan Tungtex joined the Qingxi Town recruitment activities in 2018 and 2019

In 2019, we helped people in need through donations and public welfare activities. The Group has donated amounting to HK$21,000 during this year.

On 31 March 2019, 深圳百多爾時裝有限公司 has joined "旭茉 JESSICA Run" which is a charity run event organised by the Hong Kong women's trendy magazine "JESSICA" and "JESSICA Charitable Foundation".

The Group actively encourages employees to contribute their time and skills to community volunteer works to benefit local communities by giving them opportunities to learn more about social and environmental issues and enhance the corporate value of the Group.

As a moral and responsible enterprise, the Group considers from time to time to make donations to charities when the Group records after-tax profits and has sufficient funds.

The Board of Directors (the "Board") and Management are committed to uphold a high standard of corporate governance with an aim to safeguard the interest of shareholders and the Company as a whole.

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Board is of the view that the Company has complied with all the code provisions set out in the Code throughout the year ended 31 March 2019.

A. DIRECTORS

A.1 The Board

The Board is accountable to the shareholders for leading the Group in a responsible and effective manner. Every director is charged with acting in the best interest of the Group and contributing to the Group with their expertise and knowledge. The Board decides on overall Group strategies and monitors the Group's performance on behalf of the shareholders.

The Board meets regularly, and at least four times a year scheduled at approximately quarterly intervals according to the Code. Between scheduled meetings, monthly updates for the performance of the Group are provided to directors on a regular basis. Whenever warranted, additional Board meetings are held. During the year ended 31 March 2019, the attendance of each director at the Board meetings and the Annual General Meeting held on 31 August 2018 (the "2018 AGM") is set out as follows:

Name of director	Attendance at the 2018 AGM	Attendance at Board meetings
Mr. Martin Tung Hau Man	1/1	7/7
Mr. Raymond Tung Wai Man	1/1	7/7
Mr. Billy Tung Chung Man	1/1	7/7
Mr. Tony Chang Chung Kay	0/1	7/7
Mr. Robert Yau Ming Kim	1/1	7/7
Mr. Leslie Chang Shuk Chien	1/1	7/7
Mr. Kenneth Yuen Ki Lok (appointed on 26 July 2018)	1/1	6/7

To provide an opportunity to directors to include matters for discussion in the agenda, at least 14 days' notice of a Board meeting is normally given to all directors. Every director is entitled to have access to the advice and services of the company secretary with a view to ensuring that the Board procedures, and all applicable rules and regulations, are followed. All minutes are kept by the company secretary and are open for inspection by any director with reasonably advance notice. Minutes of Board meetings and meetings of Board committees should record in sufficient detail the matters considered by the Board/Board Committees and decisions reached. Draft and final versions of minutes of Board meetings will be sent to all directors for their comments and records respectively within a reasonable time after the Board meeting is held.

All Directors have full and timely access to all the information of the Group and may, upon request, seek independent professional advice at the expense of the Company should such advice be considered necessary by any director. If a substantial shareholder or a director has a conflict of interest in a matter to be considered material by the Board, the matter will be dealt with in accordance with applicable rules and regulations and, if appropriate, an independent Board committee will be set up to deal with the matter.

The Company has arranged appropriate Directors and Officers liability insurance coverage for its directors and officers.

A.2 Chairman and Managing Director

The positions of the Chairman and the Managing Director of the Company are currently held by separated individuals, with Mr. Martin Tung Hau Man ("Mr. Martin Tung") being the Chairman and Mr. Raymond Tung Wai Man being the Managing Director. The Chairman is responsible for ensuring that the Board is functioning properly, with good corporate governance practices and procedures. He also steers the Board and the Company towards corporate goals. The Managing Director is responsible for effective implementation of the overall strategies and initiatives adopted by the Board.

With the support of the Managing Director and the Company Secretary, the Chairman seeks to ensure that all directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information on a timely basis. Apart from the regular Board meetings, the Chairman holds at least one meeting with the independent non-executive directors annually without the presence of other directors.

A.3 Board composition

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

Executive directors:
Mr. Martin Tung Hau Man *(Chairman)*
Mr. Raymond Tung Wai Man *(Managing Director)*
Mr. Billy Tung Chung Man

Independent non-executive directors:
Mr. Tony Chang Chung Kay
Mr. Robert Yau Ming Kim
Mr. Leslie Chang Shuk Chien
Mr. Kenneth Yuen Ki Lok (appointed on 26 July 2018)

More than one-third of the Board are independent non-executive directors. The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. None of the independent non-executive directors holds cross-directorships. Mr. Leslie Chang Shuk Chien ("Mr. Chang"), an independent non-executive director of the Company, is the managing director of Chang Leung Hui & Li C.P.A. Limited ("Mr. Chang's Firm") which provides auditing, accounting and taxation services to the public. Mr. Chang's Firm, through another engagement partner, has been providing auditing, accounting and taxation services to a private company controlled by Mr. Robert Yau Ming Kim ("Mr. Yau"), an existing independent non-executive director of the Company, and personal taxation service to Mr. Yau himself for over 20 years. Mr. Chang personally was not, and would not be involved in the provision of any services to Mr. Yau and his controlled company. Apart from the above, Mr. Chang or Mr. Chang's Firm has not provided and does not provide services to any of the Company's existing directors (including executive directors) and/or substantial shareholders. Nor has he been involved and is involved in business dealings with the Company, its respective subsidiaries, its other directors or with any core connected persons of the Company. In view of the above and that the level of fees received by Mr. Chang's Firm from Mr. Yau and his controlled company is insignificant, the Company considers they are independent. The Company considers that all independent non-executive directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent.

The relationship among members of the Board is disclosed in "Directors' Report" of this annual report.

A.4 Appointment, re-election and removal

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

In accordance with the Code and the Company's Articles of Association, all directors (including independent non-executive directors) are subject to retirement by rotation once every three years. Composition of the Board will be reviewed regularly to ensure that it covers a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. The directors' profile is set out on pages 36 to 37.

A.5 Responsibilities of directors

The directors are continually updated with the regulatory requirements, business activities and development of the Company to facilitate the discharge of their responsibilities. Through regular Board meetings, all directors are kept abreast of the conduct, business activities and development of the Company.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors. Confirmation has been sought from all directors that they have complied with the required standards set out in the Model Code throughout the year ended 31 March 2019. The Board has also adopted the Model Code as guidelines for relevant employees in respect of their dealings in the securities of the Company.

The directors have disclosed to the Company at the time of their appointment and from time to time thereafter the number and nature of offices held in public companies or organisations and other significant commitments with an indication of the time involved.

The Company has from time to time provided relevant reading materials and briefings to directors on the latest developments regarding the Listing Rules and other applicable legal and regulatory requirements relating to the roles, functions and duties of a listed company director. Attendance at external seminars or briefing sessions on the relevant topics also counts toward Continuous Professional Development ("CPD") training.

The directors have provided to the Company their records of CPD training during the year ended 31 March 2019 and the CPD training undertaken by the directors is summarised into the following areas:

Name of director	Legal, regulatory and Corporate Governance	Directors' roles, functions and duties
Executive directors:		
Mr. Martin Tung Hau Man	✓	✓
Mr. Raymond Tung Wai Man	✓	✓
Mr. Billy Tung Chung Man	✓	✓
Independent non-executive directors:		
Mr. Tony Chang Chung Kay	✓	✓
Mr. Robert Yau Ming Kim	✓	✓
Mr. Leslie Chang Shuk Chien	✓	✓
Mr. Kenneth Yuen Ki Lok (appointed on 26 July 2018)	✓	✓

A.6 Supply of and access to information

In respect of regular Board meetings, an agenda and accompanying board papers of the meeting are sent in full to all directors at least 3 days before the intended date of a meeting.

The management has an obligation to supply the Board and its committees with adequate information in a timely manner to enable the members to make informed decisions. Each director has separate and independent access to the Company's management to acquire more information than is volunteered by management and to make further enquiries where necessary.

B. DELEGATION BY THE BOARD

B.1 Management functions

Executive directors are in charge of different business and functional divisions in accordance with their respective areas of expertise. The Board, led by the Chairman, is responsible for setting overall corporate strategies; overseeing their implementation, monitoring the Group's operational and financial performance; and approval of matters that are of a material or substantial nature and ensure that sound internal control and risk management systems are in place. Supported by management members, the Managing Director is responsible for effective implementation of the Board's decisions and the day-to-day operations of the Group.

B.2 Board committees

Audit Committee, Remuneration Committee and Nomination Committee have been established to oversee specific aspects of the Company's affairs. Each of these committees has specific written terms of reference which deal clearly with their authority and duties.

B.3 Corporate governance functions

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

– To develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
– To review and monitor the training and continuous professional development of directors and senior management;
– To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
– To develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
– To review the Company's compliance with the Code and disclosure in the Corporate Governance Report.

C. NOMINATION COMMITTEE

A Nomination Committee was established by the Company on 20 March 2012. Mr. Martin Tung is currently the Chairman of the Committee. The other members are the four independent non-executive directors, Mr. Tony Chang Chung Kay, Mr. Robert Yau Ming Kim, Mr. Leslie Chang Shuk Chien and Mr. Kenneth Yuen Ki Lok, respectively.

The primary duties of the Nomination Committee include the followings:

– To review the structure, size and composition of the Board and make recommendations on any proposed changes to the Board to implement the Company's corporate strategy;
– To identify and nominate potential individuals for directorship;
– To assess the independence of independent non-executive directors;
– To make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors;

- To review the Company's Board Diversity Policy and measurable objectives that the Board has set for implementing the Board Diversity Policy and monitor the progress on achieving the objectives; and
- To review the policy for the nomination of directors, which includes the nomination procedures and the process and criteria to select and recommend candidates for directorship.

Nomination Committee meets at least once a year. The full terms of reference are available on the Company's website at www.tungtex.com and the website of Hong Kong Exchanges and Clearing Limited ("HKEx").

The Company has adopted the Board Diversity Policy, setting out the approach to diversity on the Board. In the Board Diversity Policy, the Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. A truly diverse Board will include and make good use of differences in the gender, age, cultural and educational background, professional and industry experience, skills and knowledge, ethnicity, length of service and other qualities of Directors. These differences will be taken into account in determining the optimum composition of the Board. All Board appointments will be based on merit, having due regard for the benefits of diversity on the Board.

The structure, size and composition of the Board are reviewed from time to time by the Nomination Committee as regards to the Board Diversity Policy to ensure the Board has a balanced composition of skills, knowledge and experience appropriate for the requirements of the businesses of the Group.

The Company has also adopted a nomination policy to provide guidance on the appointment, re-appointment and succession planning for directors and determine the structure, size and composition of the Board based on the Board Diversity Policy.

The selection criteria for the Nomination Committee to consider a candidate for directorship includes the qualities listed in the Board Diversity Policy, the independence requirements set out in the Listing Rules, commitment of the candidate to devote sufficient time to perform his/her duties and responsibilities to the Company and other criteria considered by the Nomination Committee to be appropriate and relevant on a case by case basis.

Any nomination of directors will be reviewed and discussed by the Nomination Committee. Upon considering a candidate suitable for the directorship after having regard to the above selection criteria, the Nomination Committee will approve the recommendation to the Board for appointment. After due consideration, the Board confirms to appoint the candidate to fill a casual vacancy or as an addition to the Board or recommends the candidate to stand for election at a general meeting.

During the year ended 31 March 2019, the Nomination Committee held one meeting, with attendance record as follows:

Name of member	Number of attendance
Mr. Martin Tung Hau Man *(Chairman)*	1/1
Mr. Tony Chang Chung Kay	1/1
Mr. Robert Yau Ming Kim	1/1
Mr. Leslie Chang Shuk Chien	1/1
Mr. Kenneth Yuen Ki Lok (appointed on 26 July 2018)	1/1

The following is a summary of the work of the Nomination Committee during the year ended 31 March 2019:

- Reviewed the structure, size, composition and diversity of the Board;
- Reviewed the retirement of directors by rotation and the re-election of retiring directors at the 2018 AGM;
- Assessed the independence of independent non-executive directors; and
- Reviewed the nomination policy of the Board.

D. REMUNERATION COMMITTEE

A Remuneration Committee was established by the Company in 2005. The Committee is chaired by Mr. Robert Yau Ming Kim, who is an independent non-executive director, and the other members are Mr. Martin Tung, executive director, Mr. Tony Chang Chung Kay and Mr. Leslie Chang Shuk Chien, independent non-executive directors.

