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 2020

RESULTS

The audited consolidated results of Tungtex (Holdings) Company Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 March 2020 (the "year"), together with the comparative figures for the year ended 31 March 2019 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2020

	Notes	**2020** **HK$'000**	2019 HK$'000
Revenue	*3*	**708,994**	965,928
Cost of sales		**(567,437)**	(785,722)
Gross profit		**141,557**	180,206
Other income and other gain		**3,820**	6,734
Impairment loss recognised on financial assets, net of reversal		**(1,318)**	(208)
Decrease in fair value of financial assets at fair value through profit or loss ("FVTPL")		**(3,817)**	(31,912)
Increase in fair value of investment property		**—**	5,272
(Loss) gain on disposal of subsidiaries		**(16,829)**	11,415
Selling and distribution costs		**(75,969)**	(109,238)
Administrative expenses		**(124,100)**	(147,177)
Finance costs		**(7,437)**	(6,866)
Loss before tax	*4*	**(84,093)**	(91,774)
Income tax expenses	*5*	**(252)**	(3,205)
Loss for the year		**(84,345)**	(94,979)
Loss for the year attributable to:			
Owners of the Company		**(83,606)**	(94,086)
Non-controlling interests		**(739)**	(893)
		(84,345)	(94,979)
Loss per share	*7*		
Basic and diluted *(HK cents)*		**(18.1)**	(20.3)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	2020	2019
	HK$'000	*HK$'000*
Loss for the year	**(84,345)**	(94,979)
Other comprehensive income (expense)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translating foreign operations:		
— exchange differences arising during the year	**(12,385)**	(14,674)
Reclassification adjustments from foreign currencies translation reserves:		
— release upon disposal of subsidiaries	**13,527**	(7,200)
Other comprehensive income (expense) for the year	**1,142**	(21,874)
Total comprehensive expense for the year	**(83,203)**	(116,853)
Total comprehensive expense for the year attributable to:		
Owners of the Company	**(82,464)**	(115,960)
Non-controlling interests	**(739)**	(893)
	(83,203)	(116,853)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment		**23,836**	76,815
Right-of-use assets		**13,221**	—
Prepaid lease payments		—	22,339
Intangible asset		—	—
Deferred tax assets		**59**	61
		37,116	99,215
Current assets			
Inventories		**94,506**	132,920
Trade and other receivables	*8*	**89,811**	124,989
Prepaid lease payments		—	797
Financial assets at FVTPL		—	7,628
Pledged bank deposits		**116,704**	116,704
Bank balances and cash		**113,946**	129,556
		414,967	512,594
Assets classified as held for sale		**51,455**	8,093
		466,422	520,687

	Notes	2020 HK$'000	2019 HK$'000
Current liabilities			
Trade and other payables	9	**78,430**	120,243
Contract liabilities		**11,607**	8,969
Lease liabilities		**2,501**	—
Tax liabilities		**152**	109
Bank borrowings		**144,388**	135,552
		237,078	264,873
Liabilities associated with assets classified as held for sale		**72**	—
		237,150	264,873
Net current assets		**229,272**	255,814
Total assets less current liabilities		**266,388**	355,029
Non-current liabilities			
Lease liabilities		**3,834**	—
Bank borrowings		**5,800**	8,000
Deferred tax liabilities		**1,230**	1,346
		10,864	9,346
		255,524	345,683
Capital and reserves			
Share capital	10	**254,112**	254,112
Treasury shares		**(230)**	—
Reserves		**11,551**	100,741
Equity attributable to owners of the Company		**265,433**	354,853
Non-controlling interests		**(9,909)**	(9,170)
		255,524	345,683

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 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 (the "HKICPA") for the first time in the current year.

HKFRS 16	Leases
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

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 16 *Leases*

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) — Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. Based on the practical expedients under HKFRS 16, the Group has elected not to apply the requirements of HKFRS 16 in respect of recognition of lease liability and right-of-use asset to lease for which the lease term ends within twelve months of the date of initial application.

Before the adoption of HKFRS 16, lease contracts were classified as operating lease in accordance with the Group's accounting policies applicable prior to the date of application.

Upon adoption of HKFRS 16, the Group accounted for the leases in accordance with the transitional provisions of HKFRS 16 and the Group's accounting policies applicable from the date of application.

Transition and summary of effects arising from initial application of HKFRS 16

	At 1 April 2019 *HK$'000*
Operating lease commitments disclosed as at 31 March 2019	1,605
Less: Recognition exemption — short term lease	(1,605)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 and as at 1 April 2019	—

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

	Note	**Right-of-use assets** *HK$'000*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		—
Reclassified from prepaid lease payments	*(a)*	23,136
		23,136

Note:

(a) Prepaid lease payments

Upfront payments for leasehold lands in the People's Republic of China (the "PRC") and Vietnam were classified as prepaid lease payments as at 31 March 2019. Upon application of HKFRS 16, the current and non-current portions of prepaid lease payments amounting to HK$797,000 and HK$22,339,000 respectively were reclassified to right-of-use assets as at 1 April 2019.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and should be adjusted to reflect the discounting effect at transition. However, as the rental deposits received are insignificant, no adjustment has been made in the consolidated financial statements.

Effective on 1 April 2019, the Group has applied HKFRS 15 *Revenue From Contracts with Customers* to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the consolidated financial statements.

