

TUNGTEX

Tungtex (Holdings) Company Limited

同得仕（集團）有限公司

Stock Code 股份代號：00518

年報 Annual Report

2020

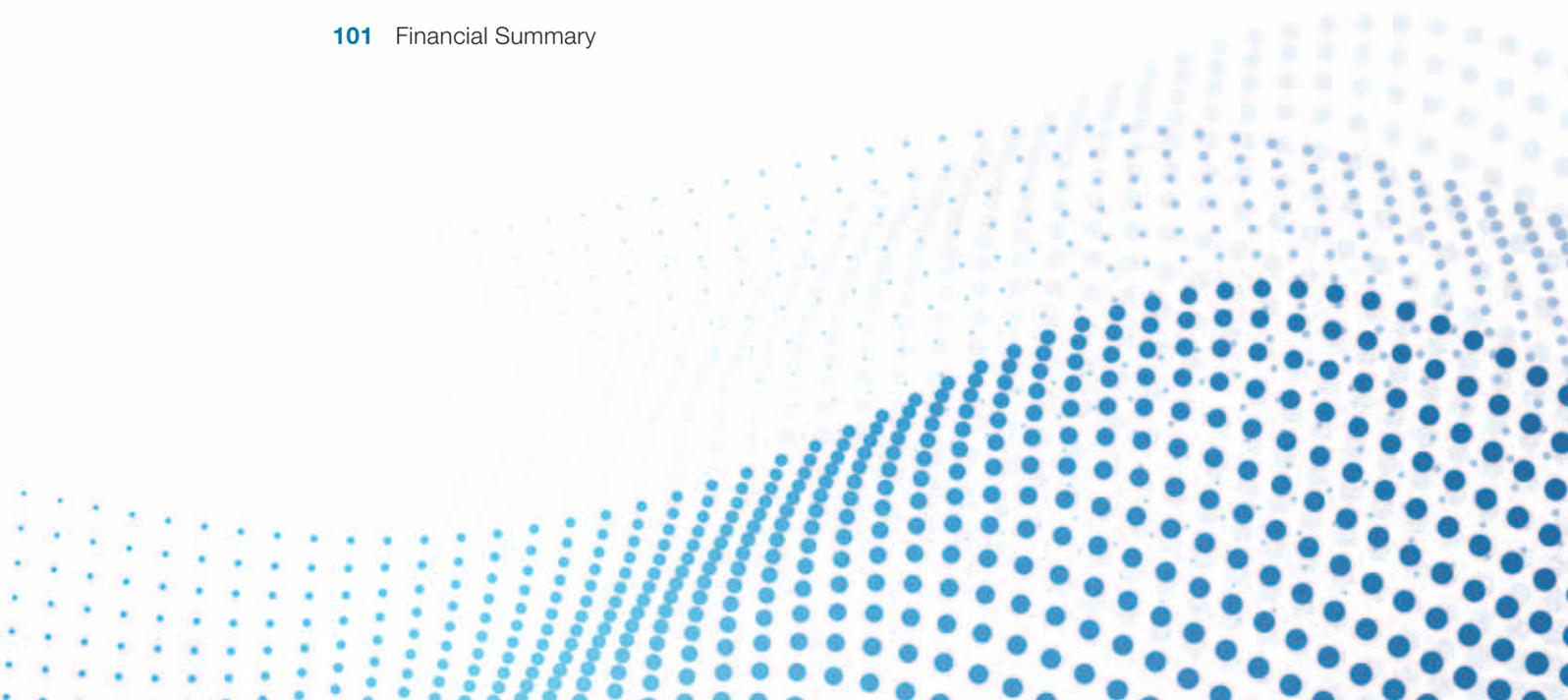


 Retail Stores in China **betu**

 Factories / Offices 

 Factories / Offices & Retail Stores in China  **betu**

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Li Yuk Kwan

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

12th Floor, Tungtex Building
203 Wai Yip Street
Kwun Tong
Kowloon
Hong Kong
Telephone: 2797 7000
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AUDITOR

D & PARTNERS CPA LIMITED
Certified Public Accountants

PRINCIPAL BANKERS

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

SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

00518

WEBSITE

www.tungtex.com

On behalf of the Board of Tungtex (Holdings) Company Limited (the "Company"), I am pleased to present the annual results of the Company and its subsidiaries (collectively referred to as the "Group") for the fiscal year ended 31 March 2020 (the "Year").

The past Year was a tougher-than-expected year for the apparel industry. Amid slowing global economic growth and market uncertainty posed by the lingering trade tensions, the gloomy outlook of the industry has been further dented by the outbreak of the coronavirus disease 2019 ("COVID-19").

The sudden deterioration of the entire global economic environment brought about by the epidemic outbreak and its associated disruptions saw an accelerating decline in the Group's revenue in the last quarter of the Year. As a result, the revenue of the Group from continuing operations for the Year declined by 26.6% to approximately HK\$709.0 million. Notwithstanding the drop in revenue, the Group's rigorous cost containment and efficiency initiatives counteracted part of the adversity and the net loss for the Year attributable to the owners of the Company recorded a decrease by 11.1% to HK\$83.6 million as compared to the last fiscal year.

During 2019, US-China trade disputes was mainly responsible for the downward pressure on both the global and China's economy and causing far-reaching disruptions to the fashion and apparel industry. The Group's gradual relocating and shifting of US exports to our Vietnam production plant mitigated the financial impact of additional tariffs levying on imports from China into the US.

Meanwhile, the Group remained unwaveringly committed to restructure for the future. During the Year, the Group completed the merging and consolidation of our production capacity in Zhongshan of China, and then operated a unified production plant in China and Vietnam respectively. With a clear locational strategy addressing the Company's needs from a cost, quality as well as risk perspective, the Group are all set to ramp up on more medium and longer term strategic objectives of building production scalability, enhanced automation as well as productivity enhancement related goals.

While the signing of the "phase 1" agreement between the US and China in January 2020 signalled a truce and temporarily eased the tension, our progress was pulled back by the sudden outbreak of COVID-19 which presented challenges of a magnitude the world has not experienced since the Great Depression.

By March 2020, the COVID-19 spread almost globally and has turned the initial global slowdown into a recession. The strict control measures undertaken by governments around the world created unforeseen roadblocks to the industry — supply chain issues, team shortages, and operational challenges — that seriously disrupted the scope and priorities of all businesses and operations and forced industry players to immediately adapt their operation models to survive the immediate crisis.

Over years of effort in restructuring, consolidation and integration of our organisational structure, sales network as well as production facilities, the Group built up resiliency and agility against dynamic and unpredictable changes, and strengthened our ability to respond to the short-term urgencies related to the COVID-19 while simultaneously planning and executing for the future.

The COVID-19 also created an emergency medical supply shortage in many countries. The Group contributed to combat the coronavirus by leveraging its existing capacity and expertise to produce protective face mask which was one of the most critical measures in curbing the community spread of the virus in most of the countries and regions. This new development ensured a provision of safe working environment with abundant supply of protective face masks to employees and labour force of the Group, enriched our business portfolios, diversified our income stream and allowed us to keep more workers actively employed during slowdown in demands of our core production. Despite the disruptions at that time, the Group was already in production of protective face mask by March 2020.

In face of the crisis, the Group carried out short-term reactive measures with safety of our employees as top priority. Without delay, the Group devised emergency plans to address existing and upcoming business and operational challenges focusing on cash flow management and expenditure control, resources optimisation and redeployment as well as responses to supply chain disruptions. It is imperative for the Group to maintain a streamlined and highly effective operation structure to survive the severe challenges through realigning assets and operations. Our management will strive to strengthen our cash reserves for sustainable development and further enhance the balance sheet stability to withstand market risks and fluctuations ahead.

APPRECIATION

I would like to thank our shareholders for their continued and valuable support and would also like to take this opportunity to express my deepest gratitude to all our staff for demonstrating exceptional dedication during the critical period to keep operations running. My sincere gratitude also goes to our board of directors and business partners for their trust and valuable assistance throughout these years. Finally, on behalf of the Group, I would like to give special thanks to the HKSAR Government for the anti-epidemic subsidies granted under the Employment Support Scheme.

Martin Tung Hau Man
Chairman
Hong Kong, 29 June 2020

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 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 Year. Excluding the financial impacts of i) the decrease in fair value of financial assets at fair value through profit or 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 fiscal 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 fiscal 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 fiscal year's 36 days to 37 days. Inventory turnover decreased slightly from last fiscal year's 50 days to 49 days.

Selling and distribution costs and administrative expenses

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

	2020 HK\$'000	2019 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 HK\$'000	2019 HK\$'000	Changes 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%)

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

MANAGEMENT DISCUSSION AND ANALYSIS

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 Year.

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

Administrative expenses

	2020 HK\$'000	2019 HK\$'000	Changes 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 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 US, Hong Kong and China respectively during the 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 Year, and the stringent cost control management during the Year.

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

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

	2020 HK\$'000	2019 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)

MANAGEMENT DISCUSSION AND ANALYSIS

Operating loss

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

	2020 HK\$'000	2019 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 Year is HK\$84.1 million (2019: HK\$91.8 million).

Other receivables

	2020 HK\$'000	2019 HK\$'000	Changes 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 end of the Year, as compared to the last fiscal year, due to the impact of the COVID-19.

Loss per share

The Group's loss per share for the 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 HK\$'000	2019 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 HK\$'000	2019 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

The decrease in rental and utilities deposits was due to the expiry or termination of certain leases of office and warehouses in the US, Hong Kong and China respectively during the 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 end of the Year and the immediate months subsequent to the end of the Year, 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.

LITIGATION

As at 31 March 2020, the Group was involved in a litigation, details of which are set out in note 38 to the consolidated financial statements.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PRINCIPLES

Tungtex (Holdings) Company Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) have prepared this environmental, social and governance (“ESG”) report in compliance with the disclosure obligations of the Environmental, Social and Governance Reporting Guide (hereinafter referred to as the “ESG Reporting Guide”) set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

This ESG report covers the financial year ended 31 March 2020 (the “Year 2020”). The Group is principally engaged in manufacture and sale of garments. Due to unifying our China’s factory facilities in Zhongshan, as one of the subsidiaries of the Company named Dongguan Tungtex Garments Co. Limited (東莞同得仕時裝有限公司) (“Dongguan Tungtex”) has terminated its operations after September 2019.