The primary function of the Remuneration Committee is to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and to determine the remuneration packages of individual executive directors and senior management. The director's emoluments are determined, among other things, by reference to his duties and responsibilities with the Company, his experience in the industry, the prevailing market conditions and the Group's performance. The Remuneration Committee ensures that no director or any of his associates is involved in deciding his own remuneration. The full terms of reference are available on the website of the Company and the website of HKEx.

During the year ended 31 March 2019, the Remuneration Committee held three meetings, with attendance record as follows:

Name of member	Number of attendance
Mr. Robert Yau Ming Kim *(Chairman)*	3/3
Mr. Martin Tung Hau Man	3/3
Mr. Tony Chang Chung Kay	3/3
Mr. Leslie Chang Shuk Chien	3/3

The following is a summary of the work of the Remuneration Committee during the year ended 31 March 2019:

– Determined, with delegated responsibility, the remuneration packages of individual executive directors;
– Made recommendations to the Board on the remuneration of independent non-executive directors; and
– Approved annual bonus for the year ended 31 March 2019.

Details of the remuneration of directors are disclosed on an individual basis and are set out in note 11 to the consolidated financial statements of the Group. As the members of the Board coincide with the members of the senior management of the Group and the remuneration of directors have been disclosed, no disclosure about the remuneration payable to members of senior management could be made.

E. AUDIT COMMITTEE

An Audit Committee was established in 1999 and all the members are independent non-executive directors, namely Mr. Leslie Chang Shuk Chien, Mr. Tony Chang Chung Kay and Mr. Robert Yau Ming Kim. The Committee is chaired by Mr. Leslie Chang Shuk Chien, who possesses recognised professional qualifications in accounting and extensive experience in audit and accounting. None of the Audit Committee members is a former partner of the existing auditing firm of the Company during the two years from the date of his ceasing to be a partner of the auditing firm. The Audit Committee is to oversee the Group's financial reporting system, risk management and internal control systems, to review the financial information and reporting process, effectiveness of the internal audit function, and to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The full terms of reference are available on the website of the Company and the website of HKEx.

During the year ended 31 March 2019, the Audit Committee held three meetings with attendance record as follows:

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

At the meetings, the Audit Committee has reviewed the audited financial statements for the year ended 31 March 2018 and the interim accounts for six months ended 30 September 2018 respectively with management and the Company's external auditor. The Audit Committee has also reviewed the Group's accounting principles and practices, listing rules and statutory compliance, financial reporting matters and the effectiveness of the risk management and internal control systems and the internal audit function, appointment of external auditor and their relevant scope of works, and arrangements for employees to raise concerns about possible improprieties. The Audit Committee met the external auditor twice without the presence of the executive directors and the management.

F. ACCOUNTABILITY AND AUDIT

F.1 Financial reporting

The management provides sufficient explanation and information to the Board to enable it to make an informed assessment of the financial and other information put before the Board for approval.

The directors acknowledge their responsibility to prepare the financial statements that give a true and fair view of the state of affairs of the Group. Meanwhile, the directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgements and estimates made are prudent and reasonable. The preparation of the financial statements for the year ended 31 March 2019 is in accordance with statutory requirements and applicable accounting standards.

The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern. The Board has prepared the financial statements on a going concern basis.

The primary objective of the Company is to maximise shareholders' value and sustain steady business development in the long run. The "Management Discussion and Analysis" contain a discussion and analysis of the Group's performance, an explanation of the basis on which the Company generates or preserves value over the longer term and the strategy for delivering its objectives.

The reporting responsibilities of external auditor of the Company are disclosed in "Independent Auditor's Report".

F.2 Risk management and internal control

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

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

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

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

The Board has acknowledged its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage the risks of failure in the Group's operational systems and in the achievement of the Group's objectives.

The Board, through the Audit Committee and the internal audit department, considers that the Group's risk management and internal control systems are adequate and effective for the year ended 31 March 2019.

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

F.3 Remuneration to the external auditor of the Company

The remuneration paid and payable to the external auditor of the Company for the year ended 31 March 2019 is set out as follows:

Services rendered	**Fee** *HK$'000*
Audit service	830
Non-audit services	288

G. COMMUNICATION WITH SHAREHOLDERS

G.1 Effective communication

The Company discloses relevant information to shareholders through the Company's annual report and financial statements, the interim report, as well as the AGM. The sections under "Chairman's Statement" and "Management Discussion and Analysis" of the annual reports facilitate the shareholders' understanding of the Company's activities. The AGM allows the directors to meet and communicate with shareholders. The Company gives at least 20 clear business days' prior notice to shareholders before the AGM. The Company's financial statements and each of the required disclosure of information are despatched within the prescribed period imposed by laws and regulations.

At the 2018 AGM, a separate resolution was proposed in respect of each substantially separate issue, including the re-election of individual directors. The Chairman of the Board (also being the Chairman of the Nomination Committee), Chairman of the Audit Committee and members of the Remuneration Committee attended the 2018 AGM and were available to answer questions of the shareholders.

To further promote effective communication, the corporate website is maintained to disseminate Company announcements and other relevant financial and non-financial information electronically on a timely basis. The Board has adopted a shareholders' communication policy which will be subject to periodic review to ensure its effectiveness.

G.2 Shareholders' rights

Shareholder(s) representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings may, in accordance with the requirements and procedures set out in the Companies Ordinance (Chapter 622), request the Board to convene a general meeting. The general nature of the business to be dealt with at the meeting must be stated in the request which may be sent to the Company in hard copy form or in electronic form, and must be authenticated by the person(s) making it.

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

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

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

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

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

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

G.3 Voting by poll

Detailed procedures for conducting a poll were properly explained at the commencement of the 2018 AGM.

At the 2019 Annual General Meeting (the "2019 AGM"), the chairman of the meeting will demand a poll on all the resolutions in accordance with the requirements of the Listing Rules. Poll results will be posted on the websites of the Company and HKEx following the 2019 AGM.

G.4 Dividend policy

The Company has adopted a dividend policy to allow the shareholders of the Company to participate in the Company's profits whilst preserve adequate reserves and liquidity for the Company's future business development. Factors to be considered by the Board before recommendation or declaration of dividends include operational and financial performance, liquidity position, working capital and capital expenditure requirements for future business needs and expansion plans, shareholders' interests, general economic conditions and other internal or external factors that may have an impact on the operational and financial performance of the Group, and other factors that the Board considers relevant.

The Board has discretion on whether to pay a dividend and the form of dividend payment, subject to the approval of shareholders, the Company's Articles of Association, the Listing Rules and other applicable laws, rules and regulations. The Board will review the dividend policy from time to time and has absolute and sole discretion to update, amend or modify the policy.

H. COMPANY SECRETARY

Mr. Liu Hoi Keung of JWMG Professional Services Limited, an external service provider, has been engaged by the Company as the company secretary of the Company. His primary contact person at the Company is Ms. Cheung Yiu Shan (Group Chief Financial Officer).

The directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2019.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activity of its subsidiaries is the manufacture and sale of garments. The activities of its principal subsidiaries are set out in note 20 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's largest and five largest customers were 11% and 37%, respectively. The aggregate purchases attributable to the Group's largest and five largest suppliers were 7% and 19%, respectively.

At no time during the year did a director, close associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's total issued shares) have an interest in any of the Group's five largest customers or suppliers.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2019 and the financial position of the Group at that date are set out in the consolidated financial statements on pages 43 to 46.

A special dividend of HK1.1 cents per share amounting to approximately HK$5.1 million was approved by the Board of Directors during the year. The special dividend was already settled in cash on 10 April 2019.

The Board of Directors does not recommend the payment of a final dividend for the year ended 31 March 2019.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 March 2019 represented the retained profits of HK$33,556,000 (2018: HK$41,129,000).

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 97.

FIXED ASSETS

Movements in investment property and property, plant and equipment during the year are set out in notes 16 and 17 to the consolidated financial statements respectively.

BUSINESS REVIEW AND PERFORMANCE

Review of our business and performance

A review of the business of the Group and a discussion and analysis of the Group's performance during the year and an analysis using financial key performance indicators are provided in the Chairman's Statement and Management Discussion and Analysis respectively on page 3 and from pages 4 to 11 of this Annual Report. All these sections constitute part of this Directors' Report.

Principal risks and uncertainties

The following are the principal risks and uncertainties facing the Company as required to be disclosed pursuant to the Companies Ordinance (Chapter 622 of the laws of Hong Kong) and are in addition to the matters referred to in the Chairman's Statement and Management Discussion and Analysis.

1. Economic climate and individual market performance

The impact of economic conditions on consumer confidence and buying habits would affect sales and results of the Group. The economic growth or decline in our geographical markets that affected consumer spending on garments would also affect our business. The Group continues to implement its strategies to develop and strengthen penetration of different geographical markets thereby reducing its dependency on specific markets.

2. Loss of key individuals or the inability to attract and retain talent

Lack of appropriately skilled and experienced resource could result in a delay in achieving the Group's strategic goals. The risk of the loss of key personnel is mitigated by regular reviews of recruitment and retention practices, remuneration packages and succession planning within the management team.

3. Customers' credit risk

The maximum exposure to credit risk by the Group which will cause a financial loss due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Group only extends credit to customers based on careful evaluation of the customers' financial conditions and credit history. Credit sales of products are made to customers with an appropriate credit history. In addition, the Group reviews the recoverable amount of debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

Details of the customers' credit risk are set out in note 39(b) to the consolidated financial statements.

4. Liquidity risk

In management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with the relevant loan covenants.

Details of the liquidity risk are set out in note 39(b) to the consolidated financial statements.

5. Currency risk

The Group has foreign currency transactions and foreign currency borrowings, which expose the Group to foreign currency risk.

The Group manages and monitors foreign exchange exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group has entered into several foreign currency forward contracts to mitigate the risks as deemed appropriate.

Details of the currency risk are set out in note 39(b) to the consolidated financial statements.

6. Interest rate risk

The Group is mainly exposed to cash flow interest rate risk in relation to floating-rate bank balances and bank borrowings. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Details of the interest rate risk are set out in note 39(b) to the consolidated financial statements.

7. Equity price risk

The Group is exposed to equity price risk through their financial assets at fair value through profit or loss/held for trading investments. The Group's equity price risk is concentrated on equity instruments quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The management manages the exposure to price risk by maintaining a portfolio of investments with different risk and return profiles.

Details of the equity price risk are set out in note 39(b) to the consolidated financial statements.

Compliance with laws and regulations

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

Details on the Group's environmental policies and performance can be found in the Environmental, Social and Governance Report from pages 12 to 25 of this Annual Report.

Stakeholders' engagement

The Group obtains and understands the views of our customers, employees, suppliers and other stakeholders regularly. This communication provides valuable feedback for our business and assists us to understand stakeholders' needs and assess the best way to leverage our resources and expertise to contribute to future business and community development.

The Group has taken steps through the year to ensure that we operate responsibly and in the interest of our customers and suppliers, such as placing a high priority on quality to promote customers satisfaction in terms of products and services and conducting procurement from suppliers fairly. Further details on the key relationships with customers and suppliers are also disclosed in the Environmental, Social and Governance Report from pages 12 to 25 of this Annual Report.

An account of the Company's relationships with employees is included in the Management Discussion and Analysis and Environmental, Social and Governance Report respectively from pages 4 to 11 and pages 12 to 25 of this Annual Report.

SHARE CAPITAL

Details of movements in the Company's share capital for the year ended 31 March 2019 are set out in note 30 to the consolidated financial statements.

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

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

PERMITTED INDEMNITY PROVISION

During the financial year and up to the date of this Directors' Report, the Company has in force indemnity provisions as permitted under the relevant statutes for the benefit of the Directors (including former Directors) of the Company. The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and other officers arising out of corporate activities.

DIRECTORS

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

Executive directors:

Martin Tung Hau Man *(Chairman)*
Raymond Tung Wai Man *(Managing Director)*
Billy Tung Chung Man

Independent non-executive directors:

Tony Chang Chung Kay
Robert Yau Ming Kim
Leslie Chang Shuk Chien
Kenneth Yuen Ki Lok (appointed on 26 July 2018)

Pursuant to Article 80(A) of the Company's Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from office by rotation, provided that every director (including those appointed for a specific term or holding office as Chairman or Managing Director) shall be subject to retirement by rotation at least once every three years or within such other period as the Stock Exchange may from time to time prescribe. Accordingly, Messrs. Raymond Tung Wai Man, Billy Tung Chung Man and Leslie Chang Shuk Chien retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election thereat.