The application of HKFRS 16 has had no material impact as a lessor on the consolidated financial statements for the year ended 31 March 2020.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2019	**Adjustments**	**Carrying amounts under HKFRS 16 at 1 April 2019**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Prepaid lease payments	22,339	(22,339)	—
Right-of-use assets	—	23,136	23,136
Current assets			
Prepaid lease payments	797	(797)	—

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 March 2020, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 April 2019 as disclosed above.

Amended standards early adopted by the Group

The Group has early adopted the following amendments of HKFRS, which are relevant to its operations.

Amendments to HKFRS 16 ***COVID-19-related rent concessions***

Amendments to HKFRS 16 *COVID-19-related rent concessions* allow lessee to elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification. Such practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than the consideration for the lease immediately preceding the change;

- Any reduction in lease payments affects only payments originally due on or before 30 June 2021;

- There is no substantive change to other terms and conditions of the lease.

A lease applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS16 if the changes were not lease modifications. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

New and amendments to HKFRSs issued but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021

2 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

3 Effective for annual periods beginning on or after a date to be determined

4 Effective for annual periods beginning on or after 1 January 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

Amendments to HKFRS 3 *Definition of a Business*

The amendments:

- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis;

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; and

- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 April 2020, with early application permitted.

The optional concentration test and the amended definition of a business are not expected to have a significant impact to the Group.

Amendments to HKAS 1 and HKAS 8 ***Definition of Material***

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 April 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

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

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 2020:

	North America *HK$'000*	Asia *HK$'000*	Europe and others *HK$'000*	Consolidated *HK$'000*
REVENUE				
Sales of goods — external	**408,084**	**283,266**	**17,644**	**708,994**
SEGMENT (LOSS) PROFIT	**(1,897)**	**(11,959)**	**1,737**	**(12,119)**
Decrease in fair value of financial assets at FVTPL				**(3,817)**
Loss on disposal of subsidiaries				**(16,829)**
Finance costs				**(7,437)**
Unallocated income				**3,820**
Unallocated expenses				**(47,711)**
Loss before tax				**(84,093)**

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)

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, depreciation of right-of-use assets, amortisation of prepaid lease payments, change in fair value of financial assets at FVTPL, gain (loss) on disposal of subsidiaries, change in fair value of investment property, other income and other gain, and finance costs. This is the measure reported to the Company's executive directors for the purposes of resource allocation and assessment of performance.

Geographical information

The Group's revenue is mainly derived from customers located in the United States of America (the "USA"), the PRC, and Canada. The Group's revenue from external customers by the geographical location of the customers are detailed below:

	2020 ***HK$'000***	2019 *HK$'000*
The PRC	**271,461**	442,740
The USA	**254,413**	317,626
Canada	**153,671**	155,919
Others	**29,449**	49,643
	708,994	965,928

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:

	2020 ***HK$'000***	2019 *HK$'000*
Hong Kong	**4,941**	2,117
The PRC	**10,304**	79,582
Others	**21,812**	17,455
	37,057	99,154

Note: Non-current assets excluded deferred tax assets.

Information about major customers

For the year ended 31 March 2020, there is one external customer in North America operating segment (2019: one external customer in North America and one external customer in Asia operating segment) who contributed over 10% of the total sales of the Group. Its contribution was approximately HK$106 million (2019: HK$213 million).

4. LOSS BEFORE TAX

	2020 ***HK$'000***	2019 *HK$'000*
Loss before tax has been arrived at after charging (crediting):		
Directors' remunerations:		
Fees	**620**	585
Other emoluments	**5,915**	6,226
Contributions to retirement benefit schemes	**90**	93
	6,625	6,904
Other employee benefits expenses:		
Salaries, allowances and bonus	**162,506**	221,463
Contributions to retirement benefit schemes	**15,520**	24,381
Total employee benefits expenses	**184,651**	252,748
Auditor's remuneration		
— Audit service	**835**	830
— Non-audit services	**509**	288
Cost of inventories recognised as an expense (including allowance for inventories of HK$9,327,000 (2019: HK$13,591,000))	**567,437**	785,722
Amortisation of prepaid lease payments	**—**	797
Depreciation of property, plant and equipment	**12,062**	16,660
Depreciation of right-of-use assets	**1,604**	—
Impairment loss recognised on property, plant and equipment	**6,112**	—
(Gain) loss on disposal of asset classified as held for sale	**(2,338)**	92
Loss on disposal/write-off of property, plant and equipment	**2,288**	920
Net exchange gain	**(4,424)**	(2,501)

5. INCOME TAX EXPENSES

	2020 *HK$'000*	2019 *HK$'000*
Current tax:		
Hong Kong	—	—
The PRC	**366**	674
	366	674
(Over) under provision in prior years:		
Hong Kong	—	(178)
The PRC	—	554
	—	376
Deferred taxation	**(114)**	2,155
	252	3,205

No provision for Hong Kong Profits Tax is made for the years ended 31 March 2020 and 2019 as the Group has no assessable profit arising in Hong Kong or the assessable profits are wholly absorbed by tax losses brought forward from prior years.