The Group dedicates in manufacture of fine ladies’ fashion. For decades the Group has been entrusted by a wide range of renowned designer labels and international retail stores in supplying quality apparels to the retail shops. The Group is always committed to providing highest quality products, service and support to the customers. In the Year 2020, we continued our efforts to contribute in solving some of the big challenges, i.e, the impact on energy, water and waste, in manufacturing textile and garment products by conducting sustainability development.

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

AWARDS

Bluesign® Standard

In the Year 2020, the Group has made the new achievement in environment protection and received the recognition under the bluesign® system governed by the Bluesign Technologies AG, a company founded in Switzerland in 2000, which set out to change the standard mentality within the manufacturing industry. As a solution provider, bluesign® system acts as an independent verifier to ensure trust and transparency. Bluesign® system supports the industry in its efforts to improve its sustainable processes, step by step.

Tungtex International Limited, an indirectly wholly owned subsidiary of the Company, has joined as a bluesign® system partner since 19 November 2019. As a bluesign® system partner, which aims to continuously improve the environmental performance and build a sustainable future.

The Group is committed to applying the bluesign® system, demonstrating the sustainability performance and providing proof of the minimal impact on people and the environment.

The Group ensures that bluesign® system approved chemical products and raw materials are used in all steps of the manufacturing process. Substances posing risks to people and the environment are hence avoided using from the very beginning. On-site inspections verify the proper application of such chemical products and raw materials in controlled processes and ensure the responsible use of resources.

5 Year Plus Caring Company Logo



AWARDS (Continued)

5 Year Plus Caring Company Logo (Continued)

The Company has been presented with the Caring Company Award by The Hong Kong Council of Social Service in recognition of the Company's commitment in Caring for the Community, Caring for the Employees and Caring for the Environment. The distinguished honor recognises our various efforts and contributions to community building, employee recognition and environmental protection. This is a clear proof of the Company's persistence in sustainable development and contribution to the community. The honor puts the Company in the company of prestigious organisations who have built their success by cultivating corporate social responsibility.

Launched by The Hong Kong Council of Social Service, the Caring Company Scheme (caringcompany.org.hk) aims at cultivating good corporate citizenship with the mission of building a cohesive society by promoting strategic partnerships among business and social service partners and inspiring corporate social responsibility through caring for the community, employees and the environment.

STAKEHOLDER ENGAGEMENT

The stakeholder engagement plays a core role in the sustainability of the Group. The Group highly values the views of our stakeholders. The Group actively engages with them via diverse, interactive channels and platforms to understand their needs and expectations toward the Group, providing a sound basis for our formulation and adjustment of the Group's sustainability strategy and goals.

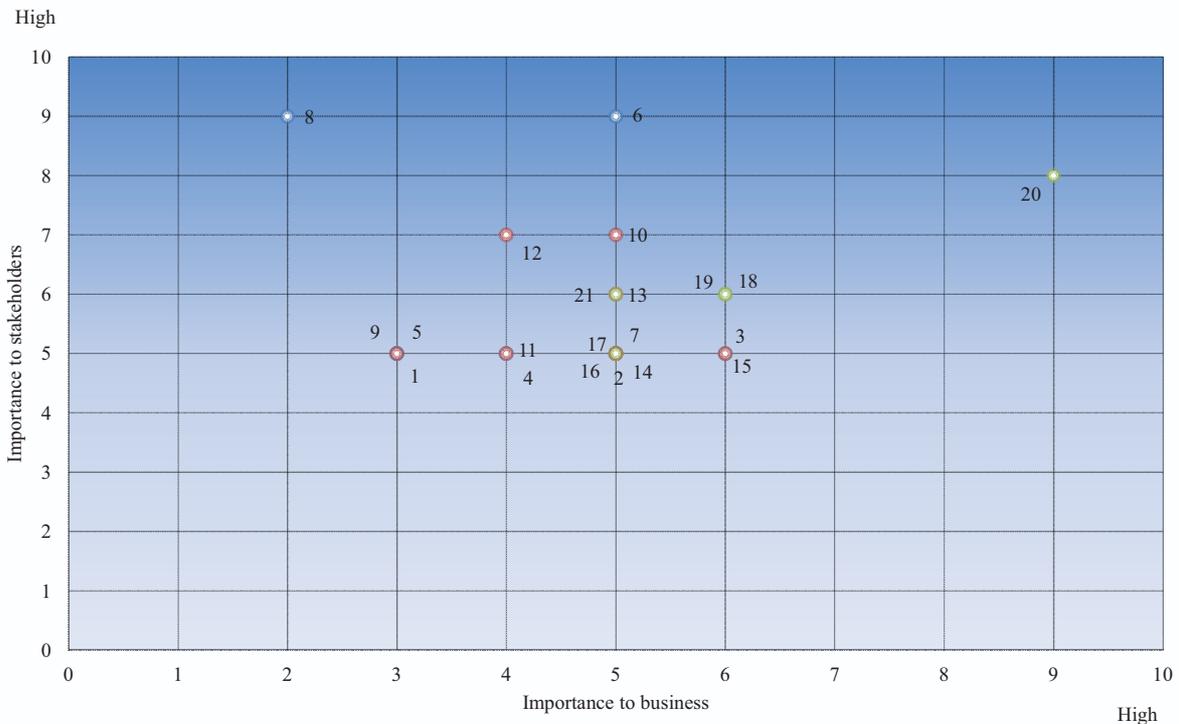
The stakeholders include the Board of Directors (the "Board"), employees, government/regulatory authorities, customers, suppliers, communities, shareholders/institutions and individual investors, media and nongovernmental organisations. The Group will engage in discussions with the stakeholders including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

MATERIALITY ASSESSMENT

In the Year 2020, the Company undertook its comprehensive materiality assessment exercise. This involved conducting surveys with internal and external stakeholders to identify the most significant operating, environmental and social impacts towards their business.

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

The Group's materiality matrix of ESG issues in the Year 2020



MATERIALITY ASSESSMENT (Continued)

Environmental issues	Social issues	Operating issues
1. Greenhouse gas emissions	8. Local community engagement	16. Economic value generated
2. Energy consumption	9. Community investment	17. Corporate governance
3. Water consumption	10. Occupational health and safety	18. Anti-corruption
4. Waste	11. Labour standards in supply chain	19. Supply chain management
5. Use of raw materials and packaging materials	12. Training and development	20. Customer satisfaction
6. Customer engagement in environmental issues	13. Employee welfare	21. Customer privacy
7. Use of chemicals	14. Inclusion and equal opportunities	
	15. Talent attraction and retention	

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

EMISSIONS

Exhaust gas management

The largest environmental footprint of the Group's operation was in electricity consumption, which indirectly contributed to greenhouse gases (such as carbon dioxide) emissions. The electricity is consumed in areas of the offices, factory buildings, staff canteens and dormitories, of which electricity is intensively consumed by lighting system as well as steaming and ironing equipment in the factory building. The Group has established relevant monitoring procedures named "Tungtex Environmental Protection Policies" to regulate the efficient use of electricity and to check the efficiency of the energy-use equipment regularly. The established procedures to ensure environmental protection and emissions compliance have been strictly complied with national or regional law of the facility locations.

As the emission-intensive activities are mainly stationed at manufacturing activities, much effort has been put to carbon management in this area. Biofuel boilers and natural gas boilers have been used in our factories to generate heat and steam for ironing in production process and for hot water supply to the staff dormitories.

The use of natural gas and biofuel instead of diesel has significantly reduced the emissions of the carbon dioxide, sulfur dioxide and nitrogen oxides as well as air pollution. The natural gas boilers and biofuel boilers can provide stable steam supply with high efficiency. They can also reduce the workload of the operators and maintenance expenditure as compared with using traditional steam boilers.

Simultaneously minimising the environmental impact, Tungtex Fashions (Vietnam) Limited ("Vietnam Tungtex") has added dust filters and monitors the biofuel boiler's operation regularly to ensure the biofuels are completely burnt. Such arrangements can reduce the emission of ash, smog or dust. Zhongshan Tungtex Silk Garments Co. Limited (中山同得仕絲綢服裝有限公司) ("Zhongshan Tungtex") has commissioned a qualified third-party inspection agency to conduct annually testing and examination on the quality of gas emission at the factory and quality of water at the discharge of the wastewater treatment facilities.

Sewage management

We continue to commit the preservation of natural resources and water is one of our main target. Good water management is one of our strategies to attain sustainable use of resources and reduce environmental impacts during operations.

As a leading company in the silk industry, our factories have been implementing sustainable development as an important strategy for corporate development and is committed to energy conservation, low carbon, environmental protection and emissions compliance.

Water consumption is mainly stationed in scouring and bleaching process as well as spinning process. In order to reduce the pollution of wastewater, we have invested to establish the sewage treatment facilities for mainly process sewage arising from textile manufacturing operations. We have obtained the permits of wastewater discharge of local environmental protection bureau, under the supervision and regular inspections of the authorities to ensure compliance with local laws and regulations.

EMISSIONS (Continued)

Solid waste management

The Group pursues and actively implements the principle and practice of recycling and saving. The Group also promotes measures to reduce disposal of waste in our business operation. With decreasing availability of suitable land for landfill and increasing environmental impacts of waste disposal, waste reduction is one of the priority objectives of the Group.

For the textile business, the hazardous waste and non-hazardous waste are strictly segregated and disposed of in accordance with regulatory requirements. For resource conservation and environmental protection, waste is further classified as re-usable and recyclable. We also have identified solid waste streams and ensure the waste is handled properly. The factories also have adequate equipments to manage solid waste prior to transfer to off-site by a licensing vendor for further disposal.

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

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

Noise control

As for the noise generated during the manufacturing of textile, we regularly carry out repairs and evaluations on large-volume noise generated machines and continues to strictly comply with the Emission Standard for Industrial Enterprises Noise at Boundary (GB12348-2008) and other relevant standards. We also take various measures for noise control to ensure the occupational health of the employees and conduct the noise test in the factory semiannually.

Gaseous Fuel Consumption

Environmental Performance	Unit	2020	2019
Liquefied petroleum gas	Litres	654	16,060
– NO _x [#]	Kg	0.1	3.0
– SO _x [#]	Kg	0.001	0.02
Natural gas	Cubic meter	46,637	54,219
– CO ₂ [#]	Kg	2,538.9	2,951.7
– CH ₄ [#]	Kg	48.0	55.9
– N ₂ O [#]	Kg	4.7	5.4

[#] In 2019, gaseous fuel consumption by Dongguan Tungtex was the major source of liquefied petroleum gas. As the operation of Dongguan Tungtex was terminated after September 2019, the gaseous fuel consumption of Dongguan Tungtex is not included in the Year 2020.