None of the directors being proposed for re-election at the forthcoming annual general meeting has any unexpired service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS OF SUBSIDIARIES

The names of all directors who have served on the boards of the subsidiaries of the Company during the year ended 31 March 2019 or during the period from 1 April 2019 to the date of this Directors' Report are available on the website of the Company.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors:

Martin Tung Hau Man

Chairman
Chairman of Nomination Committee
Member of Remuneration Committee
Aged 44, joined the Group in 2000 and was promoted to assistant director in 2002. Mr. Tung was appointed as an executive director and Chairman of the Board of Directors in 2010 and 2018 respectively. He also holds directorships in some subsidiaries of the Company. He holds a Bachelor of Arts Degree in Economics from Simon Fraser University and a Master of Science Degree in Engineering Business Management from The University of Warwick.

Mr. Tung is the son of Mr. Benson Tung Wah Wing and Ms. Wong Fung Lin, together own the entire equity interest in Corona Investments Limited ("Corona"), the substantial and controlling shareholder of the Company. He is the brother of Mr. Billy Tung Chung Man, executive director and the cousin of Mr. Raymond Tung Wai Man, the managing director. Mr. Martin Tung is a director of Corona.

Raymond Tung Wai Man

Managing Director
Aged 53, joined the Group in 1988 and was appointed as an executive director and managing director in 2000 and 2018 respectively. Mr. Tung also holds directorships in some subsidiaries of the Company. He holds a Post-experience Certificate in Engineering Business Management from The University of Warwick. He is the nephew of Mr. Benson Tung, the cousin of Mr. Martin Tung and Mr. Billy Tung.

Billy Tung Chung Man

Aged 42, joined the Group in 2001 and was promoted to assistant director in 2003. Mr. Tung was appointed as an executive director in 2010. He is also the managing director of the Group's retail operation and director of some subsidiaries of the Company. He holds a Bachelor of Engineering Degree in Civil Engineering from The University of Warwick and a Master of Science Degree in Information Technology from University College London. He is the son of Mr. Benson Tung Wah Wing and Ms. Wong Fung Lin, together own the entire equity interest in Corona, the substantial and controlling shareholder of the Company, the brother of Mr. Martin Tung and the cousin of Mr. Raymond Tung. Mr. Billy Tung is a director of Corona.

Independent Non-executive Directors:

Tony Chang Chung Kay

Member of Audit Committee, Remuneration Committee and Nomination Committee
Aged 63, was appointed as a non-executive director in 1994. He was re-designated as an independent non-executive director of the Company in 1995. He is a director of a famous shirt making private company and has over 40 years' experience in the garment industry. He holds a Bachelor of Science Degree from McGill University.

Robert Yau Ming Kim

Chairman of Remuneration Committee
Member of Audit Committee and Nomination Committee
Aged 80, was appointed as an independent non-executive director in 2006. He has extraordinary and extensive experience in the textile and clothing industry. Before his retirement as managing director of a renowned international apparel buying office in Hong Kong in August 2004, he had held senior positions including chief executive or managing director of various major international and local apparel companies since 1971. From 1998 to 2004, he served as vice chairman of The Hong Kong Exporters' Association, member of the Executive Committee of The Hong Kong Shippers' Council and member of the Garment Advisory Committee of the Hong Kong Trade Development Council. Graduated at Wah Yan College, he served as trade officer in the Hong Kong Government in 1960s. In 1970, he was seconded by the Hong Kong Government to the General Agreement on Tariffs and Trade ("GATT") Secretariat (now known as the World Trade Organization) in Geneva, Switzerland and was awarded GATT Fellowship after his attachment. He is currently an independent non-executive director of Parkson Retail Group Limited and Alltronics Holdings Limited respectively, the shares of which are listed on the Main Board of the Stock Exchange.

Leslie Chang Shuk Chien

Chairman of Audit Committee
Member of Remuneration Committee and Nomination Committee
Aged 72, was appointed as an independent non-executive director in 2012. He is an associate member of Hong Kong Institute of Certified Public Accountants. He is the managing director of Chang Leung Hui & Li C.P.A. Limited since 1997. He is a certified public accountant practising in Hong Kong since 1982 and has over 40 years of experience in the field of auditing and accounting.

Kenneth Yuen Ki Lok

Member of Nomination Committee

Aged 44, was appointed as an independent non-executive director of the Company in 2018. Mr. Yuen is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He holds a Bachelor of Business Administration Degree in Accounting from Hong Kong Baptist University, a Master of Professional Accounting Degree from The Hong Kong Polytechnic University and a Master of Business Systems Degree from Monash University. Mr. Yuen has 9 years' financial management and business development experience in a garment manufacturing group, and about 10 years of experience in providing audit, assurance and advisory services in professional firms. He is currently a senior management of a professional firm.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2019, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive was taken or deemed to have under such provisions of the SFO) and have been recorded in the register maintained by the Company pursuant to section 352 of the SFO, or which have been notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long positions in shares of the Company

Name of director	Capacity	Number of issued ordinary shares held/ interested	Percentage of the issued shares of the Company
Martin Tung Hau Man	Beneficial owner	1,604,000	0.35%
Raymond Tung Wai Man	Beneficial owner	360,000	0.08%
Billy Tung Chung Man	Beneficial owner	1,472,400	0.32%
Tony Chang Chung Kay	Beneficial owner	3,844,760	0.83%

Save as disclosed above, as at 31 March 2019, none of the directors nor chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which has been notified to the Company and the Stock Exchange pursuant to the Model Code.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, or any of its subsidiaries, a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Other than those disclosed under the section "Related Parties Disclosures" in note 36 to the consolidated financial statements, which do not fall under the definition of continuing connected transactions pursuant to Chapter 14A of the Listing Rules, no transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company or entities connected with the director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2019, the following substantial shareholders, other than directors and chief executives of the Company, had the interests and short positions in the shares and underlying shares of the Company which have been disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, have been recorded in the register kept by the Company pursuant to section 336 of SFO:

Long positions in shares of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held/ interested	Percentage of the issued shares of the Company
Corona Investments Limited	Beneficial owner *(note a)*	150,059,268	32.33%
Benson Tung Wah Wing	Interest of controlled corporation *(note a)*	150,059,268	32.33%
Madam Wong Fung Lin	Interest of controlled corporation *(note a)*	150,059,268	32.33%
Wykeham Capital Asia Value Fund ("WCAVF")	Beneficial owner *(note b)*	32,838,000	7.07%
Wykeham Capital Limited	Investment manager *(note b)*	32,838,000	7.07%
Thomas Howel Gruffudd Rhys	Interest of controlled corporation *(note b)*	32,838,000	7.07%
Webb David Michael	Beneficial owner *(note c)*	11,289,334	2.43%
	Interest of controlled corporation *(note c)*	16,610,666	3.58%

Notes:

(a) 150,059,268 shares are owned by Corona. Mr. Benson Tung Wah Wing and his spouse, Madam Wong Fung Lin, together own the entire equity interests in equal shares in Corona. Accordingly, by virtue of the SFO, they are deemed to be interested in the 150,059,268 shares held by Corona.

(b) Based on the notice of disclosure of interests of Thomas Howel Gruffudd Rhys filed on 6 August 2018, he was deemed to be interested in the 32,838,000 shares owned by WCAVF by virtue of his 100% shareholding interest in Wykeham Capital Limited (which is the investment manager of WCAVF).

(c) Based on the notice of disclosure of interests of Webb David Michael filed on 9 February 2018, he is beneficial owner of 11,289,334 shares. In addition, 16,610,666 shares are held by Preferable Situation Assets Limited, a company 100% controlled by Webb David Michael. In total, he is interested in 27,900,000 shares, representing 6.01% of the issued shares of the Company.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or substantial part of the business of the Company were entered into or existed during the year.

INDEPENDENCE CONFIRMATIONS OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

CORPORATE GOVERNANCE

Throughout the year ended 31 March 2019, the Company has complied with all the code provisions set out in the CG Code contained in Appendix 14 of the Listing Rules.

Further information on the Company's corporate governance practices is set out in the "Corporate Governance Report" from pages 26 to 32 of the Annual Report.

EMOLUMENT POLICY

The emoluments of the directors of the Company are determined, among other things, with reference to their duties and responsibilities in the Company, their experience in the industry, prevailing market conditions and the Group's performance.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules throughout the year ended 31 March 2019 and up to the latest practicable date prior to the issue of this annual report.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK$21,000.

AUDITOR

Deloitte Touche Tohmatsu ("Deloitte") resigned as the auditor of the Company with effect on 23 March 2018 and D & PARTNERS CPA LIMITED ("D & PARTNERS") was appointed as the new auditor of the Company with effect from 23 March 2018 to fill the casual vacancy following the resignation of Deloitte.

The consolidated financial statements for the year ended 31 March 2019 were audited by D & PARTNERS, who will retire at the forthcoming annual general meeting ("AGM") of the Company and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of D & PARTNERS as auditor of the Company will be proposed at the AGM.

Save for the above, there has been no other change in the auditor of the Company in any of the preceding three years.

On behalf of the Board
Martin Tung Hau Man
Chairman

Hong Kong, 28 June 2019

D & PARTNERS
CERTIFIED PUBLIC ACCOUNTANTS

TO THE MEMBERS OF TUNGTEX (HOLDINGS) COMPANY LIMITED
同得仕(集團)有限公司
(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Tungtex (Holdings) Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 43 to 96, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Valuation of inventories	
We identified the valuation of inventories as a key audit matter due the use of judgement and estimates by the management in estimating the allowance for inventories. In determining the allowance for inventories, the management considers the aging analysis, current market trends, and makes an estimate of net realisable value for obsolete and slow-moving inventories that are no longer popular in the market with reference to subsequent sales or usage information. As disclosed in note 22 to the consolidated financial statements, the carrying amount of inventories were HK$132,920,000 as at 31 March 2019. During the year ended 31 March 2019, allowance for inventories of HK$13,591,000 (2018: HK$9,984,000) was recognised.	Our procedures in relation to the valuation of inventories include: • Understanding how management estimates the allowance for inventories; • Assessing the reasonableness of the determination of net realisable value and estimation of allowance for inventories by the management with reference to the aging analysis, and information in respect of current market trends, subsequent sales and usage of inventories; • Testing the aging analysis and information in respect of subsequent sales or usage of inventories; on a sampling basis, to source documents; and • Evaluating the historical accuracy of the management's estimation on allowance for inventories by comparing historical allowance made to the actual selling prices and actual loss incurred.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment of plant and machinery, furniture, fixture and equipment and leasehold improvements	
We identified the impairment of plant and machinery, furniture, fixture and equipment and leasehold improvements as a key audit matter because of its significance to the consolidated financial statements and high degree of management judgement involved in determining the recoverable amounts. As disclosed in note 17 to the consolidated financial statements, the carrying amounts of the Group's plant and machinery, furniture, fixture and equipment and leasehold improvements was HK$17,064,000 as at 31 March 2019. The calculation of the recoverable amount requires the management of the Group to estimate the higher of fair value less costs of disposal and value in use of those assets. Management reviewed the recoverable amounts of the plant and machinery, furniture, fixture and equipment and leasehold improvements at the end of the reporting period by estimating the respective fair value less costs of disposal of these assets to determine the impairment amount required to write down these assets to their recoverable amounts.	Our procedures in relation to the impairment of plant and machinery, furniture, fixture and equipment and leasehold improvements include: • Understanding how the management performs the impairment assessment in respect of the plant and machinery, furniture, fixture and equipment and leasehold improvements; • Evaluating the management's assessment in estimating recoverable amount of the plant and machinery, furniture, fixture and equipment and leasehold improvements; • Testing and checking the accuracy of the calculation of recoverable amount of the plant and machinery, furniture, fixture and equipment and leasehold improvements; and • Evaluating the historical accuracy of the management's assessment by comparing the historical estimates to actual parameters in current year, including any changes in the market available information and the actual selling price of assets.