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

One PRC subsidiary, which is a micro and small enterprise, enjoys the preferential tax rates. According to the circular of the State Administration of Taxation, Cai Shui (2019) No. 13, the first RMB1 million of the assessable profits, would be taxed at the rate of 5%; for the assessable profits which exceed RMB1 million but not exceeding RMB3 million, would be taxed at the rate of 10%.

6. DIVIDEND

	2020 *HK$'000*	2019 *HK$'000*
Dividend recognised as distribution during the year:		
2020: Nil (2019: special dividend of HK1.1 cents) per share	—	5,105

The Board of Directors does not recommend the payment of a final dividend for the year ended 31 March 2020 (2019: Nil).

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

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:

	2020	2019
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**(83,606)**	(94,086)

	2020	2019
Weighted average number of ordinary shares in issue during the year for the purposes of basic and diluted loss per share	**461,434,497**	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 2020 and 2019.

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 2020, the carrying amount of trade and bills receivables was HK$71,276,000, net of allowance for doubtful debt: HK$1,870,000 (2019: HK$93,969,000, net of allowance for doubtful debt: HK$552,000). 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:

	2020	2019
	HK$'000	*HK$'000*
Up to 30 days	**47,593**	59,555
31 — 60 days	**12,032**	22,896
61 — 90 days	**7,974**	7,020
More than 90 days	**3,677**	4,498
	71,276	93,969

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:

	2020	2019
	HK$'000	*HK$'000*
Up to 30 days	**33,683**	47,877
31 — 60 days	**2,361**	10,897
61 — 90 days	**3,523**	6,373
More than 90 days	**8,711**	9,219
	48,278	74,366

10. SHARE CAPITAL

	Number of shares	**Amount**
		HK$'000
Issued and fully paid:		
At 1 April 2018 and 31 March 2019		
Ordinary shares with no par value	464,077,557	254,112
Shares repurchased and cancelled *(Note)*	**(12,510,000)**	
At 31 March 2020		
Ordinary shares with no par value	**451,567,557**	**254,112**

Note:

During the year ended 31 March 2020, the Company repurchased a total of 12,510,000 ordinary shares on The Stock Exchange of Hong Kong Limited at an aggregate purchase price (excluding expenses) of HK$6,726,200. Such repurchased shares were subsequently cancelled during the year ended 31 March 2020.

11. EVENT AFTER THE REPORTING PERIOD

Since the COVID-19 outbreak, many countries closed down the factories and retail shops to combat the COVID-19, including China and Vietnam where the Group's production facilities are situated. While COVID-19 also led to restrictions on operations of all offline non-essential service providers, the Group's retail outlets in China were temporarily closed during and after the Chinese New Year holiday, and were gradually re-opened during February and March 2020. The public health crisis is likely to obstruct global economic development. It is expected that the general consumption sentiment may remain stagnant and even worse in the near-term. In view of the acute challenge, the Group actively managed the expenses and cash flows on all aspects as the key initiative to mitigate the overall impact of the situation. The Group paid all attention to stringent cost control, sales network and workflow optimization, supply chain monitoring along with adjustments to capital commitment and growth plans. While navigating health and safety concerns to mitigate the outbreak of the COVID-19, there was an exigent demand for protective face masks, the Group embraced efforts to combat the outbreak of the COVID-19 into the Group's business strategy by expanding into protective face mask market. The expansion into face mask production did not require significant investment and utilised slack resources and existing support. This unearthed new opportunity not only satisfied the Group's own internal consumption but also served to enrich the Group's revenue stream.

FINAL DIVIDEND

The Board of Directors does not recommend the payment of a final dividend for the year ended 31 March 2020 (2019: Nil).

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

MANAGEMENT DISCUSSION AND ANALYSIS

Summary of Operating Results

Amidst the protracted trade tensions and the outbreak of the COVID-19, the Group's revenue for the current fiscal year ended 31 March 2020 (the "Year") suffered a 26.6% decrease year-on-year to HK$709.0 million.

In line with the decline in revenue, gross profit dropped by 21.4% to HK$141.6 million. Gross profit margin improved slightly to 20.0% (2019: 18.7%) benefitting from the more efficient operation of our Vietnam plant and in our unified factory facilities in Zhongshan China which effectively drove down costs of production.

Albeit the hostile operating atmosphere, the loss before tax narrowed down by 8.4% to HK$84.1 million during the current fiscal year ended 31 March 2020. Excluding the financial impacts of i) the decrease in fair value of financial assets at fair value through profit and loss ("FVTPL") of HK$3.8 million; ii) the impairment loss recognised on financial assets, net of reversal of HK$1.3 million; iii) the impairment loss recognized on property, plant and equipment of HK$6.1 million and iv) the loss on disposal of subsidiaries of HK$16.8 million, the operating loss before tax attributable to our main operating activities was HK$56.0 million.

The operating loss before tax for the last fiscal year ended 31 March 2019 amounted to HK$76.3 million which was arrived at after excluding i) the decrease in fair value of financial assets at FVTPL of HK$31.9 million; ii) the increase in fair value of investment property of HK$5.3 million; iii) the impairment loss recognised on financial assets, net of reversal of HK$0.2 million and iv) the gain on disposal of subsidiaries of HK$11.4 million.