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

Gaseous Emissions from the Use of Motor Vehicles

Environmental Performance	Unit	2020	2019
NO _x [#]	Kg	24.7	28.5
SO _x [#]	Kg	0.8	0.9
PM [#]	Kg	1.8	1.8

[#] As the operation of Dongguan Tungtex was terminated after September 2019, the gaseous emissions from the use of motor vehicles of Dongguan Tungtex is not included in the Year 2020.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

EMISSIONS (Continued)

Greenhouse Gas (“GHG”) emission

Environmental Performance	Unit	2020	2019
GHG emission (Scope 1) [#]	Tonne CO ₂ e	142	165
GHG emission (Scope 2) ^{*#}	Tonne CO ₂ e	2,008	3,339
GHG emission (Scope 3) ^{#^}	Tonne CO ₂ e	157	185
Total GHG emission ^{#^}	Tonne CO ₂ e	2,306	3,689
Total production unit [#]	Piece	2,735	3,677
GHG emission Intensity (Scope 1, 2 and 3) per number of production unit ^{#^}	Tonne CO ₂ e/unit produced	0.0008	0.001

* Emission factor adopted in accordance with the China Southern Power Grid in 2017 for calculation of GHG emission of Zhongshan Tungtex (2019: Zhongshan Tungtex and Dongguan Tungtex) and the Vietnam Grid Emission Factor in 2015 for calculation of GHG emission of Vietnam Tungtex.

As the operation of Dongguan Tungtex was terminated after September 2019, the GHG of Dongguan Tungtex is not included in the Year 2020.

^ The figure is restated as the paper waste is changed in order to be in line with the calculation of the figure in the Year 2020.

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

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

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

Environmental Performance	Unit	2020	2019
Hazardous waste produced	Tonne	Note 1	Note 1
Intensity per number of production unit	Tonne CO ₂ e/unit produced	N/A	N/A
Non-hazardous waste produced [#]	Tonne	57.0	108.4
Intensity per number of production unit [#]	Tonne CO ₂ e/unit produced	0.00002	0.00003

Note 1: Hazardous waste produced by Vietnam Tungtex and Zhongshan Tungtex (2019: Vietnam Tungtex, Zhongshan Tungtex and Dongguan Tungtex) are minimal. Therefore, no relevant figure is quantified.

As the operation of Dongguan Tungtex was terminated after September 2019, the waste produced by Dongguan Tungtex is not included in the Year 2020.

Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with 《中華人民共和國環境保護法》, 《中華人民共和國水污染防治法》, Law on Environmental Protection of Vietnam and other applicable laws and regulations that have a significant impact on the Group relating to air and GHG emissions, discharges into water and land, generation of hazardous and non-hazardous waste during the Year 2020. No fines or non-monetary sanctions for non-compliance had been incurred during the Year 2020.

USE OF RESOURCES

The Group anticipates conforming the concept of the environmental care and energy saving into the daily production and operation. The Group is committed to reducing carbon emissions, protect and sustain the environment through efficient use of resources and reduce consumption of electrical power, water, paper and raw materials by implementation of environmental protection programmes and incorporating sustainable environmental practices into our business activities. In particular, a number of initiative measures designed to conserve natural resources were introduced to promote employee's awareness in order to achieve efficient utilisation of natural resources.

As mentioned in the above “Emission” section, electricity consumption is the biggest element of our GHG emissions. Various energy saving and efficiency measures have been undertaken in most of our business activities. We strictly follow a series of policies and procedures, including but not limited to “Tungtex Energy Saving Plan” and “Tungtex Environmental Protection Policies”, which sets out guidelines and procedures to minimise the electricity consumed by the employees in the office and factory premises.

USE OF RESOURCES *(Continued)*

To address the concerns of the community and the customers on environmental issues, the Group has adopted the “Tungtex Environmental Protection Policy” which mentioned:

1. Promote the green and clean environment;
2. Consider the environmental protection in the working place and the community;
3. Strictly comply with the relevant laws and regulations in respect of the environmental aspect;
4. Strictly comply with the relevant laws and regulations in respect of the handling of chemicals; and
5. Use the high efficiency equipment and system to reduce the usage of resources.

In the Year 2020, the Group also established the “Environmental Management Plan 2020” which focused on the environmental management of sewage, exhaust gas, solid waste, chemicals, noise and electricity generator.

We encourage all employees to participate in different kinds of recycling activities and minimise the use of nature resources, the scrap of production process will be reclassified and the recyclable scrap will be sold to recognised recyclable waste collector, and keeps on communicating with and encouraged the staffs to use resources efficiently. We actively promote sustainable development and environmental protection, as well as implement a series of measures on utilisation of resources and the operations of office and factory premises in order to minimise environmental impacts of the local areas.

We place great emphasis on protecting the environment and natural resources. Regarding measures to save energy, we closely monitor the level of energy consumption, GHG emissions and waste disposed from our factories. Every year, we set the respective energy and carbon reduction targets, and come up with feasible measures to achieve them. We actively adopt new technologies, new products and new equipment in relation to energy-saving and eliminate those with high energy consumptions and high pollutions.

Resource conservation

In order to achieve continuous energy saving, we have installed the airtight recycling system of condensed steam water in our factories which could sharply reduce the consumption of fuel, electricity and water by the boiler. We maintain the pipelines to reduce gas wastage regularly.

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

Our lighting systems have begun to be gradually installed light-emitting diode instead of compact fluorescent lamps which have saved much electricity as compared with compact fluorescent lamps. The automatic sensor lightings are considered to install in the offices and factories to reduce the usage of electricity.

We set management measures for water consumption in factories, staff dormitories and offices. The automatic sense infrared induction water saving devices are considered to install to reduce the usage of water.

We have regularly checked, maintained, inspected energy consuming equipments and water equipments to ensure the equipment is in good conditions, and reported cases of energy wastage and supervised the improvement.

Although there was a considerable increase in the amount of systems and equipments in a short period of time, the future regular maintenance will significantly benefit our energy saving and emission reduction. Therefore, the goal of our sustainable development will be enhanced. We expect that with the application of the energy-saving equipments and systems, the total carbon emission will be lowered.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

USE OF RESOURCES (Continued)

Resource conservation (Continued)

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

Environmental Performance	Unit	2020	2019
Energy Consumption			
Electricity Consumption [#]	KWh	3,676,295	6,128,286
Electricity Intensity [#]	KWh/unit produced	1.3	1.7
Water Consumption			
Water Consumption [#]	Cubic metre	232,337	285,902
Water Intensity [#]	Cubic metre/ unit produced	0.08	0.08
Packaging Material Consumption			
Packaging material used for finished products [#]	Tonne	144.5	380.2
Intensity per number of production unit [#]	Tonne CO ₂ e/ unit produced	0.0001	0.0001

[#] As the operation of Dongguan Tungtex was terminated after September 2019, the resources consumption of Dongguan Tungtex is not included in the Year 2020.

EMPLOYMENT

Under a highly ever-changing, challenging and competitive business environment, what Human Resources Management can systematically, efficiently and effectively support a corporation to perform well will definitely rely on a right strategy. In the Group, this Human Resources Management Strategy is called as “TUNGTEX ARMS”. The forces of “TUNGTEX ARMS” are to embrace each individual employee and corporation together and work cohesively towards the Group’s goals, objectives and expected results through the major functions of Human Resources Management.

“TUNGTEX ARMS”



We believe that quality talents are important assets of an enterprise and also the cornerstone for sustaining corporate development. We are committed to providing a fair and competitive compensation package to attract and retain quality talents. Remuneration packages are reviewed periodically. Employees are entitled to various fringe benefits, such as annual leave, marriage leave, maternity leave and medical coverage, in accordance with local laws and regulations. We fully comply with the labour regulations employing only persons with a minimum working age. All employees are acknowledged with valid identity card or equivalent and they have signed a legal contract with the respective companies of our Group.

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

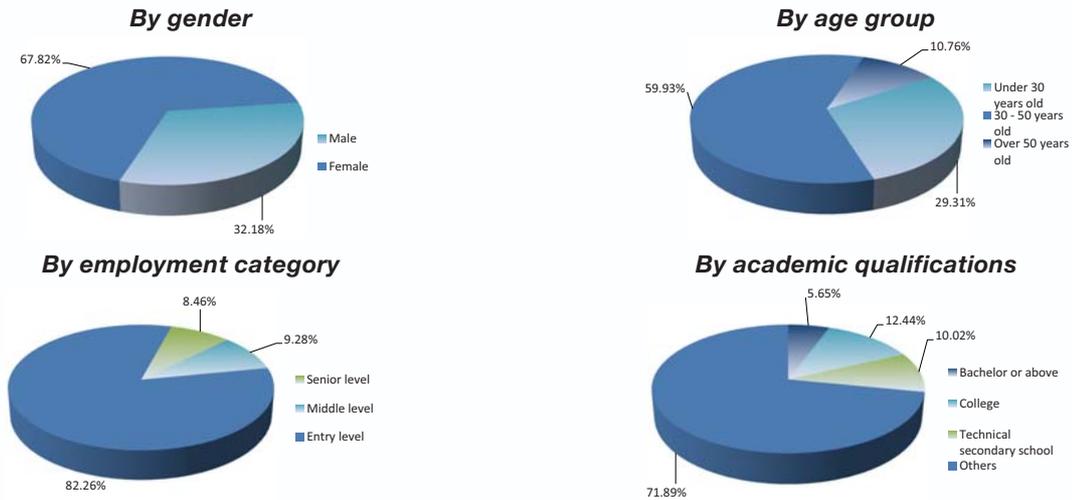
EMPLOYMENT *(Continued)*

The Group has implemented in place the policies and procedures in accordance with complying the employment regulations, relevant policies and guidance of the relevant jurisdictions where it operates, including the Employment Ordinance, the Employees' Compensation Ordinance and the Occupational Safety and Health Ordinance, etc. in Hong Kong; and the Labour Law of the People's Republic of China (the "PRC") (中華人民共和國勞動法) and the Labour Contract Law of the PRC (中華人民共和國勞動合同法) in the PRC and the Labour Code of the Socialist Republic of Vietnam. Internal procedures for reporting employees' information are regularly performed in order to review employment practices so as to avoid any non-compliance.

Respect for human right

The Group emphasises on equal opportunities for each employee should be treated and ensures that employees in the workplace or job applicants during the recruitment process will not be subjected to any form of discrimination. All employees and job applicants are assessed based on their skills, qualification and performance irrespective of their ages, marital status, races, religions and nationality, gender, disability, sexual orientation or political background. Diversified cultures in order to achieve the most suitable composition and balance.

