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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00518)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2019

RESULTS

The audited consolidated results of Tungtex (Holdings) Company Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 March 2019 (the "year"), together with the comparative figures for the year ended 31 March 2018 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	3	**965,928**	998,070
Cost of sales		**(785,722)**	(780,140)
Gross profit		**180,206**	217,930
Other income		**6,734**	5,909
Impairment loss recognised on financial assets		**(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		**5,272**	7,383
Gain on disposal of subsidiaries	11	**11,415**	–
Selling and distribution costs		**(109,238)**	(129,702)
Administrative expenses		**(147,177)**	(159,523)
Finance costs		**(6,866)**	(5,024)
Loss before tax	4	**(91,774)**	(42,347)
Income tax expenses	5	**(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	7		
Basic and diluted *(HK cents)*		**(20.3)**	(10.0)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	2019	2018
	HK$'000	*HK$'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		**–**	50,405
Property, plant and equipment		**76,815**	99,014
Prepaid lease payments		**22,339**	23,879
Intangible asset		**–**	–
Deferred tax assets		**61**	50
		99,215	173,348
Current assets			
Inventories		**132,920**	182,246
Trade and other receivables	*8*	**124,989**	169,365
Prepaid lease payments		**797**	801
Financial assets at FVTPL		**7,628**	–
Held for trading investments		**–**	39,540
Tax recoverable		**–**	566
Pledged bank deposits		**116,704**	116,912
Bank balances and cash		**129,556**	109,454
		512,594	618,884
Assets classified as held for sale		**8,093**	7,965
		520,687	626,849
Current liabilities			
Trade and other payables	*9*	**120,243**	179,135
Contract liabilities		**8,969**	–
Tax liabilities		**109**	326
Bank borrowings		**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**	2018
		HK$'000	*HK$'000*
Non-current liabilities			
Bank borrowings		**8,000**	10,400
Deferred tax liabilities		**1,346**	6,819
		9,346	17,219
		345,683	467,985
Capital and reserves			
Share capital	*10*	**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

Notes:

1. BASIS OF PREPARATION

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

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

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

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

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 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 performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in the consolidated financial statements of the Group.

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	Adjustments	Carrying amounts under HKFRS 15 at 1 April 2018
		HK$'000	*HK$'000*	*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$'000*	Adjustments *HK$'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	–

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 the consolidated financial statements of the Company.

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 has 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.

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 shows 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	**HKFRS 15**	**HKFRS 9**	**1 April 2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)			(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.

Except as described above, the application of other amendments to HKFRSs and the new interpretation in the current year has had no material effect on the amounts reported and/or disclosures set out in these consolidated financial statements.

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

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

HKFRS 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

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

3. REVENUE AND SEGMENTAL INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers for the purposes of resource allocation and assessment of performance focuses on the geographical areas of sales made by the Group's operating divisions based on the location of customers. The Group is principally engaged in the manufacture and sale of garment 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)**
Decrease 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)**

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)

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 United States of America (the "USA"), the People's Republic of China (the "PRC"), European countries and Canada. The Group's revenue from external customers by the geographical location of the customers are detailed below:

	2019	2018
	HK$'000	*HK$'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

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	2018
	HK$'000	*HK$'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).

4. 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 sale	**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

5. 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	**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.

6. DIVIDEND

	2019	2018
	HK$'000	*HK$'000*
Dividend recognised as distribution during the year:		
2019 special dividend of HK1.1 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 Board of Directors does not recommend the payment of a final dividend for the year ended 31 March 2019 (2018: Nil).

7. LOSS PER SHARE

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

	2019	2018
	HK$'000	*HK$'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.

8. TRADE AND OTHER RECEIVABLES

The Group normally grants a credit period ranging from 30 days to 90 days to its trade customers. As at 31 March 2019, the carrying amount of trade and bills receivables was HK$93,969,000, net of allowance for doubtful debt: HK$552,000 (31 March 2018: HK$126,051,000, net of allowance for doubtful debt: HK$Nil). Included in trade and other receivables are trade and bills receivables, mainly denominated in United States Dollar and Renminbi, with the following aged analysis presented based on the invoice date which approximated revenue recognition date at the end of the reporting period:

	2019	2018
	HK$'000	*HK$'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

9. TRADE AND OTHER PAYABLES

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

	2019	2018
	HK$'000	*HK$'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

10. 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**

11. 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

12. CAPITAL COMMITMENTS

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

FINAL DIVIDEND

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).

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company (the "Meeting") will be held at Shanghai Room I, Level 8, Cordis, Hong Kong at Langham Place, 555 Shanghai Street, Mongkok, Kowloon, Hong Kong on Thursday, 29 August 2019 at 11:00 a.m. The Notice of the Meeting will be published and despatched to the shareholders in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

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

Latest time to lodge transfer documents for registration	4:30 p.m. on Thursday, 22 August 2019
Closure of register of members	Friday, 23 August 2019 to Thursday, 29 August 2019 (both days inclusive)
Record Date	Friday, 23 August 2019

During the above closure period, no transfer of shares will be registered. In order to be eligible to attend and vote at the Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than the abovementioned latest time.

CHANGE OF ADDRESS OF HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

With effect from 11 July 2019, the Hong Kong Share Registrar and Transfer Office of the Company, Tricor Secretaries Limited (the "Share Registrar"), will change its address from Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong to

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

All telephone and facsimile numbers of the Share Registrar will remain unchanged.

MANAGEMENT DISCUSSION AND ANALYSIS

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 recognized 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% annualized 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.

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 rationalize our business and structure to mitigate possible economic risks and maximize 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	2018
	HK$'000	*HK$'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	2018	%
	HK$'000	*HK$'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	2018	Variance	
	HK$'000	*HK$'000*	*HK$'000*	
Advertising & 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	2018	Variance	
	HK$'000	*HK$'000*	*HK$'000*	
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	2018
	HK$'000	*HK$'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	2018
	HK$'000	*HK$'000*
Loss before tax	**(91,774)**	(42,347)
Less:		
Impairment loss recognized 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*	Variance *HK$'000*	
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	2018	Variance	
	HK$'000	*HK$'000*	*HK$'000*	
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.

PRELIMINARY ANNOUNCEMENT OF AUDITED ANNUAL RESULTS

The financial information relating to the years ended 31 March 2019 and 2018 included in this preliminary announcement of annual results 2019 do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 March 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the consolidated financial statements for the year ended 31 March 2019 to the Registrar of Companies in due course.

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

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

During the year ended 31 March 2019, the Company has not redeemed, and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee, which comprises three independent non-executive directors of the Company, has reviewed with management and the Group's external auditor, D & PARTNERS CPA LIMITED, the accounting principles and practices adopted by the Group and discussed risk management and internal control and financial reporting matters including the review of the audited consolidated financial statements of the Group for the year ended 31 March 2019.

CORPORATE GOVERNANCE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by directors of the Company. Having made specific enquiry of all directors, all directors confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2019.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

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

For and on behalf of the Board
Tungtex (Holdings) Company Limited
Martin Tung Hau Man
Chairman

Hong Kong, 28 June 2019

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