The Group reduced its operating loss before tax by 26.6% to HK$56.0 million to mitigate the adverse impact of a substantial reduction in revenue. The decline in operating loss was mainly accredited to our strict monitoring of cost control and strong focus on operational efficiencies which generated substantial cost savings and resulted in a decrease of HK$33.3 million or 30.5% in selling and distribution expenses and a decrease of HK$23.1 million or 15.7% in administrative expenses as compared to the last fiscal year.

Business Review

The new tariff regime as a result of the strategic confrontation between the United States (the "US") and China was the major disrupting force since the second half of 2018, resulting in the disturbed trade patterns and supply chains which has ever since posed long-term implications for manufacturers and consumer behaviours.

Our strong presence in Vietnam armed us with the agility and ability to convert our Vietnam production hub into our focal production point for the US market, and further tap into the growing market of Vietnam and its expanding list of treaties countries. The Group further strengthened its supply chain by the setup of a sourcing office in Vietnam to diversify our sourcing channels to reduce overreliance and enhance flexibility.

Accredited to a series of restructuring and consolidation efforts which have been completed during this fiscal year under review, the unified and lean production platforms located strategically in China and Vietnam enhanced our cost and locational advantage to simultaneously serve the US, global and China markets. This move also allowed the Group to offer a high degree of consistency in quality, leverage efficiencies of scale and increase our speed of reaction to changes in trends and customer tastes.

In the retail sector, the Group responded to the challenges by maintaining a lean marketing platform, a right mix of product offering and effective marketing strategy. During the year under review, the Group continued to close down unprofitable or non-performing shops and increase the proportion of quantity of shops operated by franchisees or under cooperative ownership, in order to reduce the operating overheads and improve cost effectiveness.

COVID-19

Turning into 2020 was a year of unprecedented change since when the Group has witnessed the complete breakdown of both supply and demand chains. Since the COVID-19 outbreak, many countries, including China and Vietnam where our production facilities are situated, implemented emergency public health measures and various actions to curtail the spread of the pandemic including a full lockdown and, among others, imposing restrictions and conditions on enterprises on their operations. This partial or complete slowdown of all economic activities in most part of the world resulted in a general disruption of production, supply chains and logistic services on a global basis.

Attributed to our ongoing effort on building nimbleness and flexibility, the Group has proactively repositioned itself, and focused immediately on the emergencies of business continuity and safety.

In view of the acute challenge, we actively managed our expenses and cash flows on all aspects as our key initiative to mitigate the overall impact of the situation. The Group paid all attention to stringent cost control, sales network and workflow optimization, supply chain monitoring along with adjustments to capital commitment and growth plans.

At the same time, the Group began its arrangements to mitigate the spread of the COVID-19 by flexible work plan including telecommuting, suspension of all business-related international travel as well as communication and coordination with relevant government authorities on control measures regarding factory closures and resumption procedures.

While the COVID-19 also led to restrictions on operations of all offline non-essential service providers, our retail outlets in China were temporarily closed during and after the Chinese New Year holiday, and were gradually re-opened during February and March 2020. On a positive note, since the Group completed most of the planned retail closure by the third quarter of 2019, such strategic move mitigated to a certain extent the adversity of the widespread retail lockdown. The Group also engaged active negotiations with landlords to obtain rent relief to reduce fixed overheads during the period of mandatory closures.

While navigating health and safety concerns to mitigate the outbreak of the COVID-19, there was an exigent demand for protective face masks. To contribute in combating the COVID-19 and to ensure a provision of safe working environment with abundant supply of face masks to employees and labour force, the Group embraced efforts to combat the outbreak of COVID-19 into our business strategy by expanding into disposable face mask market. The expansion into face mask production did not require significant investment and utilised slack resources and existing support. This unearthed new opportunity not only satisfied our own internal consumption but also served to enrich our revenue stream.

Sales to US and Canada

The total revenue for the North American countries made up to approximately 57.6% of the Group's total revenue amounting to HK$408.1 million, representing a year-on-year decrease of 13.8%. Sales to the US recorded a notable drop of almost 19.9% during the year to HK$254.4 million.

According to the US Commerce Department, U.S. gross domestic product grew at a 2.1% annual rate in the final quarter of 2019 and 2.3% for the whole of 2019. This was less than the 2.9% in 2018 with declining business investment and rate of consumer spending from the previous year.

The last quarter of the year under review posed a more disastrous quarter when the COVID-19 spread uncontrollably in the US and brought the biggest turbulence to its financial market since the financial crisis in 2008. Services and manufacturing sectors contracted sharply with a staggering unemployment level as the economic disaster unfolded which weighed heavily on consumer sentiment. According to the National Retail Federation, retail sales dropped a historic 8.7% in March 2020, and our sales to the US was thus inevitably affected.

Affected by the heightened global trade tensions and subdued global growth, the real GDP of Canada for 2019 slowed down to 1.6% annually due to weaker international trade and declines in investments. Helped by a resilient labour market with increased wage level, household spending remained robust despite notable contraction in business investments and trading activities, and the occurrence of the pandemic in the first quarter. As a result, the Group's sales to Canada remained approximately flat to the last fiscal year, amounted to HK$153.7 million and represented a modest decrease of 1.4%.

Sales to Asia

Sales to Asia amounted to HK$283.3 million, representing a significant decrease of 38.6% compared to the last fiscal year. The decline reflected the drastic decrease in sales to China which alone accounted for over 95.8% of our sales to the Asian markets. Affected by an array of unfavourable global, domestic and epidemic factors, the Group's sales to China in the current fiscal year plunged by more than 38.7% year-on-year to HK$271.5 million.

