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 2021

RESULTS

The audited consolidated results of Tungtex (Holdings) Company Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 March 2021 (the "Year"), together with the comparative figures for the year ended 31 March 2020 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2021

	Notes	**2021** ***HK$'000***	2020 *HK$'000*
Revenue	*3*	**460,377**	708,994
Cost of sales		**(361,888)**	(567,437)
Gross profit		**98,489**	141,557
Other income and other gain		**43,060**	3,820
Net reversal of impairment loss (impairment loss) recognised on financial assets		**450**	(1,318)
Decrease in fair value of financial assets at fair value through profit or loss ("FVTPL")		**—**	(3,817)
Increase in fair value of investment property		**1,056**	—
Gain (loss) on disposal of subsidiaries	*11*	**278,139**	(16,829)
Selling and distribution costs		**(59,288)**	(75,969)
Administrative expenses		**(101,816)**	(124,100)
Finance costs		**(5,182)**	(7,437)
Share of profit of an associate		**35**	—
Profit (loss) before tax	*4*	**254,943**	(84,093)
Income tax credit (expenses)	*5*	**355**	(252)
Profit (loss) for the year		**255,298**	(84,345)
Profit (loss) for the year attributable to:			
Owners of the Company		**255,996**	(83,606)
Non-controlling interests		**(698)**	(739)
		255,298	(84,345)
Earnings (loss) per share	*7*		
Basic and diluted *(HK cents)*		**56.7**	(18.1)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

	2021	2020
	HK$'000	*HK$'000*
Profit (loss) for the year	**255,298**	(84,345)
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	**9,996**	(12,385)
Reclassification adjustments from foreign currencies translation reserves:		
— release upon disposal of subsidiaries	**—**	13,527
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	**18,012**	—
Other comprehensive income for the year	**28,008**	1,142
Total comprehensive income (expense) for the year	**283,306**	(83,203)
Total comprehensive income (expense) for the year attributable to:		
Owners of the Company	**284,004**	(82,464)
Non-controlling interests	**(698)**	(739)
	283,306	(83,203)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2021

	Notes	**2021**	2020
		HK$'000	*HK$'000*
Non-current assets			
Investment property		**21,600**	—
Property, plant and equipment		**20,852**	23,836
Right-of-use assets		**20,808**	13,221
Intangible asset		**—**	—
Interests in an associate		**811**	—
Deferred tax assets		**34**	59
		64,105	37,116
Current assets			
Inventories		**78,582**	94,506
Trade and other receivables	*8*	**81,839**	89,811
Pledged bank deposits		**115,704**	116,704
Bank balances and cash		**278,082**	113,946
		554,207	414,967
Assets classified as held for sale		**—**	51,455
		554,207	466,422

	Notes	2021 HK$'000	2020 HK$'000
Current liabilities			
Trade and other payables	9	**74,754**	78,430
Contract liabilities		**12,270**	11,607
Lease liabilities		**5,633**	2,501
Amount due to an associate		**544**	—
Tax liabilities		**58**	152
Bank borrowings		**93,590**	144,388
		186,849	237,078
Liabilities associated with assets classified as held for sale		—	72
		186,849	237,150
Net current assets		**367,358**	229,272
Total assets less current liabilities		**431,463**	266,388
Non-current liabilities			
Lease liabilities		**9,658**	3,834
Bank borrowings		—	5,800
Deferred tax liabilities		**794**	1,230
		10,452	10,864
		421,011	255,524
Capital and reserves			
Share capital	10	**254,112**	254,112
Treasury shares		—	(230)
Reserves		**177,506**	11,551
Equity attributable to owners of the Company		**431,618**	265,433
Non-controlling interests		**(10,607)**	(9,909)
		421,011	255,524

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 of Directors (the "Board") is responsible for the preparation of the Group's consolidated financial statements. The consolidated 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")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendment to HKFRS 16 *COVID-19-Related Rent Concessions beyond 30 June 2021*.

Except as described below, the application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year had no material impact on the Groups' financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to HKAS 1 and HKAS 8 Definition of Material

The Group has applied Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specify reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

Impacts on early application of Amendment to HKFRS 16 COVID-19-Related Rent Concessions beyond 30 June 2021

The amendment extends the practical expedient available to lessees in accounting for COVID-19 related rent concessions by one year. The reduction in lease payments could only affect payments originally due on or before 30 June 2021 is extended to 30 June 2022. The amendment is effective for annual reporting periods beginning on or after 1 April 2021, with earlier application permitted.

The Group has early applied the amendment in the current year. The application had no material impact on the consolidated financial statements.

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 and the related Amendments[1]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[4]
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	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[2]

1. Effective for annual periods beginning on or after 1 January 2023
2. Effective for annual periods beginning on or after 1 January 2022
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 2021

The directors of the Company anticipate that the application of all the new and amendments to HKFRSs will have no material impact on the Group's financial positions and performance and/or on the disclosures to the Group 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 — Asia, North America 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 2021:

	Asia	**North America**	**Europe and others**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
REVENUE				
Sales of goods — external	**275,564**	**171,451**	**13,362**	**460,377**
SEGMENT LOSS	**(1,099)**	**(17,597)**	**(557)**	**(19,253)**
Increase in fair value of investment property				**1,056**
Gain on disposal of a subsidiary				**278,139**
Finance costs				**(5,182)**
Unallocated income				**43,060**
Unallocated expenses				**(42,912)**
Share of profit of an associate				**35**
Profit before tax				**254,943**

For the year ended 31 March 2020:

	Asia	North America	Europe and others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE				
Sales of goods — external	283,266	408,084	17,644	708,994
SEGMENT (LOSS) PROFIT	(11,959)	(1,897)	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)

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, change in fair value of financial assets at FVTPL, gain (loss) on disposal of subsidiaries, change in fair value of investment property, share of profit of an associate, other income and other gain, and finance costs. This is the measure reported to the Company's executive directors for the purposes of resource allocation and assessment of performance.