Distribution of workforce classified by different catalogues for Vietnam Tungtex and Zhongshan Tungtex



Giving back to the society, in order to help local disadvantaged groups integrating into the society, Zhongshan Tungtex employs 13 staff who are physically disabled or mentally handicapped during the Year 2020. The Group strives to establish harmonious labour relationships. The Group protects the rights of staff by providing break time and leave days in accordance with relevant government laws and regulations.

Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with the Labour Law of the PRC, Labour Contract Law of the PRC, Labour Code of the Socialist Republic of Vietnam and other applicable laws and regulations that has a significant impact relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare on the Group during the Year 2020.

In addition, there was no non-compliance with relevant law and regulations that resulted in significant fines or sanctions in the Year 2020.



Zhongshan Tungtex employs staff who are physically disabled or mentally handicapped

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

HEALTH AND SAFETY

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

According to the law and regulation, our factories have equipped proper fire-fighting facilities such as fire extinguishers, escape lights. Designated staff conducts fire-fighting facilities inspection from time to time, and to ensure the exit passageways are clear and unblocked.

The Group has implemented comprehensive emergency fire drill on semi-annually basis to enhance employee risk prevention and crisis management. A series of fire and safety drills were held under the plan of Year 2020. The plan includes training on controlling infectious diseases in the workplace, preventing heatstroke in hot working environments, personal protective equipment safety, hazardous chemical labeling as well as storage and safety training.



Employee of Zhongshan Tungtex and Vietnam Tungtex participated in respectively the fire drills in April 2019 and November 2019

To promote the employee's awareness of environment, health and safety, the Group has set up an "Environmental, Health and Safety Committees" which comprises managers from various departments. The committees held meeting regularly during the Year 2020.

We have stringent policies named "Tungtex Sharp Tools Management System", "Tungtex Log Out Tag Out Procedure" and "Tungtex Guidelines for Employees' Safety" which are implemented in place to periodically review the functionality of machineries and equipments as well as working place condition during the production process. We continuously reduce workload intensity for frontline staff and improve the working environment. In the Year 2020, we have arranged the first aid training seminar for their employees.



First Aid training

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

Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with Law of the PRC on Work Safety (中華人民共和國安全生產法), Regulations on Work-Related Injury Insurance of the PRC (中華人民共和國工傷保險條例), Law on Occupational Safety and Health in Vietnam and other applicable laws and regulations that has a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards during the Year 2020. In addition, no non-compliance with relevant laws and regulations that resulted in significant fine or sanction in the Year 2020.

DEVELOPMENT AND TRAINING

The Group has continued to provide our staff with ample training opportunities for their personal and relevant skill development for career advancement and to provide an environment where the employees can grow professionally and develop their career path that meets the long-term growth of the business simultaneously. In view of that, the Group always encourages its staff to participate in the continuous learning activities.

The Group provides training to its directors with regular reading materials to ensure that they keep abreast of the latest regulatory requirements, corporate governance practices, financial information and market trends. We provide training to our employees which focus on safe operations of machinery and equipment, learning new techniques as well as managerial enhancements. Of which, 25.0% of senior level, 37.5% of middle level and 37.5% of entry level colleagues of total trained employees, they have undergone training on their respective professional/technical areas in year 2020.

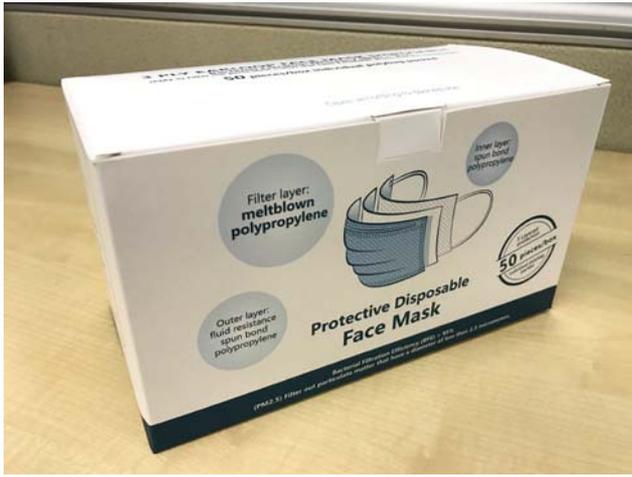
WORKING CONDITIONS UNDER COVID-19

As the outbreak of coronavirus disease 2019 (the “COVID-19”), the Group has immediately followed the authority’s hygiene guidelines and has established a series of Anti-COVID measures that has been executed since early of 2020, and will be continuously maintained until pandemic is in basic control. Our Anti-COVID measures include, but not limited to, i) checking body temperature before entering to the premises, ii) providing the disposable protective mask and hand sanitizer for all employees and visitors, iii) sterilizing the designated high risk areas frequently, iv) keeping a proper communicating and working distance, v) fully disinfecting premises regularly, vi) employee diversion dining to reduce crowd gathered, vii) installing the touchless biometric attendance system.



WORKING CONDITIONS UNDER COVID-19 (Continued)

While navigating health and safety concerns to mitigate the outbreak of the COVID-19 and in combating to the virus, we have to ensure a provision of safe working environment with abundant supply of face masks to employees. The Group embraced efforts to combat the outbreak of COVID-19 into our business strategy by expanding into disposable face mask market. This unearthened new opportunity not only satisfied our own internal consumption but also served to the tight supply market.



LABOUR STANDARDS

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

Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with Labor Law of the PRC, Provisions on the Prohibition of Using Child Labour, Law on the Protection of Minors of the PRC, Labour Law of the Vietnam and other applicable laws and regulations that has a significant impact relating to preventing child or forced labour on the Group in Vietnam and PRC during the Year 2020. In addition, there was no non-compliance with relevant laws and regulations that resulted in significant fines or sanctions in the Year 2020.

SUPPLY CHAIN MANAGEMENT

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

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

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

Our supply chain management is based on the premise of satisfying customers’ needs, and better coordination among the various functions of our business, such as the supplies, manufacturing, warehousing and distribution by better planning. With more effective integration of resources, we thus reduce costs and maximise efficiency.

We actively promote the sustainable development of our supply chain and the joint fulfillment of corporate social responsibility with our partners to provide the public with high quality products and services. As such, supply chain management is always one of the key links in our quality control system. According to our “Tungtex Approval and Management Procedure”, we will select those with a good reputation for being environmentally and socially responsible and/or that hold relevant environmental certificates and require the newly hired suppliers and contractors to have demonstrable track records of performance excellence.

We work closely with suppliers to ensure that they comply with our quality, performance and not least labour standards. We aim to do business with those suppliers sharing similar values and principles and have demonstrated a commitment to improving their standards on labour, health and safety, and environmental practices. We have assessed our supply chain business partners to identify, mitigate and eliminate potential security risks.

PRODUCT RESPONSIBILITY

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

On the basis of continuous technological innovation, the concept of green environmental protection is integrated into the design and manufacturing of products. By improving efficiency in product resources and operation, carbon emissions have been reduced and better ecological civilization has been achieved.

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

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

Product quality and safety are stated in employees' manuals and are clearly communicated to the employees. In addition, we maintain a good communication with our employees, suppliers and business partners in respect of product responsibilities. Thus, in the selection of our suppliers, their measure of protecting the surrounding environment is one of our selection criteria.

We will seek to further enhance our design and product development processes to look for opportunities of creating sustainable products in the coming years.

Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with Law of the PRC and Law of Socialist Republic of Vietnam on relevant regulations and standards, such as product quality, technical regulations and other applicable laws and regulations that has a significant impact relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress on the Group during the Year 2020. In addition, there was no non-compliance with relevant laws and regulations that resulted in significant fines or sanctions in the Year 2020.

ANTI-CORRUPTION

The Group has continued to place strong emphasis in against all forms and levels of bribery and corruption, and the established policies named "Anti-Corruption and Anti-Bribery Control Procedures" (反貪污反賄賂控制程序) have been clearly disseminated to all staff. In addition, the "Bribery, Gifts & Entertainment Policy" sets out the requirements and practices as regards the prevention, identification, and handling of any instances of alleged or proven bribery or corruption.

The "Whistle-Blowing Policy" was adopted, which sets out the approach for employees and those who deal with the Group (e.g. customers and suppliers) to raise concerns on any possible misconduct, violation of anti-corruption practices or suspected corruption activities. The designated hotlines and emails are available on the Company's website. The Group conducts regular review on its business practices, anti-corruption measures and guidelines as well as reported improprieties investigation. We also continue to improve its internal control and monitoring system. If any irregularities are identified, we take immediate action and adopt a zero tolerance approach to corruption.

Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with Prevention of Bribery Ordinance, Anti-Unfair Competition Law of the PRC (中華人民共和國反不正當競爭法), Law on Competition in Vietnam and other applicable laws and regulations that has a significant impact on the issuer relating to bribery, extortion, fraud and money laundering during the Year 2020. In addition, there was no legal case concerning corruption brought against the Group or its employees in the Year 2020.

COMMUNITY INVESTMENT

Being a responsible and engaged corporate citizen, the Group cares about the community in which we work and live. The Group is dedicated to acting in a socially responsible way, leading the way in corporate governance, charitable giving and a commitment to the environment. Throughout the years, the Group supports the social measures and policies by the government and the community. The Group is committed to conducting our business with the highest standards of business ethics and integrity in accordance with trade practices. These have become our Group's core values which are incorporated into our day-to-day business considerations.

Also, the Group holds the belief that a company exists to serve the society. Our employees are at the heart of our community involvement. The Group believes our communities are better served when our employees are engaged and actively participated in charitable activities and workplace initiatives. As a good corporate citizen, we will continue to foster a corporate environment that inspires our employees' engagement and will fully support various charitable organisations.

As a moral and responsible enterprise, the Group considers from time to time to make donations to charities. In the Year 2020, the Group helped people in need through donations and public welfare activities. The Group has donated amounting to HK\$95,000 during the Year 2020.

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



On 26 July 2019, Zhongshan Tungtex and Zhongshan Disabled Persons Federation jointly organised the [指尖靈活手工製作活動] for the Zhongshan Torch Development Zone

COMMUNITY INVESTMENT (Continued)



On 23 August 2019, Zhongshan Tungtex and Dongguan Tungtex staff joined the Don't Qua Charity Action 2019 (冬(Don't)瓜慈善愛心大行動), which is organised by Suicide Prevention Services



The Group was the platinum sponsor of the Don't Qua Charity Action 2019. This activity aims at outreaching and collaborating with district agencies and volunteer to serve the elderly with emotional distress or suicidal risk in Hong Kong. With volunteers' listening and care through regular home visits and telephone contacts, the elder emotion can be alleviated, thereby reducing their suicidal risks.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

COMMUNITY INVESTMENT *(Continued)*

Strengthening the relationship between employees, increasing employee engagement and promoting work life balance, we encouraged employees to participate some activities, such as 2019 Taipei Marathon.