OTHER INFORMATION

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

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

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

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

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordnance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

D & PARTNERS CPA LIMITED
Certified Public Accountants
Yeung Chun Yue, David
Practising Certificate Number: P05595

Hong Kong
28 June 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2019

	NOTES	2019 HK$'000	2018 HK$'000
Revenue	5,6	**965,928**	998,070
Cost of sales		**(785,722)**	(780,140)
Gross profit		**180,206**	217,930
Other income	7	**6,734**	5,909
Impairment loss recognised on financial assets	9	**(208)**	–
Decrease in fair value of financial assets at fair value through profit or loss ("FVTPL")		**(31,912)**	–
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 property	16	**5,272**	7,383
Gain on disposal of subsidiaries	31	**11,415**	–
Selling and distribution costs		**(109,238)**	(129,702)
Administrative expenses		**(147,177)**	(159,523)
Finance costs	8	**(6,866)**	(5,024)
Loss before tax	10	**(91,774)**	(42,347)
Income tax expenses	13	**(3,205)**	(4,964)
Loss for the year		**(94,979)**	(47,311)
Loss for the year attributable to:			
Owners of the Company		**(94,086)**	(46,546)
Non-controlling interests		**(893)**	(765)
		(94,979)	(47,311)
Loss per share	15		
Basic and diluted (HK cents)		**(20.3)**	(10.0)

	2019 HK$'000	2018 HK$'000
Loss for the year	**(94,979)**	(47,311)
Other comprehensive (expense) income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translating foreign operations:		
– exchange differences arising during the year	**(14,674)**	22,201
Reclassification adjustments from foreign currencies translation reserves:		
– release upon disposal of subsidiaries	**(7,200)**	–
– 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 (expense) income for the year	**(21,874)**	50,097
Total comprehensive (expense) income for the year	**(116,853)**	2,786
Total comprehensive (expense) income for the year attributable to:		
Owners of the Company	**(115,960)**	3,151
Non-controlling interests	**(893)**	(365)
	(116,853)	2,786

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	NOTES	2019 HK$'000	2018 HK$'000
Non-current assets			
Investment property	16	–	50,405
Property, plant and equipment	17	76,815	99,014
Prepaid lease payments	18	22,339	23,879
Intangible asset	19	–	–
Deferred tax assets	21	61	50
		99,215	173,348
Current assets			
Inventories	22	132,920	182,246
Trade and other receivables	23	124,989	169,365
Prepaid lease payments	18	797	801
Financial assets at FVTPL	24	7,628	–
Held for trading investments	24	–	39,540
Tax recoverable		–	566
Pledged bank deposits	25	116,704	116,912
Bank balances and cash	25	129,556	109,454
		512,594	618,884
Assets classified as held for sale	26	8,093	7,965
		520,687	626,849
Current liabilities			
Trade and other payables	27	120,243	179,135
Contract liabilities	28	8,969	–
Tax liabilities		109	326
Bank borrowings	29	135,552	135,532
		264,873	314,993
Net current assets		255,814	311,856
Total assets less current liabilities		355,029	485,204

	NOTES	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Bank borrowings	*29*	**8,000**	10,400
Deferred tax liabilities	*21*	**1,346**	6,819
		9,346	17,219
		345,683	467,985
Capital and reserves			
Share capital	*30*	**254,112**	254,112
Reserves		**100,741**	222,150
Equity attributable to owners of the Company		**354,853**	476,262
Non-controlling interests		**(9,170)**	(8,277)
		345,683	467,985

The consolidated financial statements on pages 43 to 96 were approved and authorised for issue by the Board of Directors on 28 June 2019 and are signed on its behalf by:

Martin Tung Hau Man
DIRECTOR

Raymond Tung Wai Man
DIRECTOR

	Attributable to owners of the Company							
	Share capital HK$'000	**Property Revaluation reserve** HK$'000 *(Note i)*	**Statutory reserve** HK$'000 *(Note ii)*	**Translation reserve** HK$'000	**Retained profits** HK$'000	**Total** HK$'000	**Non-Controlling interests** HK$'000	**Total** HK$'000
At 1 April 2017	254,112	–	–	(28,961)	247,960	473,111	(6,103)	467,008
Loss for the year	–	–	–	–	(46,546)	(46,546)	(765)	(47,311)
Exchange differences arising on translation of foreign operations	–	–	–	22,201	–	22,201	–	22,201
Reclassification adjustments from foreign currencies translation reserves:								
– Release upon liquidation of a subsidiary	–	–	–	2,806	–	2,806	400	3,206
Gain on revaluation of a property transferred from property, plant and equipment to investment property, net of deferred tax	–	24,690	–	–	–	24,690	–	24,690
Transfer to statutory reserve	–	–	3,208	–	(3,208)	–	–	–
Total comprehensive income (expense) for the year	–	24,690	3,208	25,007	(49,754)	3,151	(365)	2,786
Release upon liquidation of a subsidiary	–	–	–	–	–	–	(1,809)	(1,809)
At 31 March 2018	254,112	24,690	3,208	(3,954)	198,206	476,262	(8,277)	467,985
Adjustments *(note 2)*	–	–	–	–	(344)	(344)	–	(344)
At 1 April 2018 (restated)	254,112	24,690	3,208	(3,954)	197,862	475,918	(8,277)	467,641
Loss for the year	–	–	–	–	(94,086)	(94,086)	(893)	(94,979)
Exchange differences arising on translation of foreign operations	–	–	–	(14,674)	–	(14,674)	–	(14,674)
Reclassification adjustments from foreign currencies translation reserves:								
– Release upon disposal of subsidiaries	–	–	–	(7,200)	–	(7,200)	–	(7,200)
Transfer arising from disposal of subsidiaries	–	(24,690)	–	–	24,690	–	–	–
Total comprehensive expense for the year	–	(24,690)	–	(21,874)	(69,396)	(115,960)	(893)	(116,853)
Dividend recognised as distribution *(note 14)*	–	–	–	–	(5,105)	(5,105)	–	(5,105)
At 31 March 2019	254,112	–	3,208	(25,828)	123,361	354,853	(9,170)	345,683

Note i: The property revaluation reserve represents the differences between net book value and fair value, net of deferred tax, of the properties upon transfer from property, plant and equipment to investment property.

Note ii: The statutory reserve represents the amount transferred from profit after taxation of the subsidiaries established in the Mainland of People's Republic of China (the "PRC") in accordance with the relevant PRC laws until the PRC statutory reserve reaches 50% of the registered capital of the respective subsidiaries. The statutory reserve can be applied either in setting off the accumulated losses or increasing capital.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	2019 *HK$'000*	2018 *HK$'000*
OPERATING ACTIVITIES		
Loss before tax	**(91,774)**	(42,347)
Adjustments for:		
Depreciation of property, plant and equipment	**16,660**	19,181
Increase in fair value of investment property	**(5,272)**	(7,383)
Finance costs	**6,866**	5,024
Amortisation of prepaid lease payments	**797**	801
Gain on disposal of subsidiaries	**(11,415)**	–
Loss on liquidation of a subsidiary	**–**	3,032
Impairment loss recognised on financial assets	**208**	–
Loss on disposal/write-off of property, plant and equipment	**920**	100
Loss on disposal of asset classified as held for sales	**92**	–
Decrease in fair value of financial assets at FVTPL	**31,912**	–
Increase in fair value of held for trading investments	**–**	(19,992)
Gain on sales of held for trading investments	**–**	(688)
Allowance for inventories	**13,591**	9,984
Interest income	**(1,862)**	(1,230)
Operating cash flows before movements in working capital	**(39,277)**	(33,518)
Decrease (increase) in inventories	**26,635**	(39,415)
Increase in held for trading investments	**–**	(18,860)
Decrease (increase) in trade and other receivables	**37,378**	(9,913)
(Decrease) increase in trade and other payables	**(22,014)**	5,083
Decrease in contract liabilities	**(22,148)**	–
Cash used in operations	**(19,426)**	(96,623)
Hong Kong Profits Tax paid	**–**	(500)
Taxation in other jurisdictions paid	**(1,341)**	(1,679)
NET CASH USED IN OPERATING ACTIVITIES	**(20,767)**	(98,802)
INVESTING ACTIVITIES		
Net cash inflow on disposal of subsidiaries	**50,072**	–
Proceeds on disposal of asset classified as held for sales	**7,873**	–
Withdrawal of pledged bank deposit	**6,208**	–
Interest received	**1,862**	1,230
Proceeds on disposal of property, plant and equipment	**1,053**	166
Placement of pledged bank deposits	**(6,000)**	(20,912)
Purchase of property, plant and equipment	**(11,086)**	(9,892)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**49,982**	(29,408)

	2019 *HK$'000*	2018 *HK$'000*
FINANCING ACTIVITIES		
Bank borrowings raised	**263,831**	222,049
Interest paid	**(6,866)**	(5,024)
Repayment of bank borrowings	**(262,382)**	(208,212)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(5,417)**	8,813
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**23,798**	(119,397)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**109,454**	224,212
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(3,696)**	4,639
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**129,556**	109,454

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and the principal place of business of the Company are disclosed in the Corporate Information section of the annual report.

The functional currency of the Company is United States dollars ("USD"). The consolidated financial statements are presented in Hong Kong dollars ("HK$") for the convenience of the shareholders as the Company is listed in Hong Kong.

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 20.

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

New and amendments to HKFRSs and the new interpretation that are mandatorily effective for the current year

The Group has applied the following new and 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:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to HKFRSs and the new interpretation 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.

HKFRS 15 *Revenue from Contracts with Customers*

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Revenue from manufacturing and sales of garment products
- Revenue from retail of garment products

Information about the Group's accounting policies and performance obligations resulting from application of HKFRS 15 are disclosed in notes 3 and 5 respectively.

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

HKFRS 15 *Revenue from Contracts with Customers* (Continued)

Summary of effects arising from initial application of HKFRS 15

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

	Note	Carrying amounts previously reported at 31 March 2018 *HK$'000*	Adjustments *HK$'000*	Carrying amounts under HKFRS 15 at 1 April 2018 *HK$'000*
Current liabilities				
Trade and other payables	*(a)*	179,135	(31,117)	148,018
Contract liabilities	*(a)*	–	31,117	31,117

Note (a): As at 1 April 2018, deposits received from customers of HK$31,117,000 previously included in trade and other payables was reclassified to contract liabilities since the underlying products are yet to be delivered.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 March 2019 and its consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position as at 31 March 2019

	Note	As reported *HK$'000*	Adjustments *HK$'000*	Amounts without application of HKFRS 15 *HK$'000*
Current liabilities				
Trade and other payables	*(a)*	120,243	8,969	129,212
Contract liabilities	*(a)*	8,969	(8,969)	–

Note (a): As at 31 March 2019, receipt in advance from customers of approximately HK$8,969,000 in respect of manufacturing and retail sales of garment products are classified as contract liabilities that would have been included in trade and other payables without application of HKFRS 15.

Impact on the consolidated statement of cash flows for the year ended 31 March 2019

	As reported *HK$'000* *(note)*	Adjustments *HK$'000*	Amounts without application of HKFRS 15 *HK$'000*
OPERATING ACTIVITIES			
Decrease in trade and other payables	(22,014)	(22,148)	(44,162)
Decrease in contract liabilities	(22,148)	22,148	–

Note: Movements in working capital have been computed based on opening consolidated statement of financial position as at 1 April 2018 as disclosed above.

Except for the above, the application of HKFRS 15 has no other significant impact to the consolidated financial statements.

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

HKFRS 9 *Financial Instruments*

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained profits without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments*: *Recognition and Measurement*.

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

	Notes	Trade and bills receivables *HK$'000*	Financial assets at FVTPL *HK$'000*	Held for trading investments *HK$'000*	Retained profits *HK$'000*
Closing balances at 31 March 2018 – HKAS 39		126,051	–	39,540	198,206
Effect arising from initial application of HKFRS 9:					
Reclassification	*(a)*	–	39,540	(39,540)	–
Remeasurement					
Impairment under ECL model	*(b)*	(344)	–	–	(344)
Opening balance at 1 April 2018		125,707	39,540	–	197,862

Notes:

(a) The Group has reassessed its investments in listed equity instruments classified as held for trading under HKAS 39 as if the Group had purchased these investments at the date of initial application. Based on the facts and circumstances as at the date of initial application, HK$39,540,000 of the Group's investments were held for trading and continued to be measured at FVTPL.

(b) Impairment under ECL model

As at 1 April 2018, credit loss allowance of approximately HK$344,000 have been recognised against retained profits. The loss allowance is charged against the respective asset.

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade and bills receivables. Except for those which had been determined as credit impaired under HKAS 39, trade and bills receivables have been assessed individually with significant balances.

ECL for other financial assets at amortised cost, including other receivables, pledged bank deposits and bank balances, are assessed on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition.

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

HKFRS 9 *Financial Instruments* (Continued)

Summary of effects arising from initial application of HKFRS 9 (Continued)

All loss allowances representing trade and bills receivables as at 31 March 2018 reconciled to the opening loss allowances as at 1 April 2018 are as follows:

	Loss allowance *HK$'000*
At 31 March 2018	
– HKAS 39	–
Amounts remeasured through opening retained profits	(344)
At 1 April 2018	(344)

Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 March 2018 *HK'000* (Audited)	**HKFRS 15** *HK'000*	**HKFRS 9** *HK'000*	**1 April 2018** *HK'000* (Restated)
Trade and bills receivables	126,051	–	(344)	125,707
Financial assets at FVTPL	–	–	39,540	39,540
Held for trading investments	39,540	–	(39,540)	–
Trade and other payables	179,135	(31,117)	–	148,018
Contract liabilities	–	31,117	–	31,117
Retained profits	198,206	–	(344)	197,862

Note: For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 March 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 April 2018 as disclosed above.