Geographical information

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

	2021	2020
	HK$'000	*HK$'000*
The PRC	**258,821**	271,461
The USA	**86,804**	254,413
Canada	**84,647**	153,671
Others	**30,105**	29,449
	460,377	708,994

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

	2021	2020
	HK$'000	*HK$'000*
Hong Kong	**8,150**	4,941
The PRC	**38,118**	10,304
Vietnam	**16,992**	21,812
	63,260	37,057

Note: Non-current assets excluded interests in an associate and deferred tax assets.

Information about major customers

For the year ended 31 March 2021, there is one external customer (2020: one external customer) in North America operating segment who contributed over 10% of the total sales of the Group. Its contribution was approximately HK$64 million (2020: HK$106 million).

4. PROFIT (LOSS) BEFORE TAX

	2021 HK$'000	2020 HK$'000
Profit (loss) before tax has been arrived at after charging (crediting):		
Directors' remunerations:		
Fees	**830**	620
Other emoluments	**11,425**	5,915
Contributions to retirement benefit schemes	**101**	90
	12,356	6,625
Other employee benefits expenses:		
Salaries, allowances and bonus	**108,962**	162,506
Contributions to retirement benefit schemes	**12,781**	15,520
Total employee benefits expenses	**134,099**	184,651
Auditor's remuneration		
— Audit service	**805**	835
— Non-audit services	**722**	509
Cost of inventories recognised as an expense (including allowance for inventories of HK$5,905,000 (2020: HK$9,327,000))	**361,888**	567,437
Depreciation of property, plant and equipment	**5,008**	12,062
Depreciation of right-of-use assets	**5,456**	1,604
Impairment loss recognised on property, plant and equipment	**—**	6,112
Gain on disposal of asset classified as held for sale	**(31,292)**	(2,338)
(Gain) loss on disposal/write-off of property, plant and equipment	**(75)**	2,288
Net exchange loss (gain)	**991**	(4,424)

5. INCOME TAX CREDIT (EXPENSES)

	2021 HK$'000	2020 HK$'000
Current tax:		
Hong Kong	–	–
The PRC	**(56)**	(366)
	(56)	(366)
Deferred taxation	**411**	114
	355	(252)

No provision for Hong Kong Profits Tax is made for the years ended 31 March 2021 and 2020 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 EIT Law and the Implementation of the EIT Law of the PRC, an entity qualified as micro and small enterprises is subject to preferential tax treatments.

From 1 April 2019 to 31 December 2020, for the first RMB1 million of the assessable profits, it 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%. From 1 January 2021 to 31 March 2021, the portion of annual taxable income not more than RMB1 million of a micro and small enterprise is subject to Enterprise Income Tax calculated at 12.5% of its taxable income at a tax rate of 20%. During the year ended 31 March 2021 and 2020, a subsidiary of the Group is qualified as a micro and small enterprise and is subject to the relevant preferential tax treatments.

6. DIVIDEND

The Board has recommended the payment of a final dividend for the year ended 31 March 2021 of HK1.5 cents per share (2020: Nil). Subject to shareholders' approval at the annual general meeting of the Company, the final dividend will be paid on 15 September 2021 to shareholders whose names appear on the register of members of the Company on 1 September 2021.

On 13 November 2020, the Board has resolved to declare a special dividend of HK1.75 cents per share ("1st Special Dividend") in relation to a disposal of assets, details of which are set out in the announcement of the Company dated 1 December 2019, the circular of the Company dated 8 January 2020 and the announcement of the Company dated 3 November 2020. The payment date of the 1st Special Dividend is Thursday, 10 December 2020.

On 27 November 2020, the Board has resolved to declare an interim dividend of HK2.2 cents per share for the six months ended 30 September 2020 (six months ended 30 September 2019: Nil) and a special dividend of HK22.17 cents per share ("2nd Special Dividend") in relation to a disposal of a subsidiary, details of which are set out in the announcement of the Company dated 2 April 2020, the circular of the Company dated 10 August 2020 and the announcement of the Company dated 2 September 2020. The payment date of the 2nd Special Dividend is Wednesday, 23 December 2020.

7. BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

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

	2021	2020
	HK$'000	*HK$'000*
Profit (loss) for the year attributable to owners of the Company	**255,996**	(83,606)

	2021	2020
Weighted average number of ordinary shares in issue during the year for the purposes of basic and diluted earnings (loss) per share	**451,116,872**	461,434,497

No diluted earnings (loss) per share is presented as there was no potential dilutive ordinary share outstanding for the year ended 31 March 2021 and 2020.