According to the National Bureau of Statistics, China saw its gross domestic product expanded 6.1% for the year 2019, down from 6.6% in 2018, its lowest annual growth rate in 29 years amid lingering trade disputes with the US.

The US tariff has already undermined the position of China as top choice of sourcing for US retailers and brand vendors and resulted in even more China factories competing for China domestic orders. The outbreak of the COVID-19 further upended the whole operating and business environment. A rising death tolls, the mandatory shutdown measures, stores closures and the restrictions on mobility cast overwhelming worries and uncertainties which threw business and consumer sentiment to rock bottom and eventually took a heavy toll on the Group's sales to the China market leading to an accelerating decline in the Group's sale to China especially during the last quarter of the fiscal year under review.

Retailing Business in China

While the brick-and-mortar stores of the retail industry undoubtedly would be in the front line of the outbreak's attack, online commerce skyrocketed during the crisis as mass quarantines and social distancing caused a huge spike in social media traffic.

The competition for online markets reached a new height when the COVID-19 sent global and local retailers who had originally viewed digital commerce as a secondary channel to scramble towards digital selling channels in China.

The domestic retailing business was already operating in a highly unpredictable and difficult environment. A subdued global growth together with the occurrence of the trade war and COVID-19 simply amplified the extent and depth of both online and offline competition in the current fiscal year to a level never seen before.

Operating against the above challenging backdrop saw a significant reduction in revenue contributed by our retailing business, which amounted to approximately HK$227.3 million, representing a decrease of 26.3% as compared to the last fiscal year. Such decrease was mainly attributable to poor market condition, the decrease in the number of shops, the mandatory shop closures due to the COVID-19 pandemic during February and early March 2020 and the relatively much lower sales volume in the early stage of the aftermath.

The retailing business recorded an operating loss of HK$12.2 million (2019: operating loss of HK$24.4 million). Our continuous stringent cost control measures at all levels together with a leaner retail networks served to offset the effect of decline in revenue and weather growing economic uncertainties. As at 31 March 2020, there were a total of 169 Betu-brand shops (2019: 188) operating in the Mainland China, representing a net decrease of 19 shops and the ratio of self-operated shops versus shops operated by franchisees or under cooperative ownership changed from 1: 1.6 to 1: 2.1 as compared to last year end date.

Disposal of a property in Thailand

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 operations already discontinued in 2016, at a cash consideration of Thai Baht 42 million (equivalent of approximately HK$10.8 million). The disposal and transfer of ownership of the property was completed on 26 June 2019 and the Group recorded a gain of approximately HK$2.3 million on the disposal of the property.

Disposal of its factory premises in Shenzhen

As announced by the Company on 2 April 2020, the Company (as vendor) entered into a sale and purchase agreement on 31 March 2020 ("SP Agreement") with Pioneer Fortress Limited (as Purchaser), who and its ultimate beneficial owner are independent third parties, pursuant to which the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire the entire issued share capital of Sing Yang (Overseas) Limited ("SYO"), which is a direct wholly-owned subsidiary of the Company (the "Sale Shares") and such amount as equals the face value of the entire sum of shareholder's loan owing by SYO to the Company as at the completion date (the "Sale Loan"). The consideration for the Sale Shares is approximately HK$172.8 million (being the difference of the total Consideration and the face value of the Sale Loan at Completion) and the consideration for the Sale Loan is its face value at Completion, which is approximately HK$131.0 million as at the date of the SP Agreement. The gross proceeds to be received by the Company from the Disposal is RMB276.0 million (equivalent to approximately HK$303.8 million translated at the exchange rate of RMB0.9084 to HK$1.00 as agreed by the Company and the Purchaser) and will be settled by the Purchaser in Hong Kong dollars by cashier's order issued by a licensed bank in Hong Kong in favour of the Company.

SYO owns an industrial building with the name "同得仕大廈(Tungtex Building)" located at Shizheng No. 2 Road, Beihuan Road, Futian District, Shenzhen, the PRC（中國深圳福田區北環路市政二號路）with total gross floor area of 11,033 sq.m. erected on a land parcel for industrial use with a site area of approximately 4,319.4 sq.m. ("Shenzhen Building").

Reference is also made to the announcements of the Company dated 11 July 2019, 26 August 2019, 9 September 2019, 18 September 2019 and 18 October 2019 respectively (the "Announcements") where the Company announced, among other matters, the negotiation of the possible sale of SYO with the Potential Purchaser (as defined in the Announcements). The Purchaser of the SP Agreement was introduced to the Company by the Potential Purchaser. However, the Purchaser of the SP Agreement is not the Potential Purchaser referred to in the Announcements.

As the highest possible percentage ratios under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") in respect of the Disposal exceeds 75%, the Disposal constitutes a very substantial disposal of the Company and is therefore subject to the notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The extraordinary general meeting ("EGM") will be convened for the purpose of considering and, if thought fit, approving the SP Agreement and the Disposal contemplated thereunder. A circular containing, among other things, (1) details of the SP Agreement and the Disposal; (2) valuation report of Shenzhen Building; (3) other information as required to be disclosed under the Listing Rules; and (4) the notice of the EGM and a form of proxy is expected to be despatched to the Shareholders on or before 31 July 2020.