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

New and amendments to HKFRSs and the new interpretation in 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 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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 Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

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

HKFRS 16 *Leases (Continued)*

Under HKAS 17, the Group has already recognised a related finance lease liability as prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, 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.

As at 31 March 2019, the Group has non-cancellable operating lease commitments of HK$1,605,000 as disclosed in note 32. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group 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.

In addition, the Group currently considers refundable rental deposits paid of HK$2,052,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments of refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

The directors of the Company expect that, such changes would increase the assets and liabilities of the Group, but would not result in significant impact on the financial performance of the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values, as explained in accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2)

Under HKFRS 15, the Group 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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Refund liabilities

The Group recognises a refund liability if the Group expects to refund some or all of the consideration received from customers.

Sale with a right of return

For a sale of products with a right of return, the Group recognises all of the following:

(a) revenue for the transferred products in the amount of consideration to which the Group expects to be entitled (therefore, revenue would not be recognised for the products expected to be returned);

(b) a refund liability; and

(c) an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers on settling the refund liability.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2) *(Continued)*

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is principal if it controls the specified good or service before that good or service is transferred to a customer.

Revenue recognition (prior to 1 April, 2018)

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

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

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

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term.

Leasehold land and building

When the Group makes payments for a property interest which a lease includes both leasehold land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group unless it is clear that both elements are operating leases, in which case the entire property is accounted for as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity ("foreign currencies") are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to the Mandatory Provident Fund Schemes (the "MPF Scheme") and state-managed retirement benefit scheme, which are defined contribution schemes, are charged as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

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

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'loss before tax' as reported in the consolidated statement of profit or loss because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods, or for administrative purposes (other than properties under construction as described below) are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Freehold land is stated at cost less accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than freehold land and properties under construction, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Freehold land is not depreciated.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment property

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

Investment property is initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is measured at its fair value. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using fair value model. Gains and losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible asset

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

Impairment losses on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Investment in subsidiaries

Investment in subsidiaries are included in the statement of financial position of the Company at cost less any identified impairment loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade and bills receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 April 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit and loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near term; or
- On initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as hedging instrument.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other income" line item.

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 including trade and bills receivables, other receivables, pledged bank balances and bank balances. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade and bills receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix based on appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) (Continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the a foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default; ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) (Continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at individual instrument level may not yet be available, the financial instruments are grouped on the the following basis:

- Nature of financial instruments (i.e. the Group's trade receivables and other receivables are each assessed as a separate group. Pledged bank balances and bank balances are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and bills receivables measured at amortised cost where the corresponding adjustment is recognised through a loss allowance account.

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 April 2018)

All of the Group's financial assets are classified as loans and receivables and financial assets at FVTPL. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets at FVTPL

Financial assets at FVTPL are classified financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as hedging instrument.

Financial assets held for trading are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profits or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (before application of HKFRS 9 on 1 April 2018)

Loans and receivables are assessed for indicators of impairment at the end of the reporting period. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

The amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classified as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sales transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of investment) is classified as held for sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and the fair value less costs to sell.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolio and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. In respect of those investment properties located in the People's Republic of China (the "PRC"), the Group recognised additional deferred taxes relating to Land Appreciation Tax ("LAT") on changes in fair value of such investment properties as appropriate.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk causing a material adjustment to the carrying amounts of assets within the next financial year.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Provision of ECL for on trade and bills receivables

The Group uses provision matrix to calculate ECL for the trade and bills receivables. The provision rates are assessed individually and based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade and bills receivables with significant balances and credit impaired are assessed for ECL individually. The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade and bills receivables are disclosed in note 23.

Allowance for inventories

The Group makes allowance for inventories based on an assessment of the net realisable value of inventories. Allowance is applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of obsolete inventories requires the use of judgement and estimates on the conditions and usefulness of the inventories. The management may consider the aging analysis, the current market trends, and makes an estimate of net realisable value for obsolete and slow-moving inventories that are no longer popular in the market with reference to subsequent sales or usage information. Where the actual outcome or expectation of the net realisable value of inventories is different from the original estimate, such difference will impact the carrying value of inventories and allowance for inventories in the period in which such estimate has changed. The carrying amount of inventories at 31 March 2019 was HK$132,920,000 (net of allowance of HK$13,591,000) (2018: HK$182,246,000 (net of allowance of HK$9,984,000)).

Impairment of plant and machinery, furniture, fixture and equipment and leasehold improvements

The recoverable amount calculation requires the management of the Group to estimate higher of fair value less costs of disposal and value in use of those assets as the recoverable amount. The management of the Group reviews the recoverable amounts of the Group's plant and machinery, furniture, fixture and equipment and leasehold improvement by looking into the fair values less cost of disposals and value in use, based on the future development plans. Where the actual future cash flows are less than expected, a material impairment loss may arise. The fair value less cost of disposals and value in use.of these assets have been determined from market available information. As at 31 March 2019, the carrying amount of plant and machinery, furniture, fixture and equipment and leasehold improvement was HK$17,064,000 (2018: HK$27,151,000). Details are set out in note 17.

5. REVENUE

A. For the year ended 31 March 2019

(i) Disaggregation of revenue from contracts with customers

	For the year ended 31 March 2019		
	Manufacturing and sales of garment products *HK$'000*	Retail of garment products *HK$'000*	Total *HK$'000*
At point in time	657,664	308,264	965,928
Geographical markets			
The PRC	134,476	308,264	442,740
The United States of America (the "USA")	317,626	–	317,626
Canada	155,919	–	155,919
European countries	19,557	–	19,557
Hong Kong	11,131	–	11,131
Others	18,955	–	18,955
Total	657,664	308,264	965,928

5. REVENUE *(Continued)*

A. For the year ended 31 March 2019 *(Continued)*

(ii) Performance obligations for contracts with customers

Manufacturing and sales of garment products

The Group manufactures and sells garment products directly to the customer. Revenue is recognised when control of the goods has been transferred, being when the goods have been shipped to the specified location (delivery). Transportation and other related activities that occur before the customers obtain control of the related goods are considered as fulfilment activities. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when selling the goods and bears the risks of obsolescence and loss in relation to the goods. The Group allows credit periods ranging from 30 to 90 days to its trade customers.

Retail of garment products

The Group sells garment products directly to the customers through its own retail shops. Revenue is recognised when control of the goods has been transferred, being at the point the customers purchase the goods at the retail shops. Payment of the transaction price is due immediately at the point customers purchase the goods.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

All the revenue from contracts with customers are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

B. For the year ended 31 March 2018

Revenue represents the amounts received and receivable for goods sold in the normal course of business, net of discounts, sales taxes and returns.

6. 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 garments products. 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 31 March 2019:

	North America *HK$'000*	Asia *HK$'000*	Europe and others *HK$'000*	Consolidated *HK$'000*
REVENUE				
Sales of goods – external	473,545	461,093	31,290	965,928
SEGMENT (LOSS) PROFIT	(7,314)	(18,987)	284	(26,017)
Decease in fair value of financial assets at FVTPL				(31,912)
Increase in fair value of investment property				5,272
Gain on disposal of subsidiaries				11,415
Finance costs				(6,866)
Unallocated income				6,734
Unallocated expenses				(50,400)
Loss before tax				(91,774)

6. SEGMENTAL INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

For the year ended 31 March 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)
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)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment (loss) profit represents the (loss) profit (incurred) 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 financial assets at FVTPL/held for trading investments, gain on disposal of subsidiaries, change in fair value of investment property, gain on sales of held for trading investments, other income 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 PRC, European countries and Canada. The Group's revenue from external customers by the geographical location of the customers are detailed below:

	2019 HK$'000	2018 HK$'000
The PRC	**442,740**	425,690
The USA	**317,626**	360,229
Canada	**155,919**	160,544
European countries	**19,557**	23,292
Hong Kong	**11,131**	17,001
Others	**18,955**	11,314
	965,928	998,070

6. SEGMENTAL INFORMATION *(Continued)*

Geographical information *(Continued)*

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:

	2019 ***HK$'000***	2018 *HK$'000*
Hong Kong	**2,117**	2,485
The PRC	**79,582**	143,153
Others	**17,455**	27,660
	99,154	173,298

Note: Non-current assets excluded deferred tax assets.

Information about major customers

For the year ended 31 March 2019, there is one external customer in North America and one external customer in Asia operating segment (2018: one external customer in North America operating segment) who contributed over 10% of the total sales of the Group. Their contribution were approximately HK$213 million (2018: HK$126 million).

7. OTHER INCOME

	2019 ***HK$'000***	2018 *HK$'000*
Bank interest income	**1,862**	1,230
Rental income from investment properties under operating leases, net of outgoings of HK$537,000 (2018: HK$564,000)	**4,872**	4,679
	6,734	5,909

8. FINANCE COSTS

	2019 ***HK$'000***	2018 *HK$'000*
Bank borrowings	**6,866**	5,024

9. IMPAIRMENT LOSS RECOGNISED ON FINANCIAL ASSETS

	2019 HK$'000	2018 HK$'000
Impairment losses recognised on:		
Trade and bills receivables	208	–

10. LOSS BEFORE TAX

	2019 HK$'000	2018 HK$'000
Loss before tax has been arrived at after charging (crediting):		
Directors' remunerations:		
Fees	585	510
Other emoluments	6,226	8,969
Contributions to retirement benefit schemes	93	82
	6,904	9,561
Other employee benefits expenses:		
Salaries, allowances and bonus	221,463	261,981
Contributions to retirement benefit schemes	24,381	32,297
Total employee benefits expenses	252,748	303,839
Auditor's remuneration		
– Audit service	830	711
– Non-audit services	288	694
Cost of inventories recognised as an expense (including allowance for inventories of HK$13,591,000 (2018: HK$9,984,000))	785,722	780,140
Amortisation of prepaid lease payments	797	801
Depreciation of property, plant and equipment	16,660	19,181
Loss on disposal of asset classified as held for sales	92	–
Loss on disposal/write-off of property, plant and equipment	920	100
Net exchange gain	(2,501)	(32)
Loss on liquidation of a subsidiary	–	3,032

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Companies Ordinance is as follows:

2019

	Executive directors			Independent non-executive directors				
	Martin Tung Hau Man *HK$'000*	Raymond Tung Wai Man *HK$'000*	Billy Tung Chung Man *HK$'000*	Tony Chang Chung Kay *HK$'000*	Robert Yau Ming Kim *HK$'000*	Leslie Chang Shuk Chien *HK$'000*	Kenneth Yuen Ki Lok *HK$'000* *(note d)*	Total *HK$'000*
Fees	–	–	–	170	170	170	75	585
Other emoluments:								
Salaries and other benefits	2,275	2,210	1,430	–	–	–	–	5,915
Contributions to retirement benefit schemes	36	39	18	–	–	–	–	93
Performance related incentive payments *(note)*	105	141	65	–	–	–	–	311
Total emoluments	2,416	2,390	1,513	170	170	170	75	6,904

2018

	Executive directors				Independent non-executive directors			
	Martin Tung Hau Man *HK$'000* *(note c)*	Raymond Tung Wai Man *HK$'000* *(note c)*	Billy Tung Chung Man *HK$'000*	Benson Tung Wah Wing *HK$'000* *(note c)*	Tony Chang Chung Kay *HK$'000*	Robert Yau Ming Kim *HK$'000*	Leslie Chang Shuk Chien *HK$'000*	Total *HK$'000*
Fees	–	–	–	–	170	170	170	510
Other emoluments:								
Salaries and other benefits	1,576	1,823	1,365	3,080	–	–	–	7,844
Contributions to retirement benefit schemes	45	19	18	–	–	–	–	82
Performance related incentive payments *(note)*	55	240	50	780	–	–	–	1,125
Total emoluments	1,676	2,082	1,433	3,860	170	170	170	9,561

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

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

Notes:

(a) The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

(b) The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

(c) Following the resignation of Mr. Benson Tung Wah Wing as the Chairman of the Board, an executive director and the managing director of the Company, with effect from 12 January 2018, Mr. Martin Tung Hau Man has been appointed as the Chairman of the Board and Mr. Raymond Tung Wai Man has been appointed as the managing director of the Company.

(d) Mr. Kenneth Yuen Ki Lok has been appointed as independent non-executive director of the Company with effect from 26 July 2018.

No directors waived any emoluments in both years.

12. FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2018: four) were directors of the Company whose emoluments are included in the disclosures in note 11 above. The emoluments of the remaining two (2018: one) individuals were as follows:

	2019	2018
	HK$'000	*HK$'000*
Salaries and other benefits	**5,858**	1,251
Contributions to retirement benefits schemes	**20**	18
	5,878	1,269

The emoluments were within the following bands:

	Number of employee	
	2019	2018
HK$1,000,001 to HK$1,500,000	**1**	1
HK$4,000,001 to HK$5,000,000	**1**	–

During both years, no emoluments were paid by the Group to any of the directors and chief executive or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

13. INCOME TAX EXPENSES

	2019 **HK$'000**	2018 HK$'000
Current tax:		
Hong Kong	**–**	159
The PRC	**674**	878
	674	1,037
(Over) under provision in prior years:		
Hong Kong	**(178)**	–
The PRC	**554**	–
	376	–
PRC withholding tax on dividend distribution	**–**	828
Deferred taxation *(note 21)*	**2,155**	3,099
	3,205	4,964

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

No provision for Hong Kong Profits Tax is made for the year ended 31 March 2019 as the Group has no assessable profit arising in Hong Kong.

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.

13. INCOME TAX EXPENSES *(Continued)*

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

	2019 **HK$'000**	2018 HK$'000
Loss before tax	**(91,774)**	(42,347)
Tax at the Hong Kong Profits Tax rate of 16.5%	**(15,143)**	(6,987)
Tax effect of expenses not deductible for tax purpose	**16,245**	6,876
Tax effect of income not taxable for tax purpose	**(9,542)**	(4,989)
Dividend withholding tax expense	**–**	828
Tax effect of tax losses not recognised	**15,008**	10,211
PRC LAT	**823**	1,466
Utilisation of tax losses previously not recognised	**(1,988)**	(4,426)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(2,574)**	1,985
Under provision in prior year	**376**	–
Income tax expenses	**3,205**	4,964

Details of deferred taxation for the year are set out in note 21.

14. DIVIDEND

	2019 **HK$'000**	2018 HK$'000
Dividend recognised as distribution during the year: 2019 special dividend of HK 1.1 cents (2018: Nil) per share	**5,105**	–

A special dividend of HK1.1 cents (2018: Nil) per share for the year ended 31 March 2019, amounting to approximately HK$5.1 million (2018: Nil), has been approved by the Board of Directors. The special dividend was already settled in cash on 10 April 2019.

The Board of Directors does not recommend the payment of a final dividend for the year ended 31 March 2019 (2018: Nil).

15. 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:

	2019 **HK$'000**	2018 HK$'000
Loss for the year attributable to owners of the Company	**(94,086)**	(46,546)

	2019	2018
Weighted average number of ordinary shares in issue during the year for the purposes of basic and diluted loss per share	**464,077,557**	464,077,557

No diluted loss per share is presented as there was no potential dilutive ordinary share outstanding for the year ended 31 March 2019 and 2018.

16. INVESTMENT PROPERTY

	HK$'000
FAIR VALUE	
At 1 April 2017	7,068
Transferred from property, plant and equipment	14,570
Reclassified as held for sale	(7,965)
Increase in fair value recognised in other comprehensive income	26,623
Increase in fair value recognised in profit or loss	7,383
Exchange adjustments	2,726
At 31 March 2018	50,405
Increase in fair value recognised in profit or loss	**5,272**
Disposal of subsidiaries *(note 31)*	**(52,588)**
Exchange adjustments	**(3,089)**
At 31 March 2019	**–**

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

	Fair value hierarchy	**2019** *HK$'000*	2018 *HK$'000*
Property in the PRC	Level 3	**–**	50,405

All of the Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

As at 31 March 2018, the Group held a property situated at 16 Zhenxing East Road, Yuhang Economic and Technological Development Zone, Hangzhou, the PRC. Such property was used as factories and offices and the property was held on land under medium term lease. The property was subsequently disposed on 22 February 2019 together with a PRC subsidiary (Note 31).

The fair values of the Group's investment property at 22 February 2019 and 31 March 2018 have been arrived at on the basis of a valuation carried out by Grant Sherman Appraisal Limited and AP Appraisal Limited, respectively, independent qualified professional valuers not connected with the Group.

The fair value was determined by direct comparison method and depreciated replacement cost method (2018: Direct comparison method). Direct comparison method, where price per square meter of the property is assessed by reference to market evidence transaction prices for similar use of properties in similar location and conditions in the PRC. Depreciated replacement cost method provides an indication of value by calculating the current replacement or reproduction costs of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

Under the depreciated replacement cost method, one of the key inputs used in valuing the investment property was the construction cost per square meter which ranged from HK$3,046 to HK$3,515. Under the direct comparison method, one of the key inputs used in valuing the investment property was the asking prices per square meter of comparable properties, which ranged from HK$1,055 to HK$1,318 (2018: ranged from HK$2,669 to HK$2,956).

In estimating the fair value of the property, the highest and best use of the property is its current use.

Under the replacement cost method, a significant increase in the construction cost per square meter used would result in a significant increase in fair value measurement of the investment property, and vice versa.

Under the direct comparison method, a significant increase in the market price per square meter used would result in a significant increase in fair value measurement of the investment property, and vice versa.

There were no transfers into or out of Level 3 during the year.

17. PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery, furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1 April 2017	4,054	142,958	61,624	171,366	4,015	384,017
Exchange adjustments	454	7,123	5,201	8,544	210	21,532
Additions	–	–	8,748	1,144	–	9,892
Reclassification	–	2,902	–	(2,902)	–	–
Disposals	–	–	(6,205)	(3,601)	(521)	(10,327)
Liquidation of a subsidiary	–	–	–	(10,554)	–	(10,554)
Transfer to investment property	–	(26,084)	–	–	–	(26,084)
At 31 March 2018	4,508	126,899	69,368	163,997	3,704	368,476
Exchange adjustments	(74)	(3,490)	(3,498)	(4,900)	(126)	(12,088)
Additions	–	–	5,322	2,802	2,962	11,086
Disposals/Write-off	–	–	(11,418)	(10,211)	(259)	(21,888)
Disposal of subsidiaries *(note 31)*	–	–	(3,651)	(3,374)	(556)	(7,581)
Transfer to asset classified as held for sale *(note 26)*	(4,434)	(14,803)	(213)	–	–	(19,450)
At 31 March 2019	–	108,606	55,910	148,314	5,725	318,555
DEPRECIATION						
At 1 April 2017	–	64,695	48,793	153,880	2,508	269,876
Exchange adjustments	–	1,961	3,978	5,418	159	11,516
Provided for the year	–	4,606	9,568	4,519	488	19,181
Reclassification	–	847	–	(847)	–	–
Eliminated on disposals	–	–	(6,172)	(3,387)	(502)	(10,061)
Eliminated on liquidation of a subsidiary	–	–	–	(9,536)	–	(9,536)
Transfer to investment property	–	(11,514)	–	–	–	(11,514)
At 31 March 2018	–	60,595	56,167	150,047	2,653	269,462
Exchange adjustments	–	(546)	(2,728)	(3,941)	(101)	(7,316)
Provided for the year	–	3,279	9,193	3,730	458	16,660
Eliminated on disposals/write-off	–	–	(10,456)	(9,227)	(232)	(19,915)
Eliminated on disposal of subsidiaries *(note 31)*	–	–	(2,671)	(2,761)	(362)	(5,794)
Transfer to asset classified as held for sale *(note 26)*	–	(11,164)	(193)	–	–	(11,357)
At 31 March 2019	–	52,164	49,312	137,848	2,416	241,740
CARRYING VALUES						
At 31 March 2019	–	56,442	6,598	10,466	3,309	76,815
At 31 March 2018	4,508	66,304	13,201	13,950	1,051	99,014

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

As at 31 March 2019, the Group has pledged leasehold land and buildings having a carrying value of HK$5,149,000 (2018: HK$6,229,000) to secure general banking facilities granted to the Group.

The above items of property, plant and equipment are depreciated on a straight-line basis, after taking into account of their estimated residual values, at the following rates per annum:

Freehold land	Nil
Buildings	4% or over the terms of the lease
Leasehold improvements	Over the shorter of the terms of the lease, or five years
Plant and machinery, furniture, fixtures and equipment	12.5% – 20%
Motor vehicles	12.5% – 20%

18. PREPAID LEASE PAYMENTS

	2019 *HK$'000*	2018 *HK$'000*
Analysed for reporting purposes as:		
Non-current assets	**22,339**	23,879
Current assets	**797**	801
	23,136	24,680

19. INTANGIBLE ASSET

	Trademark *HK$'000*
COST	
At 1 April 2017, 31 March 2018 and **31 March 2019**	774
AMORTISATION	
At 1 April 2017, 31 March 2018 and **31 March 2019**	774
CARRYING VALUES	
At 31 March 2019	**–**
At 31 March 2018	–

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

20. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

General information of subsidiaries

Particulars of the Company's principal subsidiaries at 31 March 2019 and 2018 are as follows:

Name of subsidiary	Place of incorporation/ registration and operation	Paid up issued share capital/ common stock/ registered capital *(HK$ unless otherwise indicated)*	Class of shares held	Proportion of ownership interest held by the Company				Principal activities
				Directly		Indirectly		
				2019 %	2018 %	2019 %	2018 %	
Modern Wealth Development Limited	Hong Kong	1	Ordinary	100	100	-	–	Investment holding
Sing Yang (Overseas) Limited	Hong Kong	97,450,000 (2018: 100,000)	Ordinary	100	100	-	–	Property investment
Tungtex International Limited	Hong Kong	20,000,000 (2018: 100,000)	Ordinary	-	–	100	100	Garment trading
Tungtex Trading Company Limited	Hong Kong	6,000,000	Ordinary	100	100	-	–	Garment trading
中山同得仕絲綢服裝有限公司	PRC *(Note)*	38,800,000	Registered capital	-	–	100	100	Garment manufacture
深圳百多爾時裝有限公司	PRC *(Note)*	RMB152,000,000 (2018: RMB142,000,000)	Registered capital	-	–	100	100	Garment retail
東莞同得仕時裝有限公司	PRC *(Note)*	RMB65,000,000	Registered capital	-	–	100	100	Garment manufacture
Tungtex Fashions (Vietnam) Limited	Vietnam	US$3,200,000	Registered capital	-	–	100	100	Garment manufacture

Note: These subsidiaries are wholly foreign owned enterprises.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, results in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

21. DEFERRED TAXATION

The following are the major deferred tax (liabilities) assets recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$'000	Fair value change in relation to properties HK$'000 (Note)	Total HK$'000
At 1 April 2017	(1,489)	–	(1,489)
Charge to profit or loss	(10)	(3,089)	(3,099)
Charge to other comprehensive income	–	(1,933)	(1,933)
Exchange adjustments	–	(248)	(248)
At 31 March 2018	(1,499)	(5,270)	(6,769)
Credit (charge) to profit or loss	**214**	**(2,369)**	**(2,155)**
Exchange adjustments	**–**	**291**	**291**
Disposal of a property	**–**	**640**	**640**
Disposal of subsidiaries *(note 31)*	**–**	**6,708**	**6,708**
At 31 March 2019	**(1,285)**	**–**	**(1,285)**

Note: Amounts included deferred tax on fair value change in investment properties and property, plant and equipment upon its transfer to investment properties.

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2019 ***HK$'000***	2018 *HK$'000*
Deferred tax assets	**61**	50
Deferred tax liabilities	**(1,346)**	(6,819)
	(1,285)	(6,769)

At 31 March 2019, the Group has unused tax losses of approximately HK$529 million (2018: HK$508 million) available for offset against future profits. No deferred tax asset has been recognised in respect of the HK$529 million (2018: HK$508 million) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$231 million (2018: HK$259 million) that can be carried forward for one to five years and losses of approximately HK$137 million (2018: HK$125 million) that can be carried forward up to twenty years. Unrecognised tax losses of HK$46 million (2018: HK$18 million) expired during the year. Other unrecognised tax losses may be carried forward indefinitely.

LAT is levied at progressive rates ranging from 30% to 60% on appreciation of land value, being the proceeds of sales of properties less deductible expenditures.

22. INVENTORIES

	2019 HK$'000	2018 HK$'000
Raw materials	**39,241**	55,581
Work in progress	**16,217**	40,045
Finished goods	**77,462**	86,620
	132,920	182,246

23. TRADE AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade and bills receivables	**94,521**	126,051
Less: Allowance for credit losses	**(552)**	–
	93,969	126,051
Deposits, prepayments and other receivables	**31,020**	43,314
Total trade and other receivables	**124,989**	169,365

As at 31 March 2019, total bills received amounting to HK$16,961,000 (2018: HK$26,605,000) are held by the Group for future settlement of trade receivables. The Group continues to recognise their full carrying amounts at the end of the reporting period and details are disclosed in note 39. All bills received by the Group are with a maturity period of less than six months.