8. TRADE AND OTHER RECEIVABLES

The Group normally grants a credit period ranging from 14 days to 90 days to its trade customers. As at 31 March 2021, the carrying amount of trade and bills receivables was HK$62,699,000, net of allowance for credit losses: HK$101,000 (2020: HK$71,276,000, net of allowance for credit losses: HK$1,870,000). Included in trade and other receivables are trade and bills receivables, mainly denominated in USD and RMB, with the following aged analysis presented based on the invoice date which approximated revenue recognition date at the end of the reporting period:

	2021	2020
	HK$'000	*HK$'000*
Up to 30 days	**38,761**	47,593
31 — 60 days	**14,092**	12,032
61 — 90 days	**7,405**	7,974
More than 90 days	**2,441**	3,677
	62,699	71,276

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:

	2021	2020
	HK$'000	*HK$'000*
Up to 30 days	**23,477**	33,683
31 — 60 days	**7,414**	2,361
61 — 90 days	**5,427**	3,523
More than 90 days	**3,790**	8,711
	40,108	48,278

10. SHARE CAPITAL

	Number of shares	**Amount**
		HK$'000
Issued and fully paid:		
At 1 April 2019		
Ordinary shares with no par value	464,077,557	254,112
Shares repurchased and cancelled *(Note i)*	(12,510,000)	
At 31 March 2020		
Ordinary shares with no par value	451,567,557	254,112
Shares repurchased and cancelled *(Note ii)*	**(500,000)**	
At 31 March 2021		
Ordinary shares with no par value	**451,067,557**	**254,112**

Note:

(i) 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 (the "Stock Exchange") at an aggregate purchase price (excluding expenses) of HK$6,726,260. Such repurchased shares were subsequently cancelled during the year ended 31 March 2020.

(ii) The Company repurchased 500,000 of its ordinary shares on the Stock Exchange at a total consideration of HK$227,600 (excluding expenses) in March 2020. The repurchased shares were subsequently cancelled on 7 May 2020.

11. GAIN ON DISPOSAL OF A SUBSIDIARY

During the year ended 31 March 2020, the Company entered into a disposal agreement with an independent third party of its entire shares of Sing Yang (Overseas) Limited, which is an investment holding company, at a total consideration of HK$303,831,000 (the "SZ Disposal"). The SZ Disposal was completed on 2 September 2020.

	2021
	HK$'000
Consideration received	303,831
Assets classified as held for sale	
— Right-of-use assets	5,974
Liabilities classified as held for sale	
— Other payables	(125)
Net assets disposed of	5,849
Gain on disposal of a subsidiary:	
Consideration received	303,831
Net assets disposed of	(5,849)
Transaction costs:	
— PRC tax *(Note)*	(14,236)
— Others	(5,607)
Gain on disposal of a subsidiary	278,139
Net cash inflow arising from disposal, net of transaction costs	283,988

Note: The transaction costs included the Enterprise Income Tax of HK$14,236,000, which was paid during the year ended 31 March 2021.

12. EVENT AFTER THE REPORTING PERIOD

Subsequent to the Year and as announced by the Company on 4 June 2021, the Group entered into a provisional agreement with an independent third party to acquire a commercial property in Hong Kong. Formal agreement was signed on 17 June 2021 and the completion of the acquisition shall take place on or before 15 July 2021. The acquisition is in line with the development plan of the Group and the proposed use of proceeds as disclosed previously by the Company in relation to the SZ Disposal. The Group will relocate its head office in Hong Kong to the property after the completion of the acquisition.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend for the year ended 31 March 2021 of HK1.5 cents per share (2020: Nil). Subject to shareholders' approval at the annual general meeting of the Company, the final dividend will be paid on 15 September 2021 to shareholders whose names appear on the register of members of the Company on 1 September 2021.

On 13 November 2020, the Board has resolved to declare a special dividend of HK1.75 cents per share ("1st Special Dividend") in relation to a disposal of assets, details of which are set out in the announcement of the Company dated 1 December 2019, the circular of the Company dated 8 January 2020 and the announcement of the Company dated 3 November 2020. The payment date of the 1st Special Dividend is Thursday, 10 December 2020.

On 27 November 2020, the Board has resolved to declare an interim dividend of HK2.2 cents per share for the six months ended 30 September 2020 (six months ended 30 September 2019: Nil) and a special dividend of HK22.17 cents per share ("2nd Special Dividend") in relation to a disposal of a subsidiary, details of which are set out in the announcement of the Company dated 2 April 2020, the circular of the Company dated 10 August 2020 and the announcement of the Company dated 2 September 2020. The payment date of the 2nd Special Dividend is Wednesday, 23 December 2020.

CLOSURE OF REGISTER OF MEMBERS

For determining the shareholders' entitlement to receive the proposed final dividend:

Latest time to lodge transfers	4:30 p.m. on Tuesday, 31 August 2021
Closure of register of members of the Company	Wednesday, 1 September 2021
Record date	Wednesday, 1 September 2021
Payment date	Wednesday, 15 September 2021

In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates, must be lodged with the Company's share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong before the relevant latest time to lodge transfers.

MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY OF OPERATING RESULTS

The prolonged impact of the coronavirus disease 2019 ("COVID-19") pandemic (the "Pandemic") and the varying degrees of business disruptions and restrictions it brought forth continued to post a material adverse impact on the apparel and fashion industry and the business operations of the Group during the year ended 31 March 2021 (the "Year"). Total revenue of the Group for the Year decreased by 35.1% to HK$460.4 million compared to the last corresponding year. Such decrease was primarily attributable to the sizeable decline in sales to the North America market in the Year. Gross profit decreased by 30.4% to HK$98.5 million, and the overall gross margin was up by 1.4 percentage points year-on-year due to increase in proportion of retail business sales relative to the total sales of the Group.