Update on the group's disposal of its factory premises in Dongguan

On 29 November 2019, Dongguan Tungtex Garments Co. Limited, an indirect wholly owned subsidiary of the Company in China (as vendor) entered into a sale and purchase agreement (the "Disposal Agreement") with Dongguan Feng Tai Da Technology Co., Ltd (as purchaser), who and its ultimate beneficial owner are independent third parties, in relation to the disposal by the Vendor to the Purchaser of the industrial land use rights with a total site area of 17,041.96 sq. m. until 31 March 2055 together with the buildings and ancillary facilities located thereon with a total gross floor area of 20,473.03 sq. m. located in 中國廣東省東莞市清溪鎮漁梁圍村 (collectively the "Target Assets") at an aggregate consideration of RMB70.5 million, subject to the terms of the Disposal Agreement (the "Disposal").

The Disposal constitutes a major transaction for the Company which was subject to the announcement, circular and shareholders' approval requirements in accordance with the Listing Rules.

The Disposal was approved by the shareholders of the Company at the EGM of the Company held on 31 January 2020. As at the date of this annual report, the Disposal has not yet completed.

Prospects

Looking forward, the economic outlook for the remainder of the fiscal year ahead continues to be extremely volatile as uncertainties such as the US-China trade conflict which showed no sign of abating and the damaging effect of the COVID-19 continues to cast a shadow over the economic development and the financial markets on a global scale. Pessimistic sentiment and unstable global economic prospects attributable to these uncertainties will continue to exert negative effect on the apparel industry. In addition, the post COVID-19 new normal will force the industry players to formulate sound business and market strategies to survive the dynamic market situation, changing consumer preferences and risky business exposures.

Despite governments all around the globe hastened to soften the economic blow by cutting rates to almost record-low and plumping up stimulus packages, these measures could hardly reverse the shocks as the stand-still situation of the globe in the past few months has already caused severe impact to the global economy. While there is little doubt that the global economy has headed into a recession, there is still great uncertainty as to how quick and to what extent a bounce back would take place.

Having moved past the worst of the COVID-19 pandemic, China and Vietnam are relatively successful Asian countries to contain the disease and lift tough movement restrictions which put the country on course to recover at a much faster pace. As such, the management remains cautiously optimistic about the economic prospects of China and Vietnam and their market outlooks for the apparel industry in the mid to longer term.

Despite the short-term impacts presented by the COVID-19, the Government of China's strategic initiative to steer China's economy towards domestic consumption and higher quality growth remains unchanged. The Group will strive to design more stylish and customised clothing coupled with better omnichannel shopping experience to meet the market demand for upgraded goods and services. In this respect, our Zhongshan production plant will make use of locational advantage of domestic production through making of smaller and quality batches with faster turnaround time to better respond to the ever-changing customer tastes and preferences.

As for the US, the government announced the biggest ever stimulus package at the end of March to revive the economy and relieved the damage caused by the COVID-19 pandemic. The economic resumption plan was somehow interrupted by the recent widespread outbreak of anti-racism protests. However, market expects additional government aids to facilitate a quicker turnaround for the country.

Nevertheless, the Group expects the recovery will be characterized by a continued softening in customer demand across channels with the industry facing extreme challenges and uncertainties with respect to trade policies, tariffs and government regulations affecting trade between the US and other countries, such as the threat of additional tariffs on imported consumer goods from China. All of which served to swiftly curtail business and consumer sentiments.

The Group will continue its commitment to strengthen our market position as a customer-centred provider of high-quality apparel items at affordable price to achieve steady growth, and the overall strategy of sustainable development driven by cost reduction, operational optimization, and innovation.

The Group envisages business environment in China to be overwhelmingly competitive and challenging in the coming quarters as retailers are trying to make up for the lost sales due to COVID-19-induced shop closures and lessened consumer traffic.

The Group will continue to rationalize the size of underperforming retail divisions or outlets to position ourselves for greater speed, agility and efficiency especially when operating in periods under dynamic changes as well as unexpected changes in external environment.

Customer engagement was critical during period of uncertainty to fortress their loyalty and trust in our brand. Our decades of genuine operation records and retailing experience enable us to earn a competitive advantage in localizing, reaching, and communicating with our customers in China.

Online shopping will be the new norm that remains in both export markets and China domestic market even after the crisis passes. To comply and sustain with this new norm, the Group's manufacturing management will endeavor to shorten the production leadtime and enhance the production efficiency and effectiveness, and the Group's retail management will evaluate partnership with other platforms with different shopping models or interesting mobile application elements to further enlarge and diversify its online community.

As of the date of financial report, although the pandemic is in basic control and economic backdrop has shown slight improvement that helped boost investment and consumer sentiment in most markets, many macro headwinds and uncertainties remain. The Group will cautiously monitor the markets, adopt appropriate measures and sustainable business strategies to navigate the challenges and mitigate risks.