Vietnam Tungtex was invited by the RMIT University in Ho Chi Minh City, Vietnam to organise a workshop to share our experiences and comments on their students' creative work at RMIT University's Career Week.



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

The Company’s corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the “Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The Board is of the view that the Company has complied with all the code provisions set out in the Code throughout the year ended 31 March 2020.

A. DIRECTORS

A.1 The Board

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

The Board meets regularly, and at least four times a year scheduled at approximately quarterly intervals according to the Code. Between scheduled meetings, monthly updates for the performance of the Group are provided to directors on a regular basis. Whenever warranted, additional Board meetings are held. During the year ended 31 March 2020, the attendance of each director at the Board meetings, the Annual General Meeting held on 29 August 2019 (the “2019 AGM”) and the Extraordinary General Meeting held on 31 January 2020 (the “2019 EGM”) are set out as follows:

Name of director	Attendance at the 2019 AGM	Attendance at the 2019 EGM	Attendance at Board meetings
Mr. Martin Tung Hau Man	1/1	1/1	7/7
Mr. Raymond Tung Wai Man	1/1	0/1	7/7
Mr. Billy Tung Chung Man	1/1	1/1	7/7
Mr. Tony Chang Chung Kay	1/1	0/1	6/7
Mr. Robert Yau Ming Kim	1/1	0/1	7/7
Mr. Leslie Chang Shuk Chien	1/1	1/1	7/7
Mr. Kenneth Yuen Ki Lok	1/1	1/1	7/7

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

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

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

A.2 Chairman and Managing Director

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

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

A.3 Board composition

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

Executive directors:

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

Independent non-executive directors:

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

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

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

A.4 Appointment, re-election and removal

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

In accordance with the Code and the Company's Articles of Association, all directors (including independent non-executive directors) are subject to retirement by rotation once every three years. Composition of the Board will be reviewed regularly to ensure that it covers a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. The directors' profile is set out on pages 37 to 38.

A.5 Responsibilities of directors

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors. Confirmation has been sought from all directors that they have complied with the required standards set out in the Model Code throughout the year ended 31 March 2020. The Board has also adopted the Model Code as guidelines for relevant employees in respect of their dealings in the securities of the Company.

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

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

The directors have provided to the Company their records of CPD training during the year ended 31 March 2020 and the CPD training undertaken by the directors is summarised into the following areas:

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

A.6 Supply of and access to information

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

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

B. DELEGATION BY THE BOARD

B.1 Management functions

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

B.2 Board committees

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

B.3 Corporate governance functions

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

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

C. NOMINATION COMMITTEE

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

The primary duties of the Nomination Committee include the followings:

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

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

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

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

During the year ended 31 March 2020, the Nomination Committee held one meeting, with attendance record as follows:

Name of member	Number of attendance
Mr. Martin Tung Hau Man (<i>Chairman</i>)	1/1
Mr. Tony Chang Chung Kay	1/1
Mr. Robert Yau Ming Kim	1/1
Mr. Leslie Chang Shuk Chien	1/1
Mr. Kenneth Yuen Ki Lok	1/1

The following is a summary of the work of the Nomination Committee during the year ended 31 March 2020:

- Reviewed the structure, size, composition and diversity of the Board;
- Reviewed the retirement of directors by rotation and the re-election of retiring directors at the 2019 AGM;
- Assessed the independence of independent non-executive directors; and
- Reviewed the nomination policy of the Board.

D. REMUNERATION COMMITTEE

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

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

During the year ended 31 March 2020, the Remuneration Committee held one meeting, with attendance record as follows:

Name of member	Number of attendance
Mr. Robert Yau Ming Kim (<i>Chairman</i>)	1/1
Mr. Martin Tung Hau Man	1/1
Mr. Tony Chang Chung Kay	1/1
Mr. Leslie Chang Shuk Chien	1/1

The following is a summary of the work of the Remuneration Committee during the year ended 31 March 2020:

- Determined, with delegated responsibility, the remuneration packages of individual executive directors;
- Made recommendations to the Board on the remuneration of independent non-executive directors; and
- Approved annual bonus for the year ended 31 March 2020.

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

E. AUDIT COMMITTEE

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

During the year ended 31 March 2020, the Audit Committee held three meetings with attendance record as follows:

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

At the meetings, the Audit Committee has reviewed the audited financial statements for the year ended 31 March 2019 and the interim accounts for six months ended 30 September 2019 respectively with management and the Company's external auditor. The Audit Committee has also reviewed the Group's accounting principles and practices, listing rules and statutory compliance, financial reporting matters and the effectiveness of the risk management and internal control systems and the internal audit function, appointment of external auditor and their relevant scope of works, and arrangements for employees to raise concerns about possible improprieties. The Audit Committee met the external auditor twice without the presence of the executive directors and the management.

F. ACCOUNTABILITY AND AUDIT

F.1 Financial reporting

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

The directors acknowledge their responsibility to prepare the financial statements that give a true and fair view of the state of affairs of the Group. Meanwhile, the directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgements and estimates made are prudent and reasonable. The preparation of the financial statements for the year ended 31 March 2020 is in accordance with statutory requirements and applicable accounting standards.

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

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

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

F.2 Risk management and internal control

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

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

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

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

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

The Board, through the Audit Committee and the internal audit function, considers that the Group's risk management and internal control systems are adequate and effective for the year ended 31 March 2020.

The Board has reviewed the Group's existing size of internal audit department and is of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professionals to further strengthen the internal audit function for the Group in order to meet its needs. In May 2020, the Group appointed an external internal control review consultant to carry out internal audit function. The directors will continue to review at least annually the need for an internal audit department.

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

F.3 Remuneration to the external auditor of the Company

The remuneration paid and payable to the external auditor of the Company for the year ended 31 March 2020 is set out as follows:

Services rendered	Fee HK\$'000
Audit service	835
Non-audit services	509

G. COMMUNICATION WITH SHAREHOLDERS

G.1 Effective communication

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

At the 2019 AGM, a separate resolution was proposed in respect of each substantially separate issue, including the re-election of individual directors. The Chairman of the Board (also being the Chairman of the Nomination Committee), Chairman of the Audit Committee and members of the Remuneration Committee attended the 2019 AGM and were available to answer questions of the shareholders.

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

G.2 Shareholders' rights

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

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

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

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

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

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

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

G.3 Voting by poll

Detailed procedures for conducting a poll were properly explained at the commencement of the 2019 AGM and the 2019 EGM.

At the 2020 Annual General Meeting (the "2020 AGM"), the chairman of the meeting will demand a poll on all the resolutions in accordance with the requirements of the Listing Rules. Poll results will be posted on the websites of the Company and HKEx following the 2020 AGM.

G.4 Dividend policy

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

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

H. COMPANY SECRETARY

Ms. Li Yuk Kwan of VBG Capital Limited, an external service provider, has been engaged by the Company as the company secretary following the resignation of Mr. Liu Hoi Keung as the company secretary of the Company with effect from 13 March 2020. Her primary contact person at the Company is Ms. Cheung Yiu Shan (Group Chief Financial Officer).

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2020.

PRINCIPAL ACTIVITIES

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

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's largest and five largest customers were 15% and 38%, respectively. The aggregate purchases attributable to the Group's largest and five largest suppliers were 6% and 17%, respectively.

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2020 and the financial position of the Group at that date are set out in the consolidated financial statements on pages 45 to 48.

The Board of Directors does not recommend the payment of a final dividend for the year ended 31 March 2020.

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.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 March 2020 represented the retained profits of HK\$10,022,000 (2019: HK\$33,556,000).

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 101.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year is set out in note 16 to the consolidated financial statements respectively.

BUSINESS REVIEW AND PERFORMANCE

Review of our business and performance

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

Principal risks and uncertainties

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

1. *Economic climate and individual market performance*

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

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

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

3. **Customers' credit risk**

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

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

Details of the customers' credit risk are set out in note 40(b) to the consolidated financial statements.

4. **Liquidity risk**

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

Details of the liquidity risk are set out in note 40(b) to the consolidated financial statements.

5. **Currency risk**

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

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

Details of the currency risk are set out in note 40(b) to the consolidated financial statements.

6. **Interest rate risk**

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

Details of the interest rate risk are set out in note 40(b) to the consolidated financial statements.

7. **Equity price risk**

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

Details of the equity price risk are set out in note 40(b) to the consolidated financial statements.

Compliance with laws and regulations

The Group is committed to high environmental standard to fulfill the requirements under relevant laws and regulations during the business development. The Group has complied with the requirements under the Companies Ordinance, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO") and the Corporate Governance Code (the "CG Code") for, among other things, the disclosure of information and corporate governance. The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"). The Group also strictly follows the regulatory requirements on employment, human rights, labour rights, supply chain management, product responsibility and anti-corruption in the interests of our stakeholders including shareholders, customers, employees, suppliers, creditors, bankers, regulators and the general public.

Details on the Group's environmental policies and performance can be found in the Environmental, Social and Governance Report from pages 12 to 26 of this Annual Report.

DIRECTORS' REPORT

Stakeholders' engagement

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

The Group has taken steps through the year to ensure that we operate responsibly and in the interest of our customers and suppliers, such as placing a high priority on quality to promote customers satisfaction in terms of products and services and conducting procurement from suppliers fairly. Further details on the key relationships with customers and suppliers are also disclosed in the Environmental, Social and Governance Report from pages 12 to 26 of this Annual Report.

Particulars of the repurchases were as follows:

Month of repurchases	Number of shares repurchased	Price paid per share		Aggregate consideration (before transaction cost) HK\$
		Highest	Lowest	
		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.

An account of the Company's relationships with employees is included in the Management Discussion and Analysis and Environmental, Social and Governance Report respectively from pages 4 to 11 and pages 12 to 26 of this Annual Report.

SHARE CAPITAL

Details of movements in the Company's share capital for the year ended 31 March 2020 are set out in note 31 to the consolidated financial statements.

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 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.