Despite the reduction in revenue for the Year, the Group recorded a net profit before tax of HK$254.9 million compared to the loss before taxation of HK$84.1 million in the last corresponding year. The turnaround was favourably driven by the one-off gains on the completion of disposal of the Group's direct wholly-owned subsidiary which owned the factory premises in Shenzhen (the "SZ Disposal") and disposal of the Group's factory premises in Dongguan (the "DG Disposal") respectively during the Year, thanks to the strenuous effort of the management team since the outbreak of the COVID-19. Consequently, the Group recorded a net profit attributable to the owners of the Company of HK$256.0 million, as compared to the loss of HK$83.6 million in the last corresponding year. The Board has also recommended a final dividend of HK1.5 cents per ordinary share for the Year (2019/20: Nil).

Excluding the financial effects of the one-off and non-operating items, the operating loss before tax for the Year amounted to HK$56.0 million compared to an operating loss before tax of HK$58.4 million in the last corresponding year.

To alleviate the negative impact of the Pandemic on our operating performance, the Group reprioritised its focus towards stricter operational discipline and mitigating actions. As a result, total operating costs and expenses decreased by 19.9% year-on-year. Among which, selling and distribution costs dropped by 22.0% to HK$59.3 million, administrative expenses dropped by 18.0% to HK$101.8 million and finance costs dropped by 30.3% to HK$5.2 million. Such decrease in operating costs and expenses exceeded the deleveraging effect of the significant reduction in sales resulting in a decrease of HK$2.4 million in operating loss before tax for the Year.

BUSINESS REVIEW

In the beginning of the Year, the Group experienced varying levels of business disruptions and regional lockdowns affecting its manufacturing facilities, operating offices and retail stores when the outbreak of the Pandemic overtook China and Vietnam. Thanks to the prompt and stringent anti-Pandemic measures adopted by the respective governments, the Group's manufacturing and retail operations were able to resume operation with caution following the gradual reopening of their economies.

Throughout the Year, we prioritised the safety and well-being of our employees, consumers, and the communities of the geographies in which we operate by implementing safety and cleaning protocols in all locations according to the guidelines of local government or public health authorities.

Despite resumption of its production operation, the Group's manufacturing business has been combating numerous difficulties such as supply chain disruptions and reduced sales orders as most of the Group's major markets have been in different levels of lockdown since April 2020.

In face of the challenging circumstances, the Group carefully evaluated its organizational and operating cost structures across all key areas of spending in order to maximise liquidity and support healthy future growth. Accordingly, our Zhongshan production base underwent further adjustments to its staffing to enhance its operational efficiency and minimise operating costs. During the process, the management identified existence of spare production facilities which were surplus to existing and future needs, and swiftly entered into a lease agreement with independent third party to save costs, optimise unutilised resources and generate steady recurring income.

Having laid the foundation for responsive and scalable manufacturing platforms which adapted well to market changes and evolving customer demands, we believe the combination of cost competitiveness, quality and speed are the fundamentals of growth and competitive advantage. We devoted time and efforts to reshape the organisation, streamline the operations and commit investments strictly in association with enhancing agility and sustainable advantage of the manufacturing operation.

During the Year, we conducted frequent reviews to assess our strengths and weaknesses to stay afloat the crisis. We re-emphasised the essence of quick response to market and core competency in manufacturing process, including (i) optimal pre-production preparation; (ii) product technical support at state-of-the-art level; (iii) agile supply chains and delivery models of materials and merchandises; (iv) digitalised operating flow to ensure transparency and accuracy; (v) automation and technology infrastructure to ensure quality standard and enhance operational speed and timely delivery of products.

Despite the tumultuous economic climate, we swiftly captured the opportunities in China arising from the easing Pandemic condition. We allocated further resources to focus on the expansion of domestic market in Mainland China to take advantage of the post-Pandemic rebound in consumer optimism, which enabled the stable recovery of our business performance in China in the second half of the Year and balanced the risks and uncertainties persisting in overseas export markets.

In line with our domestic market focus, the management further streamlined loss-making stores and optimised retail platforms by rebalancing the mix within physical store presence. Through the power of our brand, flexible platform and adaptive product mix, we saw sequential improvement in operating performance and improved cash flow of our retailing business in the second half of the Year.

Being one of our core values, we integrate corporate sustainability improvement into the Group’s business practice and constantly identify cost efficiencies from reduced waste and resource consumption. During the Year, the Group further bolstered our commitment to sustainable business growth by ramping up investment into renewable efficient technologies through our green solar project in Vietnam factory to increase operational and eco-efficiency.

SALES TO ASIA

The Group’s sales to Asia amounted to HK$275.6 million, representing a moderate decrease of 2.7% compared to the last corresponding year. During the Year, sales to Asia became the largest market segment accounting for 59.9% of the Group’s total revenue. China continued to be the largest contributor of this market segment accounting for nearly 93.9% of the total sales. Sales to the China market, comprising revenue from our own retail business and sales to domestic retail brands, amounted to HK$258.8 million registering a modest decrease of 4.7% year-on-year.

According to the Chinese National Bureau of Statistics, Chinese economy expanded by 6.5% year-on-year in the fourth quarter and 2.3% for the whole year of 2020. Compared to the plunge of 6.8% in the first quarter of 2020, China indicated strong signs of a continuing recovery in the economy driven primarily by the industrial and export sectors. In contrast, consumption demand was lagging and slow to recover, job market remained generally fragile which depressed consumption sentiment especially for non-necessities.

Even in face of the fast evolving and uncertain market situations, our retail business was quick to reposition itself to capture the opportunities arising from China's fast-recovering economy and domestic market. Operational disciplines, inventory optimization, strategic remix of platform layout and quality products enabled our retail segment to achieve a gradual improvement in the second half of the Year. Nonetheless, in face of the intensified competition and the lingering effects of the Pandemic, retail sales recorded a year-on-year decline of 14.5%.