CAPITAL EXPENDITURE

During the fiscal year ended 31 March 2020, the Group incurred approximately HK$8.6 million capital expenditure as compared to approximately HK$11.1 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 fiscal year ended 31 March 2020, the Group's financial position continued to be prudently managed and remained healthy. At the end of the Year, the Group's cash level decreased to HK$230.7 million (of which HK$116.7 million was pledged bank deposits) as compared to HK$246.3 million (of which HK$116.7 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$150.2 million, which were mainly denominated in USD, HKD and RMB, consisted of HK$144.4 million short-term bank borrowings and HK$5.8 million long-term bank borrowings. The Group had no borrowings at fixed interest rates during the fiscal year ended 31 March 2020. The gearing ratio (total bank borrowings to total equity) was 58.8%. The Group is of the opinion that, after taking into consideration of the internal available financial resources and the current banking facilities, the Group has sufficient funds to finance its operations and to meet the financial obligations of its business when they fall due. During the fiscal year ended 31 March 2020, working capital cycle remained under stringent control. Trade receivable turnover increased slightly from last year's 36 days to 37 days. Inventory turnover decreased slightly from last year's 50 days to 49 days.

At 31 March 2020, certain land and buildings with an aggregate net book value of approximately HK$12.7 million (2019: HK$14.1 million) were pledged to banks to secure general banking facilities granted to the Group.

SIGNIFICANT INVESTMENTS

As at 31 March 2020, the Group had no significant investments held (2019: HK$7.6 million), after the disposal of a direct wholly-owned subsidiary, which held all financial assets at FVTPL (securities investments) of the Group during the fiscal year.

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 decreased to 80.0% (2019: 81.3%). The comparison of percentage of consolidated cost of sales is as follows:

	2020	2019
	HK$'000	*HK$'000*
Revenue	**708,994**	965,928
Cost of sales	**(567,437)**	(785,722)
Percentage of consolidated cost of sales	**80.0%**	81.3%

Selling and distribution costs and administrative expenses

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

	2020	2019	%
	HK$'000	*HK$'000*	*Changes*
Selling and distribution costs	**75,969**	109,238	(30.5%)
Administrative expenses	**124,100**	147,177	(15.7%)

Selling and distribution costs

	2020	2019	*Changes*	%
	HK$'000	*HK$'000*	*HK$'000*	*Changes*
Advertising & promotion expense	**14,899**	21,472	(6,573)	(30.6%)
Freight and handling charge	**6,306**	8,342	(2,036)	(24.4%)
Shop management fee	**11,057**	15,339	(4,282)	(27.9%)
Retail shop rental and running expenses	**12,853**	11,798	1,055	8.9%
Staff costs	**24,026**	41,841	(17,815)	(42.6%)
Other selling and distribution costs	**6,828**	10,446	(3,618)	(34.6%)
Total	**75,969**	109,238	(33,269)	(30.5%)

Advertising and promotion expense was essential for the retail operation and brand building, especially for promoting sales through e-commerce platforms such as Tmall, Jingdong and Vips. The decrease in advertising and promotion expense was attributable to the decrease in retail sales for the fiscal year.

The decrease in freight and handling charge was attributable to the decrease in the total revenue of the Group for the fiscal year.

Shop management fee included fixed and variable management fees paid to department stores and e-commerce platforms. The decrease of shop management fee was attributable to the decrease in retail sales for the fiscal year.

The significant decrease in staff costs was attributable to the streamlining in staff force, closure of unprofitable and non-performing shops and outsourcing of certain operating functions during the fiscal year.

The decrease in other selling and distributable costs was mainly attributable to the decrease in retail sales and stringent cost control management during the fiscal year.

Administrative expenses

	2020	2019	*Changes*	%
	HK$'000	*HK$'000*	*HK$'000*	*Changes*
Auditor's remuneration	**1,344**	1,118	226	20.2%
Bank charge	**2,762**	3,268	(506)	(15.5%)
Depreciation and amortisation	**6,268**	5,450	818	15.0%
Entertainment and travelling	**5,342**	7,940	(2,598)	(32.7%)
Impairment loss recognised on property, plant and equipment	**6,112**	—	6,112	100.0%
Insurance	**1,281**	1,729	(448)	(25.9%)
Legal and professional fee	**5,916**	7,229	(1,313)	(18.2%)
Rent and building management fee	**2,752**	6,241	(3,489)	(55.9%)
Staff costs	**81,846**	96,693	(14,847)	(15.4%)
Office expenses	**5,474**	7,736	(2,262)	(29.2%)
Other administrative expenses	**5,003**	9,773	(4,770)	(48.8%)
Total	**124,100**	147,177	(23,077)	(15.7%)

The management has carried out an impairment assessment of the property, plant and equipment of the Group's factories and underperforming retail stores. After the comprehensive assessments, a total impairment loss of HK$6,112,000 was recognized on property, plant and equipment during the fiscal year.

Legal and professional fee included consultancy, legal and other professional fees for the disposal of properties during the year.

The decrease in rent and building management fee was due to the expiry or termination of certain leases of office and warehouses in the United States, Hong Kong and China respectively during the fiscal year.

The significant decrease in staff costs and the decrease in office and other administrative expenses were mainly attributable to the cessation of production operation in Dongguan, after the merge of Dongguan production facilities and workforces into Zhongshan production plant in the second quarter of the fiscal year, and the stringent cost control management during the fiscal year.