Details of impairment assessment of trade and other receivables for the year ended 31 March 2019 are set out in note 39.

Other than cash and credit card sales for retail transactions, the Group normally grants a credit period ranging from 30 days to 90 days to its trade customers. Included in trade and other receivables are trade and bills receivables, mainly denominated in USD and RMB, with the following aged analysis presented based on the invoice date which approximated revenue recognition date at the end of the reporting period:

	2019 HK$'000	2018 HK$'000
Up to 30 days	**59,555**	72,976
31 – 60 days	**22,896**	39,137
61 – 90 days	**7,020**	5,566
More than 90 days	**4,498**	8,372
	93,969	126,051

23. TRADE AND OTHER RECEIVABLES *(Continued)*

Before accepting any new customer, the Group will assess the potential customer's credit quality and define its credit limits. Credit sales are made to customers with an appropriate credit history. Credit limits attributed to customers and credit terms granted to customers are reviewed regularly.

As at 31 March 2019, included in the Group's trade and bills receivables balance are debtors with aggregate carrying amount of HK$16,791,000 which are past due as at the reporting date. Out of the past due balances, HK$2,255,000 has been past due 90 days or more and is not considered as in default as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Aging (based on invoice date) of trade and bills receivables which are past due but not impaired

As at 31 March 2018, included in the Group's trade and bills receivable balance are debtors with aggregate carrying amount of HK$28,792,000 which are past due as at the reporting date for which the Group had not provided for impairment loss. There has not been a significant change in credit quality and the amounts are still considered to be recoverable. The Group does not hold any collateral over these balances.

	2018 *HK$'000*
Up to 30 days	15,011
31 – 60 days	11,081
61 – 90 days	1,550
More than 90 days	1,150
	28,792

No allowance for doubtful debts was made in prior year.

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

	2019 ***HK$'000***	2018 *HK$'000*
HK$	**–**	25
EURO ("EUR")	**524**	1,382
USD	**407**	–
	931	1,407

24. FINANCIAL ASSETS AT FVTPL/HELD FOR TRADING INVESTMENTS

	2019 ***HK$'000***	2018 *`HK$'000*
Equity securities listed in Hong Kong	**7,628**	39,540

25. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

During the year ended 31 March 2019, the bank deposits carry interest at market rates ranging from 0.0001% to 2.13% (2018: 0.0001% to 1.55%) per annum.

Pledged bank deposits are pledged to secure the bank borrowings and general banking facilities, which carry interest at market rates ranging from 0.0001% to 2.13% (2018: 0.0001% to 1.45%) per annum.

For the year ended 31 March 2019, the Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided. Details of impairment assessment of bank balances for the year ended 31 March 2019 are set out in note 39.

The pledged bank deposits, bank balances and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2019 ***HK$'000***	2018 *HK$'000*
HK$	**85,090**	47,916
RMB	**1,463**	2,606
EUR	**2,577**	3,649
USD	**6,009**	–
	95,139	54,171

26. ASSETS CLASSIFIED AS HELD FOR SALE

The classes of assets classified as held for sale are as follows:

	Fair value hierarchy	**2019** ***HK$'000***	2018 *HK$'000*
Investment property *(Note i)*	Level 3	**–**	7,965
Property, plant and equipment *(Note ii)*	N/A	**8,093**	–

Note i: On 27 March 2018, a wholly owned subsidiary of the Company has entered into an agreement with an independent third party in relation to disposal of investment property located at Hangzhou at consideration of RMB6,400,000 (equivalent to approximately HK$7,965,000). The disposal was completed on 16 May 2018.

Note ii: On 27 May 2019, a wholly owned subsidiary of the Company has entered into an agreement with an independent third party in relation to disposal of property located at Thailand at consideration of Thai Baht 42,000,000 (equivalent to approximately HK$10,800,000). The disposal was completed on 26 June 2019.

27. TRADE AND OTHER PAYABLES

	2019 *HK$'000*	2018 *HK$'000*
Trade and bills payables	**74,366**	80,985
Other payables, accrued charges and receipt in advance	**45,877**	98,150
	120,243	179,135

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:

	2019 *HK$'000*	2018 *HK$'000*
Up to 30 days	**47,877**	57,557
31 – 60 days	**10,897**	12,065
61 – 90 days	**6,373**	7,377
More than 90 days	**9,219**	3,986
	74,366	80,985

The average credit period on purchases of goods ranges from 30 to 60 days. The Group has financial risk management policies in place to ensure that most of the payables are settled within the credit timeframe.

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

	2019 *HK$'000*	2018 *HK$'000*
HK$	**15,998**	20,706
RMB	**37**	2,258
EUR	**2**	1,020
USD	**174**	–
	16,211	23,984

28. CONTRACT LIABILITIES

	2019 *HK$'000*	1 April 2018 *HK$'000* *(Note)*
Manufacturing and retail sales of garment products	**8,969**	31,117

Note: The amount in this column is after the adjustments from the application of HKFRS 15.

For manufacturing and retail sales of garment products, the contract liabilities recorded at the beginning of the year had been fully recognised as revenue during the year. The management expects that the unsatisfied performance obligations will be recognised as revenue within one year according to the contract period.

29. BANK BORROWINGS

	2019 *HK$'000*	2018 *HK$'000*
Floating-rate borrowings:		
Bank loans	**37,077**	50,997
Trust receipts loans	**12,591**	39,172
Import trade loans	**93,884**	55,763
	143,552	145,932
Secured	**129,871**	132,641
Unsecured	**13,681**	13,291
	143,552	145,932
The carrying amounts of the above borrowings are repayable:		
Within one year	**135,552**	135,532
In more than one year but not exceeding two years	**2,400**	2,400
In more than two years but not exceeding five years	**5,600**	8,000
	143,552	145,932
Less:		
Amounts secured, due within one year, shown under current liabilities without repayment on demand clause	**(2,400)**	(2,400)
Amounts secured, due within one year, shown under current liabilities with repayment on demand clause	**(119,471)**	(119,841)
Amounts unsecured, due within one year, shown under current liabilities with repayment on demand clause	**(13,681)**	(13,291)
Amounts secured and without repayment on demand clause shown under non-current liabilities	**8,000**	10,400

The effective interest rates (which is also equal to contracted interest rate) on the Group's borrowings ranged from 3.21% to 6.18% (2018: 1.50% to 6.18%) per annum.

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

	2019 *HK$'000*	2018 *HK$'000*
HK$	**74,772**	47,856
EUR	**–**	3,940
	74,772	51,796

30. SHARE CAPITAL

	Number of shares	Amount HK$'000
Issued and fully paid:		
At 1 April 2017, 31 March 2018 and 31 March 2019		
Ordinary shares with no par value	464,077,557	254,112

31. DISPOSAL OF SUBSIDIARIES

On 30 January 2019, the Company entered into a sales and purchase agreement with independent third parties to dispose 100% entire share capital of directly wholly owned subsidiary, Cheergain Limited and its subsidiaries, Winnertex Fashions Limited and 同得仕（杭州）時裝有限公司 with total consideration of HK$52,417,000 ("the Disposal"). The Disposal was completed on 22 February 2019.

	HK$'000
Cash consideration	52,417
Analysis of assets and liabilities over which control was lost:	
Investment property	52,588
Property, plant and equipment	1,787
Trade and other receivables	656
Bank balances and cash	2,159
Other payables	(2,466)
Amount due to holding company	(2,410)
Deferred tax liabilities	(6,708)
Net assets disposed of	45,606
Gain on disposal of subsidiaries:	
Consideration received and receivables	52,417
Net assets disposed of	(45,606)
Waiver of amount due to holding company	(2,410)
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss on disposal of subsidiaries	7,200
Transaction costs	(186)
Gain on disposal	11,415
Net cash inflow arising from disposal, net of transaction costs	52,231
Less: bank balances and cash disposed of:	(2,159)
	50,072

32. OPERATING LEASES

The Group as lessee

During the year, the Group made minimum lease payments under operating leases of HK$7,805,000 (2018: HK$13,608,000) in respect of rented premises.

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises, which fall due as follows:

	2019 ***HK$'000***	2018 *HK$'000*
Within one year	**1,605**	6,188
In second to fifth year inclusive	**–**	2,218
	1,605	8,406

Operating lease payments represent rentals payable by the Group for certain of its office premises, factories and retail shops. Leases are negotiated for terms ranging from one to five years and rentals are fixed.

The Group as lessor

Property rental income (before outgoings) earned during the year was HK$5,409,000 (2018: HK$5,243,000). The properties held have committed tenants for terms ranging from two to four years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2019 ***HK$'000***	2018 *HK$'000*
Within one year	**–**	4,184
In second to fifth year inclusive	**–**	1,028
	–	5,212

33. CAPITAL COMMITMENTS

	2019 ***HK$'000***	2018 *HK$'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– acquisition of property, plant and equipment	**–**	369

34. PLEDGE OF ASSETS

At the end of the reporting period, the following assets of the Group have been pledged to banks to secure general banking facilities granted to the Group:

	2019 HK$'000	2018 HK$'000
Prepaid lease payments	8,991	9,375
Buildings	5,149	6,229
Pledged bank deposits	116,704	116,912

35. RETIREMENT BENEFIT SCHEMES

The Group operates the MPF Schemes for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes the lower of 5% of the relevant payroll costs or HK$1,500, for each of the employees every month, to the MPF Scheme, which contribution is matched by employees.

The employees in the Company's subsidiaries in the PRC are members of the state-managed retirement benefit scheme operated by the government in the PRC. The subsidiaries in the PRC are required to contribute a certain percentage of their payroll to the retirement benefit scheme to fund the benefit. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

In addition, certain subsidiaries of the Company are required to contribute amounts based on employees' salaries to the retirement benefit scheme as stipulated by relevant local authorities. The employees are entitled to the Group's contributions subject to the regulations of the relevant local authorities.

The total cost charged to profit or loss of HK$24,474,000 (2018: HK$32,379,000) represents contributions paid and payable to these schemes by the Group for the year ended 31 March 2019.

36. RELATED PARTY DISCLOSURES

Compensation of key management personnel

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

	2019 HK$'000	2018 HK$'000
Short-term benefits	6,226	8,969
Post-employment benefits *(note)*	93	82
	6,319	9,051

Note: The amount represents contributions to retirement benefit schemes and has been included in the amount disclosed in notes 11 and 35.

The emoluments are determined, among other things, by reference to their duties and responsibilities, their experience for the industry, prevailing market conditions and the Group's performance.

37. LITIGATION

In December 2010, the administratrix of the estate of Peter Mui (who was a 49% shareholder of Yellow River, Inc. ("Yellow River"), a 51% subsidiary of the Company) (the "Administratrix") filed a Verified Petition (the "Petition") against Tungtex (U.S.A.) Inc. ("Tungtex US"), a wholly-owned subsidiary of the Company and the 51% shareholder of Yellow River, and Yellow River in the Surrogate's Court of the State of New York, County of New York (the "Court") alleging Tungtex US was engaged in oppressive conduct as a majority shareholder of Yellow River and (a) seeking the dissolution of Yellow River and the appointment of receiver to oversee the dissolution; (b) requiring Tungtex US to turnover to the estate of Peter Mui 49% of the value of Yellow River; (c) requiring Tungtex US to account for sums received from Yellow River since 1 April 2009; (d) requiring Tungtex US to turnover to Yellow River funds improperly looted and diverted by it; and (e) seeking the grant of such other and further relief as the Court may deem just and proper. By the verified answers and counterclaims filed, Tungtex US and Yellow River both denied the allegations made by, and asserted counterclaims for damages against, the Administratrix. The Administratrix moved for summary judgement granting its claim for a judicial dissolution and dismissing the counterclaims. Tungtex US and Yellow River opposed the motion and cross-moved for summary judgement dismissing the Petition. By Decision and Order dated 8 November 2017, the Court denied the Administratrix's motion for summary judgement and cross-motions of Tungtex US and Yellow River for summary judgement, denied the Administratrix's motion to dismiss counterclaims of Yellow River except for the counterclaim for an accounting, and granted the Administratrix's motion to dismiss counterclaims of Tungtex US, holding that Tungtex US does not have an independent basis to assert the counterclaims, which allege damage to Yellow River and also were asserted by Yellow River. The Administratrix did not appeal from the decision, and its time to do so has expired.

Based on and after consideration of the legal advices obtained and the possible business and financial impacts, the directors are of the view that Tungtex US and Yellow River have meritorious defenses against the claims asserted in the Petition as well as viable counterclaims and the legal proceeding is not of material importance to the Group.

38. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of bank borrowings disclosed in note 29, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, various reserves and retained profits.