In continuation of the positive development from our sales to Mainland China domestic retail brands market seen in the first half of the Year, we had since reallocated further resources to capture the market opportunities in this segment. By closely collaborating with premium apparel brand owners and consistently satisfied their sourcing needs that met their standards in a cost effective and timely manner, our sales to domestic retail brands in Mainland China achieved remarkable progress and generated a double-dight percentage increase in revenue during the Year.

SALES TO NORTH AMERICA

Revenue to the North America market plummeted by 58.0% to HK$171.5 million as compared to the last corresponding year, primarily attributable to the dampened demand from our major customers in the North America market and the Group's stringent trade credit control policy. North America became the second largest market segment accounting for 37.2% of the Group's total revenue in the Year. Due to the evolving Pandemic situation, sales to the US and Canada recorded sizeable decline of 65.9% and 44.9% respectively.

Although the gross domestic product (the "GDP") in the U.S. grew at a 4.3% annualised pace in the fourth quarter, full-year GDP shrank by 3.5% and was the worst year for the U.S. since the end of World War II. Total retail sales fell in the last quarter of 2020, despite being traditional holiday season, reflecting the combined effects of surging COVID-19 cases and a deterioration in the labour market.

During the Year, the severity and sporadic resurgences of the Pandemic led to prolonged stores closures, operating restrictions and plummeted consumer demand unprecedentedly. Most of our customers were drastically and adversely affected, who in turn significantly cut down their purchase orders or requested for price discounts leading to significantly reduced sales amount to close the year.

With the continued rise in COVID-19 cases and states' restrictions on economic activity across the country, job market and employment level remained precariously weak and hampered consumer sentiment to spend on discretionary items. Against these backdrops, our sales to the US plunged for the Year 65.9% to HK$86.8 million.

Total sales to Canada also recorded dramatic decline of 44.9% to HK$84.6 million. Canada's real GDP for 2020 showed a contraction of 5.4% representing the deepest decline over the last six decades as the Pandemic swept across the country and forced large swath of the economy to be shutdown. Notwithstanding the extraordinary economic support from the government during the year, the Pandemic brought devastating effects especially on the services side of the economy raising average annual unemployment rate to a record high of 9.5% in 2020. Correspondingly, total retail sales of the country were down 1.4% from 2019 marking the largest annual decline since the 2009 recession.

RETAILING BUSINESS

With great determination to manage the business through the crisis and embrace post-Pandemic dynamics into business strategies, our retail business in Mainland China gradually reversed the substantial decline in sales since the second quarter of the Year. Retail sales in the second half of the Year increased 5.2% over the last comparable period. Sales from retailing segment amounted to HK$194.3 million for the Year, representing a decrease of 14.5% compared to the last corresponding year and narrowed from a dramatic drop of 32.4% in the first half of the Year. Thanks to the improvement of gross profit margin (which was attributable to the stringent control on purchase costs and volume, and the positive sales activities with appropriate pricing strategy) and the drastic cut and savings in operating expenses, the Group's retailing business achieved an operating profit of HK$4.5 million for the Year, as compared to an operating loss of HK$12.2 million in the last corresponding year.

Moving into the second quarter of 2020, the government gradually eased Pandemic containment measures. We closely monitored rollout of our physical store reopening according to domestic health requirements. However, consumers in general remained cautious in spending and avoided unnecessary social and in-person activities, thereby restraining store traffic until the end of the quarter.

Leveraging on flexible market responses and driven by the efforts of our sales teams to connect with customers to fulfil their pent-up demand from lockdowns, physical retailing experienced a gradual recovery in the number of customers visiting our stores and higher than expected revenue in the second half of the Year.

Our agility was also reflected in our inventory optimization effort. By capitalising on the rebound in consumer enthusiasm and strategically conducting positive sales activities, we successfully boosted sales of merchandise collections piled up during the shutdown thereby relieving the Group of cash flow pressure and avoiding additional loss resulting from impairment of overage inventory.

However, in view of the unforeseen challenges ahead, ensuring a flexible retail platform and low-cost structure is essential to maintaining presence and sustainable advantage in this highly competitive and unpredictable market.

As of 31 March 2021, there were 177 Betu-brand physical stores (2020: 169) operating in Mainland China, representing a net increase of 8 stores for the Year. We continued to streamline its store portfolio by closing non-performing stores and focused on optimizing the mix of stores towards franchising model. We leveraged the extensive offline network of our franchisees to further enhance our geographical penetration and build a more competitive store network.

Meanwhile, accelerated by the Pandemic, online commerce has become the pivot of the domestic economy. The Group made use of third-party e-commerce platforms as one of our main sales channels to facilitate a cost-effective reach of a diverse, large and targeted pool of consumers. We strived to leverage on omni-channel capabilities to further enhance shopping experience for customers and address their changing shopping patterns and preferences by staying aligned with the prevailing market and digital trends.

DISPOSAL OF A DIRECT WHOLLY-OWNED SUBSIDIARY WHICH OWNED THE 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.

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

The SZ Disposal was unanimously approved by the shareholders of the Company attended and voted at the extraordinary general meeting of the Company held on 26 August 2020. The SZ Disposal was completed on 2 September 2020. The gross proceeds received by the Company from the SZ Disposal were 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).

Pursuant to a board meeting held on 27 November 2020, a special dividend in cash of HK22.17 cents per share, was resolved and declared by the Board in relation to the SZ Disposal and an announcement setting out the details was published on the same date.

