

TARGET

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TUNGTEX (HOLDINGS) COMPANY LTD: SELLING SOME OF THE 'FAMILY JEWELS' SEEMS TO HAVE MADE BIG DIFFERENCE

Had it not been for the disposals of a subsidiary company, located in Shenzhen (深圳市), the Province of Guangdong (廣東省), and the premises of a factory, located in Dongguan (東莞市), an industrial city in the Pearl River Delta, also in the Guangdong Province of the People's Republic of China (PRC), Management of Tungtex (Holdings) Company Ltd (同得仕[集團]有限公司) (Code: 518, Main Board, The Stock Exchange of Hongkong Ltd) would have been disposed to record a material Net Loss Attributable to Shareholders with regard to the 2021 Financial Year.

At the Consolidated Statement of Profit or Loss, presented at Page 31 of the 2021 Annual Report of Tungtex (Holdings) Company Ltd, Senior Management proclaimed a Net Profit for the Year, amounting to \$HK255,298,000.00.

In the 2020 Financial Year, Senior Management reported a Net Loss Attributable to Shareholders of \$HK84,345,000.00.

The following are the highlights, extracted from the Consolidated Statement of Profit or Loss:

	For The Financial Year, Ended March 31		Percentage Increase/(Decrease)*
	2021	2020	
	All Figures Are Denominated In \$HK'000 (except where otherwise stipulated)		
Revenue	460,377	708,994	(35.07)
Gross Profit	98,489	141,557	(30.42)
Gross Profit Margin*	21.39 percent	19.97 percent	7.11
Gain (Loss) On Disposal Of Subsidiaries	278,139	(16,829)	1,752.74
Profit (Loss) Before Taxation	254,943	(84,093)	403.17
Net Profit (Loss) Attributable To Shareholders	255,996	(83,606)	406.19
Net Profit Margin *	55.61 percent	N/A	N/A
Earnings (Loss) Per Share	56.70 cents	(18.10) cents	413.26

* These are TARGET's calculations.

It is plain to see that, without the \$HK278,139,000.00 (the Gain on Disposals of Subsidiaries, during the 2021 Financial Year), the Bottom Line, without question, would have been written in red ink but, as seen above, not in black ink.

Still on the subject of the matter of the Gain on Disposals of Subsidiaries, at Page Five of the 2021 Annual Report of Tungtex (Holdings) Company Ltd, under the heading, '**SUMMARY OF OPERATING RESULTS**,' one was told:

*'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 tax 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 (2020: 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.'

At Page 12 of the 2021 Annual Report of Tungtex (Holdings) Company Ltd, under the heading, '**MANAGEMENT DISCUSSION AND ANALYSIS**', one notes the following table:

	2021	2020
	All Figures Are Denominated In \$HK'000	
Profit (Loss) Before Taxation	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	Nil	(6,112)
Decrease In Fair Value Of Financial Assets At Fair Value Through Profit Or Loss	Nil	(3,817)
Increase In Fair Value Of Investment Property	1,056	Nil
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 Taxation	(55,994)	(58,355)

Tungtex (Holdings) Company Ltd had a workforce, numbering 1,300 employees, as at March 31, 2021.

In respect of the 2020 Financial Year, the Company had a workforce, numbering 1,800 employees.

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