PERMITTED INDEMNITY PROVISION

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

DIRECTORS

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

Executive directors:

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

Independent non-executive directors:

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

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

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

DIRECTORS OF SUBSIDIARIES

The names of all directors who have served on the boards of the subsidiaries of the Company during the year ended 31 March 2020 or during the period from 1 April 2020 to the date of this Directors' Report are available on the website of the Company.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors:

Martin Tung Hau Man

Chairman
Chairman of Nomination Committee
Member of Remuneration Committee

Aged 45, is an executive director and Chairman of the Board of Directors of the Company. He also holds directorships in some subsidiaries of the Company. He holds a Bachelor of Arts Degree in Economics from Simon Fraser University and a Master of Science Degree in Engineering Business Management from The University of Warwick.

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

Raymond Tung Wai Man

Managing Director

Aged 54, is an executive director and managing director of the Company. Mr. Tung also holds directorships in some subsidiaries of the Company. He holds a Post-experience Certificate in Engineering Business Management from The University of Warwick. He is the nephew of Mr. Benson Tung, the cousin of Mr. Martin Tung and Mr. Billy Tung.

Billy Tung Chung Man

Aged 43, is an executive director of the Company. He is also the managing director of the Group's retail operation and director of some subsidiaries of the Company. He holds a Bachelor of Engineering Degree in Civil Engineering from The University of Warwick and a Master of Science Degree in Information Technology from University College London. He is the son of Mr. Benson Tung Wah Wing and Ms. Wong Fung Lin, together own the entire equity interest in Corona, the substantial and controlling shareholder of the Company, the brother of Mr. Martin Tung and the cousin of Mr. Raymond Tung. Mr. Billy Tung is a director of Corona.

DIRECTORS' REPORT

Independent Non-executive Directors:

Tony Chang Chung Kay

Member of Audit Committee, Remuneration Committee and Nomination Committee

Aged 64, is an independent non-executive director of the Company. He is a director of a famous shirt making private company and has over 40 years' experience in the garment industry. He holds a Bachelor of Science Degree from McGill University.

Robert Yau Ming Kim

Chairman of Remuneration Committee

Member of Audit Committee and Nomination Committee

Aged 81, is an independent non-executive director of the Company. He has extraordinary and extensive experience in the textile and clothing industry. Before his retirement as managing director of a renowned international apparel buying office in Hong Kong in August 2004, he had held senior positions including chief executive or managing director of various major international and local apparel companies since 1971. From 1998 to 2004, he served as vice chairman of The Hong Kong Exporters' Association, member of the Executive Committee of The Hong Kong Shippers' Council and member of the Garment Advisory Committee of the Hong Kong Trade Development Council. Graduated at Wah Yan College, he served as trade officer in the Hong Kong Government in 1960s. In 1970, he was seconded by the Hong Kong Government to the General Agreement on Tariffs and Trade ("GATT") Secretariat (now known as the World Trade Organization) in Geneva, Switzerland and was awarded GATT Fellowship after his attachment. He is currently an independent non-executive director of Parkson Retail Group Limited and Alltronics Holdings Limited respectively, the shares of which are listed on the Main Board of the Stock Exchange.

Leslie Chang Shuk Chien

Chairman of Audit Committee

Member of Remuneration Committee and Nomination Committee

Aged 73, is an independent non-executive director of the Company. He is an associate member of Hong Kong Institute of Certified Public Accountants. He is the managing director of Chang Leung Hui & Li C.P.A. Limited since 1997. He is a certified public accountant practising in Hong Kong since 1982 and has over 40 years of experience in the field of auditing and accounting.

Kenneth Yuen Ki Lok

Member of Nomination Committee

Aged 45, is an independent non-executive director of the Company. Mr. Yuen is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He holds a Bachelor of Business Administration Degree in Accounting from Hong Kong Baptist University, a Master of Professional Accounting Degree from The Hong Kong Polytechnic University and a Master of Business Systems Degree from Monash University. Mr. Yuen has 9 years' financial management and business development experience in a garment manufacturing group, and over 10 years of experience in providing audit, assurance and advisory services in professional firms. He is currently a senior management of a professional firm.

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

As at 31 March 2020, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part

XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive was taken or deemed to have under such provisions of the SFO) and have been recorded in the register maintained by the Company pursuant to section 352 of the SFO, or which have been notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long positions in shares of the Company

Name of director	Capacity	Number of issued ordinary shares held/ interested	Percentage of the issued shares of the Company
Martin Tung Hau Man	Beneficial owner	1,604,000	0.36%
Raymond Tung Wai Man	Beneficial owner	360,000	0.08%
Billy Tung Chung Man	Beneficial owner	3,052,400	0.68%
Tony Chang Chung Kay	Beneficial owner	3,844,760	0.85%

Save as disclosed above, as at 31 March 2020, none of the directors nor chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which has been notified to the Company and the Stock Exchange pursuant to the Model Code.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Other than those disclosed under the section "Related Party Disclosures" in note 37 to the consolidated financial statements, which do not fall under the definition of continuing connected transactions pursuant to Chapter 14A of the Listing Rules, no transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company or entities connected with the director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2020, the following substantial shareholders, other than directors and chief executives of the Company, had the interests and short positions in the shares and

underlying shares of the Company which have been disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, have been recorded in the register kept by the Company pursuant to section 336 of SFO:

Long positions in shares of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held/ interested	Percentage of the issued shares of the Company (note d)
Corona Investments Limited	Beneficial owner (note a)	150,059,268	33.23%
Benson Tung Wah Wing	Interest of controlled corporation (note a)	150,059,268	33.23%
Madam Wong Fung Lin	Interest of controlled corporation (note a)	150,059,268	33.23%
Wykeham Capital Asia Value Fund ("WCAVF")	Beneficial owner (note b)	36,956,000	8.18%
Wykeham Capital Limited	Investment manager (note b)	36,956,000	8.18%
Thomas Howel Gruffudd Rhys	Interest of controlled corporation (note b)	36,956,000	8.18%
Webb David Michael	Beneficial owner (note c)	11,289,334	2.50%
	Interest of controlled corporation (note c)	16,610,666	3.68%

Notes:

- (a) 150,059,268 shares are owned by Corona. Mr. Benson Tung Wah Wing and his spouse, Madam Wong Fung Lin, together own the entire equity interests in equal shares in Corona. Accordingly, by virtue of the SFO, they are deemed to be interested in the 150,059,268 shares held by Corona.
- (b) Based on the notice of disclosure of interests of Thomas Howel Gruffudd Rhys filed on 22 January 2020, he was deemed to be interested in the 36,956,000 shares owned by WCAVF by virtue of his 100% shareholding interest in Wykeham Capital Limited (which is the investment manager of WCAVF).
- (c) Based on the notice of disclosure of interests of Webb David Michael filed on 9 February 2018, he is beneficial owner of 11,289,334 shares. In addition, 16,610,666 shares are held by Preferable Situation Assets Limited, a company 100% controlled by Webb David Michael. In total, he is interested in 27,900,000 shares, representing 6.18% of the issued shares of the Company as at 31 March 2020.
- (d) The percentage of shareholding is calculated based on the total number of issued shares of the Company in issue as at 31 March 2020. As at 31 March 2020, the total number of issued shares of the Company was 451,567,557.

INDEPENDENCE CONFIRMATIONS OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

CORPORATE GOVERNANCE

Throughout the year ended 31 March 2020, the Company has complied with all the code provisions set out in the CG Code contained in Appendix 14 of the Listing Rules.

Further information on the Company's corporate governance practices is set out in the "Corporate Governance Report" from pages 27 to 33 of the Annual Report.

MANAGEMENT CONTRACTS

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

EMOLUMENT POLICY

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules throughout the year ended 31 March 2020 and up to the latest practicable date prior to the issue of this annual report.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK\$95,000.

AUDITOR

The consolidated financial statements for the year ended 31 March 2020 were audited by D & PARTNERS CPA LIMITED ("D & PARTNERS"), who will retire at the forthcoming annual general meeting ("AGM") of the Company and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of D & PARTNERS as auditor of the Company will be proposed at the AGM.

On behalf of the Board
Martin Tung Hau Man
Chairman

Hong Kong, 29 June 2020

INDEPENDENT AUDITOR'S REPORT



TO THE MEMBERS OF TUNGTEX (HOLDINGS) COMPANY LIMITED

同得仕(集團)有限公司

(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Tungtex (Holdings) Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 45 to 100, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter

How our audit addressed the key audit matter

Valuation of inventories

We identified the valuation of inventories as a key audit matter due to the use of judgement and estimates by the management in estimating the allowance for inventories.

In determining the allowance for inventories, the management considers the aging analysis, current market trends, and makes an estimate of net realisable value for obsolete and slow-moving inventories that are no longer popular in the market with reference to subsequent sales or usage information.

As disclosed in note 22 to the consolidated financial statements, the carrying amount of inventories was HK\$94,506,000 as at 31 March 2020. During the year ended 31 March 2020, allowance for inventories of HK\$9,327,000 (2019: HK\$13,591,000) was recognised.

Our procedures in relation to the valuation of inventories include:

- Understanding how management estimates the allowance for inventories;
- Assessing the reasonableness of the determination of net realisable value and estimation of allowance for inventories by the management with reference to the aging analysis, and information in respect of current market trends, subsequent sales and usage of inventories;
- Testing the aging analysis and information in respect of subsequent sales or usage of inventories; on a sampling basis, to source documents; and
- Evaluating the historical accuracy of the management's estimation on allowance for inventories by comparing historical allowance made to the actual selling prices and actual loss incurred.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
<p><i>Impairment of plant and machinery, furniture, fixture and equipment, leasehold improvements and right-of-use assets</i></p>	
<p>We identified the impairment of plant and machinery, furniture, fixture and equipment, leasehold improvements and right-of-use assets as a key audit matter because of its significance to the consolidated financial statements and high degree of management judgement involved in determining the recoverable amounts.</p> <p>As disclosed in note 16 to the consolidated financial statements, the carrying amounts of plant and machinery, furniture, fixture and equipment and leasehold improvements were HK\$5,840,000 (net of accumulated impairment losses of plant and machinery, furniture, fixture and equipment, and leasehold improvements: HK\$6,112,000) as at 31 March 2020. As disclosed in note 17 to the consolidated financial statements, the carrying amount of right-of-use assets was HK\$13,221,000 as at 31 March 2020.</p> <p>The calculation of the recoverable amount requires the management of the Group to estimate the higher of fair value less costs of disposal and value in use of those assets. Management reviewed the recoverable amounts of the plant and machinery, furniture, fixture and equipment, leasehold improvements and right-of-use assets at the end of the reporting period by estimating the respective fair value less costs of disposal of these assets to determine the impairment amount required to write down these assets to their recoverable amounts.</p>	<p>Our procedures in relation to the impairment of plant and machinery, furniture, fixture and equipment, leasehold improvements and right-of-use assets include:</p> <ul style="list-style-type: none"> • Understanding how the management performs the impairment assessment in respect of the plant and machinery, furniture, fixture and equipment, leasehold improvements and right-of-use assets; • Evaluating the management's assessment in estimating recoverable amount of the plant and machinery, furniture, fixture and equipment, leasehold improvements and right-of-use assets; • Testing and checking the accuracy of the calculation of recoverable amount of the plant and machinery, furniture, fixture and equipment, leasehold improvements and right-of-use assets; and • Evaluating the historical accuracy of the management's assessment by comparing the historical estimates to actual parameters in current year, including any changes in the market available information and the actual selling price of assets.