DISPOSAL OF THE FACTORY PREMISES IN DONGGUAN

On 29 November 2019, 東莞同得仕時裝有限公司("Dongguan Tungtex"), an indirect wholly-owned subsidiary of the Company in China (as Vendor) entered into a sale and purchase agreement (the"Disposal Agreement") with 東莞市豐泰達科技有限公司 (as Purchaser), who and its ultimate beneficial owner are independent third parties, in relation to the disposal by Dongguan Tungtex 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 at an aggregate consideration of RMB70.5 million, subject to the terms of the Disposal Agreement.

The DG 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 DG Disposal was unanimously approved by the shareholders of the Company attended and voted at extraordinary general meeting of the Company held on 31 January 2020. The DG Disposal was completed on 3 November 2020. Pursuant to a board meeting held on 13 November 2020, a special dividend in cash of HK1.75 cents per share, amounting to approximately HK$7.89 million in total was resolved and declared by the Board in relation to the DG Disposal and an announcement setting out the details was published on the same date.

The remittance of proceeds from the DG Disposal out of Mainland China is subject to capital control in Mainland China. The use of proceeds from the DG Disposal is also subject to compliance of approved business scope of Dongguan Tungtex. Therefore, they are not immediately available for use by the Company and any other companies of the Group after the completion of the DG Disposal. The Group has obtained and adopted professional advice of legitimate solution for the purpose of partial utilization of the proceeds for the Group's operation in Mainland China and partial remittance of the proceeds out of Mainland China on a gradual basis in the medium term.

Once the proceeds from DG Disposal can be gradually utilised or remitted out of Mainland China for use by the Company or other companies of the Group, it can replenish the working capital of the Group. Depending on the then business development needs and liquidity level of the Group, the Board may consider distributing further dividends according to the dividend policy.

ACQUISITION OF PROPERTY AFTER THE YEAR

Subsequent to the Year and as announced by the Company on 4 June 2021, the Group entered into a provisional agreement with an independent third party to acquire a commercial property in Hong Kong. Formal agreement was signed on 17 June 2021 and the completion of the acquisition shall take place on or before 15 July 2021. The acquisition is in line with the development plan of the Group and the proposed use of proceeds as disclosed previously by the Company in relation to the SZ Disposal. The Group will relocate its head office in Hong Kong to the property after the completion of the acquisition.

PROSPECTS

Global economy has been mired in widespread recession as a result of the Pandemic. With the exception of China, major economies like the US, Eurozone countries and Japan all experienced economic contraction. The prolonged Pandemic, together with geopolitical factors, ongoing international trade disputes, and volatility of world capital markets continues to present severe challenges to the apparel industry and development of the Group's business.

While the Pandemic continues to be a hugely disruptive force in the global economy, China has posted upbeat GDP numbers since the second quarter and is the only major economy in the world that has achieved positive economic growth in 2020. Despite the complex external economic uncertainty and ongoing bilateral tensions, economists maintain a bullish forecast for China's economy outlook and put the nation on track to record a higher growth rate in 2021.

With the labour costs and operating costs growing with its workforce increasingly well-educated, China is transitioning to a more sustainable post-industrial services and consumption-driven economy. The 14th Five-Year Plan reflects increased priority given to high-quality growth driven by expansion of domestic demand to hedge against external shocks brought by global environment. China's affluent younger generation continues to be the engine of the country's consumption growth.

Vietnam was one of the only three countries to have recorded growth in 2020 demonstrating the resiliency of the country in the context of the difficult Pandemic. Geographically located between Association of Southeast Asian Nations (“ASEAN”) and China, Vietnam enjoys geographical and market advantage among ASEAN member economies and becomes a key part of Asia-Pacific trade network. The signing of free trade agreements further deepens global economic integration and boosts trade flows.

We believe the prospect for the Vietnamese economy to remain promising. As such, we have further allocated competent financial and management resources to our Vietnam production plant. In the long run, the Group is well positioned to leverage the cost advantage of our Vietnam production facilities to seize opportunities presented by this fast-growing market of Asia and its vast potential on export once the global market recovers.

While the recent COVID-19 resurgence in Vietnam has prompted new lockdown in certain districts and the government is stiffening regulations to contain the new spike in COVID-19 cases, the production factory of the Group in Vietnam is still in normal operation. The Group will closely monitor the situation and deploy necessary measure. In the US, the new administration is leading the charge in terms of fiscal support. The gigantic US$1.9 trillion economic stimulus package announced in March 2021 is one of the largest US government interventions in the economy of the post-second world war era aiming to revive a battered economy from the deep economic and health crisis of the Pandemic.

Outlook remains generally positive alongside an ambitious fiscal stimulus which will provide a much-welcome boost to demand, positive vaccination efforts nationwide and the easing of Pandemic-related restrictions on activity will supercharge the recovery and brighten up economic prospects. With the economy reopening more completely, the pent-up demand is expected to become a major driving force for the rebound, especially in retail and service sectors that have been hardest hit by social distancing.

In Mainland China, the government has recently imposed more restrictions and lockdown on business and social activity in Guangzhou, seeking with confidence to curb the spread of the COVID-19 cases in the district rapidly.

The Group will continue to relocate resources to grow our sales to domestic apparel brand market in Mainland China. By closely collaborating with premium apparel brand owners, we are confident to satisfy their sourcing needs and standards in a cost effective and timely manner and enhance our business market share.

Based on its existing solid foundation, the Group will endeavour to grow our retailing business in Mainland China. We will strengthen the organization, operating efficiency and supply chain management. We will endeavour to adapt our marketing strategy, merchandise direction and product development to the market and customer need. We will persist in optimizing omni-channel construction and platform layout, and improve the quality of retail experience.