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

The negative EBITDA for the fiscal year is HK$63.0 million (2019: HK$67.5 million). The comparison of EBITDA is as follows:

	2020	2019
	HK$'000	*HK$'000*
Loss for the year	**(84,345)**	(94,979)
Add:		
Finance costs	**7,437**	6,866
Income tax expense	**252**	3,205
Depreciation	**13,666**	16,660
Amortisation	**—**	797
EBITDA	**(62,990)**	(67,451)

Operating loss

The Group incurred an operating loss before tax of HK$56.0 million for the fiscal year (2019: HK$76.3 million). The comparison of operating loss is as follows:

	2020	2019
	HK$'000	*HK$'000*
Loss before tax	**(84,093)**	(91,774)
Less:		
Impairment loss recognized on financial assets, net of reversal	**(1,318)**	(208)
Impairment loss recognized on property, plant and equipment	**(6,112)**	—
Decrease in fair value of financial assets at FVTPL	**(3,817)**	(31,912)
Increase in fair value of investment property	**—**	5,272
(Loss) gain on disposal of subsidiaries	**(16,829)**	11,415
Operating loss before tax	**(56,017)**	(76,341)

Loss before tax

Loss before tax for the fiscal year is HK$84.1 million (2019: HK$91.8 million).

Loss per share

The Group's loss per share for the fiscal year is HK18.1 cents (2019: HK20.3 cents).

Inventory turnover days

Inventory turnover days decreased by 1 day to 49 days for the year ended 31 March 2020 (2019: 50 days). The comparison of inventory turnover days is as follows:

	2020	2019
	HK$'000	*HK$'000*
Revenue	**708,994**	965,928
Inventory as at 31 March	**94,506**	132,920
Inventory turnover days	**49 days**	50 days

Trade receivable turnover days

Trade receivable turnover days increased by 1 day to 37 days for the year (2019: 36 days). The comparison of trade receivable turnover days is as follows:

	2020	2019
	HK$'000	*HK$'000*
Revenue	**708,994**	965,928
Trade and bills receivables as at 31 March	**71,276**	93,969
Trade receivable turnover days	**37 days**	36 days

Other receivables

	2020	2019	*Changes*	%
	HK$'000	*HK$'000*	*HK$'000*	*Changes*
Deposits paid to suppliers and vendors	**8,876**	16,070	(7,194)	(44.8%)
Other tax receivables	**3,927**	6,717	(2,790)	(41.5%)
Prepayment	**1,411**	1,333	78	5.9%
Rental and utilities deposits	**1,848**	4,280	(2,432)	(56.8%)
Others	**2,473**	2,620	(147)	(5.6%)
Total	**18,535**	31,020	(12,485)	(40.2%)

Deposits paid to suppliers and vendors decreased by 44.8%, mainly representing the relative decrease in 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 months subsequent to the fiscal year end, as compared to the last fiscal year, due to the impact of the COVID-19.

The decrease in rental and utilities deposits was due to the expiry or termination of certain leases of office and warehouses in the United States, Hong Kong and China respectively during the fiscal year.

Other payables and contract liabilities

	2020 *HK$'000*	2019 *HK$'000*	*Changes HK$'000*	% *Changes*
Accrued subcontracting and processing fees	**2,523**	1,497	1,026	68.5%
Franchise deposits received	**1,774**	3,928	(2,154)	(54.8%)
Other tax payables	**4,574**	3,453	1,121	32.5%
Other accruals and receipts in advance	**2,016**	4,993	(2,977)	(59.6%)
Wages payable	**8,465**	15,308	(6,843)	(44.7%)
Contract liabilities	**11,607**	8,969	2,638	29.4%
Others	**10,800**	16,698	(5,898)	(35.3%)
Total	**41,759**	54,846	(13,087)	(23.9%)

Wages payable, other accruals and receipts in advance and others in total decreased by HK$15.7 million or 42.5%, which was mainly attributable to the relative lower production level and purchase activities impacted by the COVID-19 during February to March 2020. Such decrease 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 months 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 2020, the Group has approximately 1,800 employees as compared to 2,800 as at 31 March 2019. Such decrease is mainly attributable to the cessation of production operation in Dongguan factory, 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$184.7 million for the Year (2019: approximately HK$252.7 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.

PRELIMINARY ANNOUNCEMENT OF AUDITED ANNUAL RESULTS

The financial information relating to the years ended 31 March 2020 and 2019 included in this preliminary announcement of annual results 2020 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 2019 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 2020 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 2020, the Company repurchased a total of 13,010,000 issued shares on The Stock Exchange of Hong Kong Limited at an aggregate consideration (before transaction cost) of HK$6,953,860. 12,510,000 repurchased shares were cancelled during the year ended 31 March 2020 and 500,000 repurchased shares were cancelled in May 2020.

Particulars of the repurchases were as follows:

Month of repurchases	Number of shares repurchased	Price paid per share		Aggregate consideration (before transaction cost)
		Highest	Lowest	
		HK$	*HK$*	*HK$*
August 2019	560,000	0.60	0.50	313,660
December 2019	11,950,000	0.55	0.53	6,412,600
March 2020	500,000	0.46	0.44	227,600
Total	13,010,000			6,953,860

Save as disclosed above, the Company has not redeemed, and neither the Company nor any of its subsidiaries purchased or sold any of the listed securities of the Company during the year ended 31 March 2020.

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 2020.

CORPORATE GOVERNANCE

Throughout the year ended 31 March 2020, 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 2020.

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, 29 June 2020

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 the 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.