OTHER INFORMATION

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

D & PARTNERS CPA LIMITED

Certified Public Accountants

Yeung Chun Yue, David

Practising Certificate Number: P05595

Hong Kong
29 June 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Revenue	5,6	708,994	965,928
Cost of sales		(567,437)	(785,722)
Gross profit		141,557	180,206
Other income and other gain	7	3,820	6,734
Impairment loss recognised on financial assets, net of reversal	9	(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	33	(16,829)	11,415
Selling and distribution costs		(75,969)	(109,238)
Administrative expenses		(124,100)	(147,177)
Finance costs	8	(7,437)	(6,866)
Loss before tax	10	(84,093)	(91,774)
Income tax expenses	13	(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	15		
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 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
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	16	23,836	76,815
Right-of-use assets	17	13,221	–
Prepaid lease payments	18	–	22,339
Intangible asset	19	–	–
Deferred tax assets	21	59	61
		37,116	99,215
Current assets			
Inventories	22	94,506	132,920
Trade and other receivables	23	89,811	124,989
Prepaid lease payments	18	–	797
Financial assets at FVTPL	24	–	7,628
Pledged bank deposits	25	116,704	116,704
Bank balances and cash	25	113,946	129,556
		414,967	512,594
Assets classified as held for sale	26	51,455	8,093
		466,422	520,687
Current liabilities			
Trade and other payables	27	78,430	120,243
Contract liabilities	28	11,607	8,969
Lease liabilities	29	2,501	–
Tax liabilities		152	109
Bank borrowings	30	144,388	135,552
		237,078	264,873
Liabilities associated with assets classified as held for sale	26	72	–
		237,150	264,873
Net current assets		229,272	255,814
Total assets less current liabilities		266,388	355,029

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Non-current liabilities			
Lease liabilities	29	3,834	–
Bank borrowings	30	5,800	8,000
Deferred tax liabilities	21	1,230	1,346
		10,864	9,346
		255,524	345,683
Capital and reserves			
Share capital	31	254,112	254,112
Treasury shares	32	(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

The consolidated financial statements on pages 45 to 100 were approved and authorised for issue by the Board of Directors on 29 June 2020 and are signed on its behalf by:

Martin Tung Hau Man
DIRECTOR

Raymond Tung Wai Man
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Attributable to owners of the Company						Total	Non-Controlling interests	Total
	Share capital	Treasury shares	Property Revaluation reserve	Statutory reserve	Translation reserve	Retained profits			
	HK\$'000	HK\$'000 (Note 32)	HK\$'000 (Note i)	HK\$'000 (Note ii)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2018 (restated)	254,112	-	24,690	3,208	(3,954)	197,862	475,918	(8,277)	467,641
Loss for the year	-	-	-	-	-	(94,086)	(94,086)	(893)	(94,979)
Exchange differences arising on translation of foreign operations	-	-	-	-	(14,674)	-	(14,674)	-	(14,674)
Reclassification adjustments from foreign currencies translation reserves:									
– Release upon disposal of subsidiaries	-	-	-	-	(7,200)	-	(7,200)	-	(7,200)
Transfer arising from disposal of subsidiaries	-	-	(24,690)	-	-	24,690	-	-	-
Total comprehensive expense for the year	-	-	(24,690)	-	(21,874)	(69,396)	(115,960)	(893)	(116,853)
Dividend recognised as distribution (note 14)	-	-	-	-	-	(5,105)	(5,105)	-	(5,105)
At 31 March 2019	254,112	-	-	3,208	(25,828)	123,361	354,853	(9,170)	345,683
Loss for the year	-	-	-	-	-	(83,606)	(83,606)	(739)	(84,345)
Exchange differences arising on translation of foreign operations	-	-	-	-	(12,385)	-	(12,385)	-	(12,385)
Reclassification adjustments from foreign currencies translation reserves:									
– Release upon disposal of subsidiaries	-	-	-	-	13,527	-	13,527	-	13,527
Transfer to statutory reserve	-	-	-	233	-	(233)	-	-	-
Total comprehensive income (expense) for the year	-	-	-	233	1,142	(83,839)	(82,464)	(739)	(83,203)
Shares repurchased and cancelled (note 31)	-	-	-	-	-	(6,726)	(6,726)	-	(6,726)
Shares repurchased but not yet cancelled	-	(230)	-	-	-	-	(230)	-	(230)
At 31 March 2020	254,112	(230)	-	3,441	(24,686)	32,796	265,433	(9,909)	255,524

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	2020 HK\$'000	2019 HK\$'000
OPERATING ACTIVITIES		
Loss before tax	(84,093)	(91,774)
Adjustments for:		
Depreciation of property, plant and equipment	12,062	16,660
Depreciation of right-of-use assets	1,604	–
Increase in fair value of investment property	–	(5,272)
Finance costs	7,437	6,866
Amortisation of prepaid lease payments	–	797
Loss (gain) on disposal of subsidiaries	16,829	(11,415)
Impairment loss recognised on financial assets, net of reversal	1,318	208
Loss on disposal/write-off of property, plant and equipment	2,288	920
(Gain) loss on disposal of assets classified as held for sales	(2,338)	92
Decrease in fair value of financial assets at FVTPL	3,817	31,912
Allowance for inventories	9,327	13,591
Interest income	(1,472)	(1,862)
Impairment loss recognised on property, plant and equipment	6,112	–
Operating cash flows before movements in working capital	(27,109)	(39,277)
Decrease in inventories	23,387	26,635
Decrease in trade and other receivables	29,572	37,378
Decrease in trade and other payables	(37,154)	(22,014)
Increase (decrease) in contract liabilities	3,258	(22,148)
Cash used in operations	(8,046)	(19,426)
Hong Kong Profits Tax paid	(100)	–
Taxation in other jurisdictions paid	(223)	(1,341)
NET CASH USED IN OPERATING ACTIVITIES	(8,369)	(20,767)
INVESTING ACTIVITIES		
Withdrawal of pledged bank deposits	16,000	6,208
Proceeds on disposal of assets classified as held for sales	10,431	7,873
Interest received	1,472	1,862
Net cash inflow on disposal of subsidiaries	897	50,072
Proceeds on disposal of property, plant and equipment	896	1,053
Deposits paid for right-of-use assets	(211)	–
Purchase of property, plant and equipment	(8,640)	(11,086)
Placement of pledged bank deposits	(16,000)	(6,000)
NET CASH FROM INVESTING ACTIVITIES	4,845	49,982

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	2020 HK\$'000	2019 HK\$'000
FINANCING ACTIVITIES		
Bank borrowings raised	326,035	263,831
Repayment of lease liabilities, including related interests	(919)	—
Payment of repurchase of shares	(6,956)	—
Interest paid	(7,311)	(6,866)
Repayment of bank borrowings	(315,913)	(262,382)
NET CASH USED IN FINANCING ACTIVITIES	(5,064)	(5,417)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(8,588)	23,798
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	129,556	109,454
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(6,830)	(3,696)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	114,138	129,556
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	113,946	129,556
Bank balances and cash classified as held for sale	192	—
	114,138	129,556

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

1. GENERAL

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

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

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

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

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

The Group has applied the following new and amendments to HKFRSs and the new interpretation issued by the Hong Kong Institute of Certified Public Accountants (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.

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

HKFRS 16 Leases (Continued)

As a lessee (Continued)

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

	At 1 April 2019 <i>HK\$'000</i>
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:

	<i>Note</i>	Right-of-use assets <i>HK\$'000</i>
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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

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

HKFRS 16 Leases (Continued)

As a lessor (Continued)

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 HK\$'000	Adjustments HK\$'000	Carrying amounts under HKFRS 16 at 1 April 2019 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.

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

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

New and amendments to HKFRSs issued but not yet effective (Continued)

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. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 April 2019) or HKAS 17 *Leases* (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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

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

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

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

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

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

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

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

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

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

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

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

Changes in the Group's interests in existing subsidiaries

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and ii) the carrying

amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

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

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

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

Refund liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

Sale with a right of return

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

- (a) revenue for the transferred products in the amount of consideration to which the Group expects to be entitled (therefore, revenue would not be recognised for the products expected to be returned);
- (b) a refund liability; and
- (c) an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers on settling the refund liability.

Principal versus agent

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

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

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of retail stores, offices and warehouses that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and lease of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. The remaining right-of-use assets are depreciated on a straight-line basis over the term of the leases.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) *(Continued)*

Lease liabilities (Continued)

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item in the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

The Group as a lessor (upon application of HKFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 *Revenue from Contract with Customers* to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

The Group as lessee (prior to 1 April 2019)

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

The Group as lessor (prior to 1 April 2019)

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

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

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

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

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

Borrowing costs

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

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

Retirement benefit costs

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

Short-term employee benefits

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

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

Taxation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

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

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

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

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods, or for administrative purposes are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Freehold land is stated at cost less accumulated impairment losses, if any.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" (upon application of HKFRS 16) or "prepaid lease payments" (before application of HKFRS 16) in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

If a property becomes an investment property because its use has changed as evidenced by end of owner occupation, any difference between the carrying amount and the fair value of that item (including the relevant leasehold land under HKFRS 16 or prepaid lease payments under HKAS 17) at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

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

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

Intangible asset

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

Impairment losses recognised on property, plant and equipment, right-of-use assets and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount of property, plant and equipment,

right-of-use assets and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

Inventories

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

Investment in subsidiaries

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

All other financial assets are subsequently measured at FVTPL except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is classified as held for trading if:

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

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(ii) Financial assets at FVTPL

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

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

Impairment of financial assets

The Group performs impairment assessment under Expected Credit Loss ("ECL") model on financial assets (including trade and bills receivables, other receivables, pledged bank deposits and bank balances) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

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

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

(i) Significant increase in credit risk

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

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

(ii) Definition of default

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

(iii) Credit-impaired financial assets

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

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

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

Financial liabilities and equity instruments

Classified as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition of financial liabilities

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

Non-current assets held for sale

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

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

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

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

Provision of ECL for on trade and bills receivables

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

Allowance for inventories

The Group makes allowance for inventories based on an assessment of the net realisable value of inventories. Allowance is applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of obsolete inventories requires the use of judgement and estimates on the conditions and usefulness of the inventories. The management may consider the aging analysis, the current market trends, and makes an estimate of net realisable value for obsolete and slow-moving inventories that are no longer popular in the market with reference to subsequent sales or usage information. Where the actual outcome or expectation of the net realisable value of inventories is different from the original estimate, such difference will impact the carrying value of inventories and allowance for inventories in the period in which such estimate has changed. The carrying amount of inventories at 31 March 2020 was HK\$94,506,000 (net of allowance of HK\$9,327,000) (2019: HK\$132,920,000 (net of allowance of HK\$13,591,000)).