We will continue to perform ongoing evaluations of our portfolio and mix of physical retail sales platform. Our new store growth strategy will focus on utilizing our brand equity to promote franchising arrangements with partners of proven background and track record to enhance future growth, particularly in the underpenetrated regions.

Post COVID-19, online commerce will remain a significant part of the consumer journey. The Group will endeavour to deepen our cooperation with existing partnering platforms with a view to foster user growth and enhance user experience. At the same time, we will continue to explore new online marketing channels, live broadcast activities and trendy digital social media and mobile presence to better integrate ourselves into China's unique digital ecosystem and engage with our existing and potential customers to accelerate growth.

Looking ahead, the short-term outlook remains highly uncertain with formidable challenge over the prevailing Pandemic while the economic effects of the bail out programs by the different governments and vaccination in many places of the world are yet to be seen. With that in mind, the Group will continue to adapt to the changes in times while advancing on the path of quality and agility led development through strengthening of our operational and production capabilities. We will continue to employ prudent business and financial strategies protect and enhance shareholder value.

CAPITAL EXPENDITURE

During the Year, the Group incurred HK$2.4 million capital expenditure compared to HK$8.6 million of the last corresponding 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 ended 31 March 2021, the Group continued to adopt a prudent financial management and a sound financial position. As at 31 March 2021, the Group's cash level was recorded at HK$393.8 million (of which HK$115.7 million was pledged bank deposits) as compared to HK$230.7 million (of which HK$116.7 million was pledged bank deposits) as at 31 March 2020. Most of the bank balances were placed in USD, HKD and RMB short term deposits with major banks. As at 31 March 2021, total bank borrowings of the Group were HK$93.6 million (which were all short-term bank borrowings and mainly denominated in USD, HKD and RMB), as compared to HK$150.2 million as at 31 March 2020. The Group had no borrowings at fixed interest rates during the Year. As at 31 March 2021, the gearing ratio (total bank borrowings to total equity) was 22.2%. During the Year, working capital cycles remained under stringent control. Inventory turnover is 62 days compared to 49 days of last corresponding year and trade receivable turnover is 50 days compared to 37 days of last corresponding year. Such increases were attributable to the low sales level in the Year.

At 31 March 2021, certain land and buildings with an aggregate net book value of approximately HK$25.6 million (2020: HK$12.7 million) were pledged to banks to secure general banking facilities granted to the Group.

As at 31 March 2021, excluding the pledged bank deposits of HK$115.7 million which were pledged to banks to secure the general banking facilities of the Group, net cash balance of the Group was HK$184.5 million, as compared to a net borrowing balance of HK$36.2 million as at 31 March 2020. Such increase of HK$220.7 million in net cash was mainly attributable to the net proceeds received from the SZ Disposal and DG Disposal and the respective special dividends paid during the Year.

The Group is of the opinion that, after taking into consideration of the current banking facilities and the repayment obligations of bank borrowings, the Group has to retain sufficient funds for meeting the financial obligations of its business when they fall due and the capital expenditure and costs for strategic repositioning as planned, and financing its operation and future growth in the post-pandemic era.

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 for the Year decreased to 78.6% (2020: 80.0%). The comparison of percentage of consolidated cost of sales is as follows:

	2021	2020
	HK$'000	*HK$'000*
Revenue	**460,377**	708,994
Cost of sales	**(361,888)**	(567,437)
Percentage of consolidated cost of sales	**78.6%**	80.0%

Selling and distribution costs and administrative expenses

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

	2021	2020	%
	HK$'000	*HK$'000*	*Changes*
Selling and distribution costs	**59,288**	75,969	(22.0%)
Administrative expenses	**101,816**	124,100	(18.0%)

Selling and distribution costs

	2021	2020	*Changes*	%
	HK$'000	*HK$'000*	*HK$'000*	*Changes*
Advertising & promotion expense	**11,550**	14,899	(3,349)	(22.5%)
Freight and handling charge	**2,442**	6,306	(3,864)	(61.3%)
Shop management fee	**9,936**	11,057	(1,121)	(10.1%)
Retail shop rental and running expenses	**12,460**	12,853	(393)	(3.1%)
Staff costs	**18,071**	24,026	(5,955)	(24.8%)
Other selling and distribution costs	**4,829**	6,828	(1,999)	(29.3%)
Total	**59,288**	75,969	(16,681)	(22.0%)

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 stringent cost control, online mode of promotion and buying meetings for franchisees and the decrease in retail sales in the Year.

The decrease in freight and handling charge was attributable to the decrease in the total revenue of the Group for the Year and the price reduction in logistic and warehousing cost in retail business.

The decrease in staff costs was attributable to the closure of unprofitable and non-performing stores and the continuous streamlining in staff force for the Year.

Administrative expenses

	2021	2020	*Changes*	%
	HK$'000	*HK$'000*	*HK$'000*	*Changes*
Auditor's remuneration	**1,527**	1,344	183	13.6%
Depreciation	**3,496**	6,268	(2,772)	(44.2%)
Entertainment and travelling	**2,204**	5,342	(3,138)	(58.7%)
Exchange difference	**991**	(4,424)	5,415	122.4%
Impairment loss recognised on property, plant and equipment	**—**	6,112	(6,112)	(100%)
Insurance	**1,103**	1,281	(178)	(13.9%)
Legal and professional fee	**2,944**	5,916	(2,972)	(50.2%)
Staff costs	**71,305**	81,846	(10,541)	(12.9%)
Office expenses	**4,771**	5,474	(703)	(12.8%)
Other administrative expenses	**13,475**	14,941	(1,466)	(9.8%)
Total	**101,816**	124,100	(22,284)	(18.0%)

The decrease in depreciation was attributable to (i) the disposal of properties and (ii) the impairment of certain property, plant and equipment recognised in the last corresponding year.