The directors of the Company review the capital structure on an on-going basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

39. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2019 ***HK$'000***	2018 *HK$'000*
Financial assets		
FVTPL/Held for trading investments	**7,628**	39,540
Financial assets at amortised cost	**347,129**	–
Loans and receivables (including cash and cash equivalents)	**–**	367,053
	354,757	406,593
Financial liabilities		
Amortised cost	**253,852**	264,055

39. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies

The major financial instruments of the Group include trade and other receivables, financial assets at FVTPL/held for trading investments, pledged bank deposits, bank balances and cash, trade and other payables and bank borrowings. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (represented by currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency transactions and foreign currency borrowings, which expose the Group to foreign currency risk.

The Group manages and monitors foreign exchange exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group has entered into several foreign currency forward contracts to mitigate the risks as deemed appropriate.

The carrying amounts of foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period that are considered significant by management are as follows:

	Liabilities		**Assets**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
HK$	**90,770**	68,561	**85,090**	47,941
RMB	**37**	2,258	**1,463**	2,606
EUR	**2**	4,960	**3,101**	5,031
USD	**174**	–	**6,416**	–

Sensitivity analysis

As HK$ is pegged with USD, currency risk in relation to HK$ denominated monetary assets/liabilities is expected to be minimal.

The following table details the sensitivity of the Group to a 5% increase and decrease in USD against RMB and EUR. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. On this basis, there will be an increase in post-tax loss (2018: increase in post-tax loss) for the year where USD strengthens against EUR by 5%, and vice versa; an increase in post-tax loss (2018: increase in post-tax loss) for the year where USD strengthens against RMB by 5%, and vice versa.

	RMB impact		**EUR impact**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Increase in post-tax loss	**(60)**	(15)	**(129)**	(3)

39. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk (Continued)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to the fixed-rate bank deposits. However, management considers the fair value interest rate risk is insignificant as they are relatively short-term.

The Group is mainly exposed to cash flow interest rate risk in relation to floating-rate bank balances and bank borrowings as at 31 March 2019 and 31 March 2018. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

For the year ended 31 March 2019 and 2018, the Group's exposure to interest rate risk on financial liabilities is detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rate arising from the Group's floating rate bank borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank borrowings and bank balances at the end of the reporting period.

The analysis is prepared assuming the outstanding amount at the end of the reporting period was outstanding for the whole year. For the year ended 31 March 2019 and 2018, 50 basis points increase or decrease for bank borrowings and bank balances is used, when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates for bank borrowings and bank balances.

If interest rates had been higher/lower as indicated above, and all other variables were held constant, the Group's post-tax loss for the year would increase/decrease by approximately HK$33,000 (2018: post-tax loss for the year would decrease/increase by approximately HK$45,000).

(iii) Equity price risk

The Group is exposed to equity price risk through its investment in equity securities measured at FVTPL (2018: held for trading investments). The Group's equity price risk is concentrated on equity instruments quoted on the Stock Exchange. The management manages the exposure to price risk by maintaining a portfolio of investments with different risk and return profiles.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the end of the reporting period. For sensitivity analysis purpose, the sensitivity rate at 10% is applied as a result of the volatile financial market.

If the price of the respective financial assets at FVTPL (2018: held for trading investments) had been 10% lower, the Group's loss after taxation would increase by HK$637,000 (2018: HK$3,302,000).

In management's opinion the sensitivity analysis was unrepresentative of the inherent equity price risk as at the year end of 31 March 2019, the exposure does not reflect the exposure during the year.

Credit risk and impairment assessment

As at 31 March 2019 and 2018, the Group's maximum exposure to credit risk by the Group which will cause a financial loss due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the recognised financial assets as stated in the consolidated statement of financial position.

Trade and bills receivables arising from contracts with customers

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Group only extends credit to customers based on careful evaluation of the customers' financial conditions and credit history. Credit sales of products are made to customers with an appropriate credit history. The Group performs impairment assessment under ECL model upon application of HKFRS 9 (2018: incurred loss model) on trade receivables individually or based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. The credit risk on bills receivables is limited because the counterparties are mainly from the banks with high credit ratings assigned by international credit-rating agencies.

Other receivables

The Group assessed the impairment for its other receivables individually based on internal credit rating and ageing of these debtors which, in the opinion of the directors of the Company, have no significant increase in credit risk since initial recognition. ECL is estimated based on historical observed default rates over the expected life of debtors and is adjusted for forward-looking information that is available without undue cost or effort. Based on the impairment assessment performed by the Group, the management of the Group considers the loss allowance for other receivables within lifetime ECL as at 1 April 2018 and 31 March 2019 was insignificant and accordingly no allowance for credit losses is provided.

39. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment (Continued)

Bank balances and pledged bank deposits

The credit risk on bank balances and pledged bank deposits of the Group is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Significant concentration of credit risk

The Group's concentration of credit risk on trade receivables by geographical locations is mainly in the North America which accounted for 49% (2018: 52%) of the total trade receivables balance at 31 March 2019. The Group also has concentration of credit risk on its five largest customers which represent 45% (2018: 47%) of the total trade receivables balance and of which the largest customer represents 13% (2018: 19%) of the total trade receivables balance. For both years, the five largest customers, which are engaged in garment retailing and e-commerce platform and are mainly located in the North America and the PRC, have good repayment history and credit quality with reference to the track records of these customers under internal assessment by the Group.

The Group's internal credit risk grading assessment on trade and bills receivables and other financial assets comprise the following categories:

Internal credit rating	Description	Trade and bills receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Watch list	The counterparty has amounts past-due but is continuously settling after due date and with continuous business transactions with the Group	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources while the counterparty is with continuous business transactions with the Group	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

2019	*Note*	**Internal credit rating**	**12-month or Lifetime ECL**	**Gross carrying amount** *HK$'000*
Trade and bills receivables	23	**(Note)**	**Lifetime ECL – not credit-impaired**	**94,521**
Other receivables	23	**Low risk**	**12-month ECL**	**31,020**
Pledged bank deposits	25	**Low risk**	**12-month ECL**	**116,704**
Bank balances	25	**Low risk**	**12-month ECL**	**124,870**

Note: The Group has applied the simplified approach in HKFRS 9 to measure the loss allowance of lifetime ECL. The Group determines the ECL on these items by using a provision matrix, grouped by aging of receivables.

39. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment (Continued)

Significant concentration of credit risk (Continued)

Note: (Continued)

During the year ended 31 March 2019, the Group provided HK$208,000 impairment allowance for trade and bills receivables which were not credit-impaired debtors.

The following table shows the movement in lifetime ECL that has been recognised for trade and bills receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) *HK$000*
At 31 March 2018 under HKAS 39	–
Adjustment upon application of HKFRS 9	344
At 1 April 2018	344
Impairment loss recognised	**208**
At 31 March 2019	**552**

Liquidity risk

In management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on bank borrowings as a significant source of liquidity. The management monitors the utilisation of bank borrowings and ensures compliance with the relevant loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Group can be required to pay. Specifically bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from the interest rate at the end of the reporting period.

2019

	Weighted average interest rate %	On demand or less than 1 month *HK$'000*	1 – 3 months *HK$'000*	3 months to 1 year *HK$'000*	Over 1 year *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount at 31 March 2019 *HK$'000*
Non-derivative financial liabilities							
Trade and other payables	–	105,284	4,905	111	–	110,300	110,300
Bank borrowings *(note)*							
– floating-rate	4.49	133,353	404	1,866	8,295	143,918	143,552
		238,637	5,309	1,977	8,295	254,218	253,852

39. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk (Continued)

2018

	Weighted average interest rate %	On demand or less than 1 month *HK$'000*	1 – 3 months *HK$'000*	3 months to 1 year *HK$'000*	Over 1 year *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount at 31 March 2018 *HK$'000*
Non-derivative financial liabilities							
Trade and other payables	–	110,287	6,202	1,634	–	118,123	118,123
Bank borrowings *(note)*							
– floating-rate	4.00	133,333	403	1,851	10,695	146,282	145,932
		243,620	6,605	3,485	10,695	264,405	264,055

Note:

Bank borrowings with a repayment on demand clause are included in the "on demand" time band in the above maturity analysis. As at 31 March 2019, the aggregate principal amounts of these bank loans amounted to HK$133,152,000 (2018: HK$133,132,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that the bank loans will be repaid within one year after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements. The aggregate principal and interest cash outflows of bank borrowings with a repayment on demand clause are amounted to HK$134,896,000 (2018: HK$135,029,000).

(c) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

This note provides information about how the Group determines fair values of various financial assets.

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	**Fair value** **31 March 2019** ***HK'000***	31 March 2018 *HK'000*	**Fair value hierarchy**	**Valuation technique(s) and key input(s)**
Listed equity securities	**7,628**	39,540	Level 1	Quoted prices in an active market

At the end of the reporting period, the Group had no Level 2 or 3 fair value measurements financial instruments.

There were no transfers into or out of Level 1 during the year.

Except for the financial assets that are measured at fair value on a recurring basis, the directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

40. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flow were, or future cash flows will be classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowings *HK$'000*
At 1 April 2018	145,932
Financing cash flows	**1,449**
Exchange adjustments	**(3,829)**
At 31 March 2019	**143,552**

41. EVENT AFTER THE REPORTING PERIOD

On 11 July 2019, the Company and a potential purchaser who is a third party independent of the Company and its connected persons entered into a memorandum of understanding in relation to the proposed disposal by the Company of all the shares of Sing Yang (Overseas) Limited ("SYOL"), a directly wholly-owned subsidiary of the Company. SYOL owns an industrial building with the name "同得仕大廈" located at 中國深圳福田區北環路市政二號路 (Shizheng No. 2 Road, BeihuanRoad, Futian District, Shenzhen, the PRC).

The proposed disposal is not yet completed, details could be referenced to the announcement on 11 July 2019.

42. STATEMENT OF FINANCIAL POSITION

	Note	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**261**	458
Investments in subsidiaries		**82,053**	23,429
Amount due from a subsidiary		**–**	166,258
Deferred tax assets		**40**	30
		82,354	190,175
Current assets			
Deposits and other receivables		**751**	639
Amounts due from subsidiaries		**254,488**	178,798
Bank balances and cash		**37,485**	11,424
		292,724	190,861
Current liabilities			
Other payables and accruals		**7,622**	2,749
Amounts due to subsidiaries		**64,788**	68,046
Bank borrowings		**15,000**	15,000
		87,410	85,795
Net current assets		**205,314**	105,066
Total assets less current liabilities		**287,668**	295,241
Capital and reserves			
Share capital		**254,112**	254,112
Retained profits	*(a)*	**33,556**	41,129
		287,668	295,241

Approved and authorised for issue by the Board of Directors on 28 June 2019 and are signed on its behalf by:

Martin Tung Hau Man
DIRECTOR

Raymond Tung Wai Man
DIRECTOR

42. STATEMENT OF FINANCIAL POSITION *(Continued)*

Note:

(a) The retained profits of the Company at 31 March 2019 and 2018 are as follows:

	Retained profits
	HK$'000
At 1 April 2017	126,286
Loss and total comprehensive expense for the year	(85,157)
At 31 March 2018	41,129
Loss and total comprehensive expense for the year	**(2,468)**
Dividend recognised as distribution	**(5,105)**
At 31 March 2019	**33,556**

	For the year ended 31 March				
	2015 *HK$'000*	2016 *HK$'000*	2017 *HK$'000*	2018 *HK$'000*	**2019** ***HK$'000***
RESULTS					
Revenue	1,283,034	1,047,486	970,969	998,070	**965,928**
(Loss) profit before tax	191,180	(65,528)	(119,695)	(42,347)	**(91,774)**
(Loss) profit for the year attributable to owners of the Company	197,578	(65,451)	(119,638)	(46,546)	**(94,086)**
	HK cents	*HK cents*	*HK cents*	*HK cents*	***HK cents***
(Loss) earnings per share – Basic	46.8	(15.5)	(28.3)	(10.0)	**(20.3)**

	As at 31 March				
	2015 *HK$'000*	2016 *HK$'000*	2017 *HK$'000*	2018 *HK$'000*	**2019** ***HK$'000***
ASSETS AND LIABILITIES					
Total assets	925,904	837,242	757,571	800,197	**619,902**
Total liabilities	(278,061)	(276,729)	(290,563)	(332,212)	**(274,219)**
	647,843	560,513	467,008	467,985	**345,683**
Equity attributable to owners of the Company	652,097	565,797	473,111	476,262	**354,853**
Non-controlling interests	(4,254)	(5,284)	(6,103)	(8,277)	**(9,170)**
	647,843	560,513	467,008	467,985	**345,683**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TUNGTEX (HOLDINGS) COMPANY LIMITED

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