The decrease in entertainment and travelling expenses was attributable to the city lockdowns, travelling restrictions and social distancing measures imposed globally since the Pandemic in the Year.

The management continued to carry out an impairment assessment of the property, plant and equipment of the Group. After the comprehensive assessments, no further impairment loss was recognised in the Year, as compared to a total impairment loss of HK$6,112,000 recognised in the last corresponding year.

The decrease in legal and professional fee was due to the completion of the SZ Disposal and DG Disposal.

The decrease in staff costs was mainly attributable to the Group's stringent staff cost control and continuous internal rationalization of operations, and the temporary reduction in the Group's operating scale since the Pandemic in the Year.

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

The Group's EBITDA for the Year is HK$270.6 million (2020: negative EBITDA of HK$63.0 million). The comparison of EBITDA is as follows:

	2021	2020
	HK$'000	*HK$'000*
Profit (loss) for the year	**255,298**	(84,345)
Add:		
Finance costs	**5,182**	7,437
Income tax (credit) expense	**(355)**	252
Depreciation	**10,464**	13,666
EBITDA	**270,589**	(62,990)

Operating loss

The Group's operating loss before tax of HK$56.0 million for the Year (2020: HK$58.4 million). The comparison of operating loss is as follows:

	2021	2020
	HK$'000	*HK$'000*
Profit (loss) before tax	**254,943**	(84,093)
Less:		
Net reversal of impairment loss (impairment loss) recognised on financial assets	**450**	(1,318)
Impairment loss recognised on property, plant and equipment	**—**	(6,112)
Decrease in fair value of financial assets at FVTPL	**—**	(3,817)
Increase in fair value of investment property	**1,056**	–
Gain (loss) on disposal of subsidiaries	**278,139**	(16,829)
Gain on disposal of assets classified as held for sale	**31,292**	2,338
Operating loss before tax	**(55,994)**	(58,355)

Profit (Loss) before tax

The Group's profit before tax for the Year is HK$254.9 million (2020: loss before tax of HK$84.1 million).

Earnings (loss) per share

The Group's earnings per share for the Year is HK56.7 cents (2020: loss per share of HK18.1 cents).

Inventory turnover days

Inventory turnover days increased by 13 day to 62 days for the Year (2020: 49 days). The comparison of inventory turnover days is as follows:

	2021	2020
	HK$'000	*HK$'000*
Revenue	**460,377**	708,994
Inventory as at 31 March	**78,582**	94,506
Inventory turnover days	**62 days**	49 days

The increase of inventory turnover days was attributable to the low sales level in the Year.

Trade receivable turnover days

Trade receivable turnover days increased by 13 day to 50 days for the Year (2020: 37 days). The comparison of trade receivable turnover days is as follows:

	2021	2020
	HK$'000	*HK$'000*
Revenue	**460,377**	708,994
Trade and bills receivables as at 31 March	**62,699**	71,276
Trade receivable turnover days	**50 days**	37 days

The increase of trade receivable turnover days was attributable to the low sales level in the Year.

Other receivables

	2021	2020	*Changes*	%
	HK$'000	*HK$'000*	*HK$'000*	*Changes*
Deposits paid to suppliers and vendors	**9,151**	8,876	275	3.1%
Other tax receivables	**4,308**	3,927	381	9.7%
Prepayment	**1,183**	1,411	(228)	(16.2%)
Rental and utilities deposits	**2,220**	1,848	372	20.1%
Others	**2,278**	2,473	(195)	(7.9%)
Total	**19,140**	18,535	605	3.3%

Other payables and contract liabilities

	2021	2020	*Changes*	%
	HK$'000	*HK$'000*	*HK$'000*	*Changes*
Accrued subcontracting and processing fees	**1,558**	2,523	(965)	(38.2%)
Franchise deposits received	**1,816**	1,774	42	2.4%
Other tax payables	**3,408**	4,574	(1,166)	(25.5%)
Other accruals and receipts in advance	**1,647**	2,016	(369)	(18.3%)
Wages payable	**6,703**	8,465	(1,762)	(20.8%)
Contract liabilities	**12,270**	11,607	663	5.7%
Others	**19,514**	10,800	8,714	80.7%
Total	**46,916**	41,759	5,157	12.3%

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 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 2021, the Group has approximately 1,300 employees as compared to approximately 1,800 as at 31 March 2020. Such decrease is mainly attributable to the Group's continuous internal rationalization of operations and the temporary reduction in the Group's operating scale in both manufacturing and retailing operation since the Pandemic in the Year. The Group hires, inspires, retains and rewards competent staff with dedication to develop their careers in line with its core corporate values and strategic goals. The Group offers career development opportunities, job satisfaction via empowerment harmonious teamwork and competitive remuneration package.

Staff costs, including Directors' remunerations, of the Group amounted to HK$134.1 million for the Year (2020: HK$184.7 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 2021 and 2020 included in this preliminary announcement of annual results 2021 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 2020 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 2021 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 2021, 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. 500,000 treasury shares as at 31 March 2020 were cancelled on 7 May 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 2021.

CORPORATE GOVERNANCE

Throughout the year ended 31 March 2021, 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 2021.

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 2021

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