Impairment of plant and machinery, furniture, fixture and equipment, leasehold improvements and right-of-use assets

The recoverable amount calculation requires the management of the Group to estimate higher of fair value less costs of disposal and value in use of those assets as the recoverable amount. The management of the Group reviews the recoverable amounts of the Group's plant and machinery, furniture, fixture and equipment, leasehold improvements and right-of-use assets by looking into the fair values less cost of disposals and value in use, based on the future development plans. Where the actual future cash flows are less than expected, a material impairment loss may arise. The fair value less cost of disposals and value in use of these assets have been determined from market available information. As at 31 March 2020, the carrying amount of plant and machinery, furniture, fixture and equipment and leasehold improvements was HK\$5,840,000, net of impairment losses of plant and machinery, furniture, fixture and equipment, and leasehold improvements: HK\$6,112,000 (2019: HK\$17,064,000) and the carrying amount of right-of-use assets was HK\$13,221,000. Details are set out in notes 16 and 17 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

5. REVENUE

For the year ended 31 March 2020

(i) *Disaggregation of revenue from contracts with customers*

	For the year ended 31 March 2020		
	Manufacturing and sales of garment products HK\$'000	Retail of garment products HK\$'000	Total HK\$'000
At point in time	481,700	227,294	708,994
Geographical markets			
The PRC	44,167	227,294	271,461
The United States of America (the "USA")	254,413	–	254,413
Canada	153,671	–	153,671
Others	29,449	–	29,449
Total	481,700	227,294	708,994

	For the year ended 31 March 2019		
	Manufacturing and sales of garment products HK\$'000	Retail of garment products HK\$'000	Total HK\$'000
At point in time	657,664	308,264	965,928
Geographical markets			
The PRC	134,476	308,264	442,740
The USA	317,626	–	317,626
Canada	155,919	–	155,919
Others	49,643	–	49,643
Total	657,664	308,264	965,928

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

5. REVENUE (Continued)

For the year ended 31 March 2020 (Continued)

(ii) Performance obligations for contracts with customers

Manufacturing and sales of garment products

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

Retail of garment products

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

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)

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

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

6. SEGMENTAL INFORMATION

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

6. SEGMENTAL INFORMATION (Continued)

Segment revenue and results (Continued)

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)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment (loss) profit represents the (loss) profit (incurred) earned by each segment without allocation of central administration costs, directors' salaries, depreciation of property, plant and equipment, 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 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

6. SEGMENTAL INFORMATION (Continued)

Geographical information (Continued)

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

	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).

7. OTHER INCOME AND OTHER GAIN

	2020 HK\$'000	2019 HK\$'000
Gain on disposal of assets classified as held for sale	2,338	–
Bank interest income	1,472	1,862
Rental income	10	–
Rental income from investment properties under operating leases, net of outgoings of HK\$537,000	–	4,872
	3,820	6,734

8. FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000
Bank borrowings	7,311	6,866
Interest on lease liabilities	126	–
	7,437	6,866

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

9. IMPAIRMENT LOSS RECOGNISED ON FINANCIAL ASSETS, NET OF REVERSAL

	2020 HK\$'000	2019 HK\$'000
Impairment loss recognised on:		
Trade and bills receivables	1,318	208

10. 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 assets 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)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

2020

	Executive directors			Independent non-executive directors				Total HK\$'000
	Martin Tung Hau Man HK\$'000	Raymond Tung Wai Man HK\$'000	Billy Tung Chung Man HK\$'000	Tony Chang Chung Kay HK\$'000	Robert Yau Ming Kim HK\$'000	Leslie Chang Shuk Chien HK\$'000	Kenneth Yuen Ki Lok HK\$'000	
Fees	-	-	-	170	170	170	110	620
Other emoluments:								
Salaries and other benefits	2,275	2,210	1,430	-	-	-	-	5,915
Contributions to retirement benefit schemes	36	36	18	-	-	-	-	90
Total emoluments	2,311	2,246	1,448	170	170	170	110	6,625

2019

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

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

Notes:

- (a) The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.
- (b) The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.
- (c) Mr. Kenneth Yuen Ki Lok has been appointed as independent non-executive director of the Company with effect from 26 July 2018.

No directors waived any emoluments in both years.

12. FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2019: three) were directors of the Company whose emoluments are included in the disclosures in note 11 above. The emoluments of the remaining two (2019: two) individuals were as follows:

	2020 HK\$'000	2019 HK\$'000
Salaries and other benefits	2,363	5,858
Contributions to retirement benefits schemes	32	20
	2,395	5,878

The emoluments were within the following bands:

	Number of employee	
	2020	2019
HK\$1,000,001 to HK\$1,500,000	2	1
HK\$4,000,001 to HK\$5,000,000	–	1

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

13. 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 (<i>note 21</i>)	(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%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

13. INCOME TAX EXPENSES (Continued)

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

	2020 HK\$'000	2019 HK\$'000
Loss before tax	(84,093)	(91,774)
Tax at the Hong Kong Profits Tax rate of 16.5%	(13,875)	(15,143)
Tax effect of expenses not deductible for tax purpose	12,912	16,245
Tax effect of income not taxable for tax purpose	(9,614)	(9,542)
Tax effect of tax losses not recognised	16,894	15,008
PRC LAT	–	823
Utilisation of tax losses previously not recognised	(4,052)	(1,988)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(2,013)	(2,574)
Under provision in prior year	–	376
Income tax expenses	252	3,205

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

14. 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.

15. LOSS PER SHARE

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

	2020 HK\$'000	2019 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK\$'000	Buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery, furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST						
At 1 April 2018	4,508	126,899	69,368	163,997	3,704	368,476
Exchange adjustments	(74)	(3,490)	(3,498)	(4,900)	(126)	(12,088)
Additions	-	-	5,322	2,802	2,962	11,086
Disposals/write-off	-	-	(11,418)	(10,211)	(259)	(21,888)
Disposal of subsidiaries (note 33)	-	-	(3,651)	(3,374)	(556)	(7,581)
Transfer to assets classified as held for sale (note 26)	(4,434)	(14,803)	(213)	-	-	(19,450)
At 31 March 2019	-	108,606	55,910	148,314	5,725	318,555
Exchange adjustments	-	(2,961)	(2,665)	(3,490)	(70)	(9,186)
Additions	-	-	3,423	4,213	1,004	8,640
Disposals/write-off	-	-	(5,451)	(37,612)	(1,380)	(44,443)
Transfer to assets classified as held for sale (note 26)	-	(64,297)	(6,559)	(1,209)	-	(72,065)
At 31 March 2020	-	41,348	44,658	110,216	5,279	201,501
DEPRECIATION AND IMPAIRMENT						
At 1 April 2018	-	60,595	56,167	150,047	2,653	269,462
Exchange adjustments	-	(546)	(2,728)	(3,941)	(101)	(7,316)
Provided for the year	-	3,279	9,193	3,730	458	16,660
Eliminated on disposals/write-off	-	-	(10,456)	(9,227)	(232)	(19,915)
Eliminated on disposal of subsidiaries (note 33)	-	-	(2,671)	(2,761)	(362)	(5,794)
Transfer to assets classified as held for sale (note 26)	-	(11,164)	(193)	-	-	(11,357)
At 31 March 2019	-	52,164	49,312	137,848	2,416	241,740
Exchange adjustments	-	(434)	(2,040)	(2,811)	(51)	(5,336)
Provided for the year	-	3,582	4,672	2,856	952	12,062
Eliminated on disposals/write-off	-	-	(5,378)	(34,673)	(1,208)	(41,259)
Impairment loss recognised in profit or loss	-	-	1,742	4,370	-	6,112
Transfer to assets classified as held for sale (note 26)	-	(28,790)	(5,757)	(1,107)	-	(35,654)
At 31 March 2020	-	26,522	42,551	106,483	2,109	177,665
CARRYING VALUES						
At 31 March 2020	-	14,826	2,107	3,733	3,170	23,836
At 31 March 2019	-	56,442	6,598	10,466	3,309	76,815

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 March 2020, the Group has pledged buildings having a carrying value of HK\$4,068,000 (2019: HK\$5,149,000) to secure general banking facilities granted to the Group.

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

Freehold land	Nil
Buildings	4% or over the terms of the lease
Leasehold improvements	Over the shorter of the terms of the lease, or five years
Plant and machinery, furniture, fixtures and equipment	12.5% – 33.3%
Motor vehicles	12.5% – 20%

Due to the outbreak of the coronavirus disease 2019 (“COVID-19”) epidemic in January 2020 and the related precautionary and control measures taken place, the resumption of production of the factory was delayed after the Chinese New Year. The Group has carried out an impairment assessment of the property, plant and equipment and right-of-use assets of the factory. As a result, the carrying amount of the leasehold improvements and plant and machinery, furniture and fixtures and equipment of factory has been written down to its recoverable amount and the Group recognised an impairment loss of HK\$188,000 and HK\$2,950,000, respectively in general and administrative expenses.

As certain retail stores in the PRC did not perform as expected, the management of the Group concluded there was an indication for impairment and conducted impairment assessment on recoverable amounts of leasehold improvements, plant and machinery, furniture and fixtures and equipment and right-of-use assets of relevant shops. The Group regards each individual retail store as a separately identifiable cash-generating unit and carried out impairment assessment for the retail stores which have indicator of impairment. As a result, impairment loss of HK\$1,554,000 and HK\$1,420,000 against leasehold improvements and plant and machinery, furniture and fixtures and equipment, respectively, which were recognised in administrative expenses of the Group. The estimates of the recoverable amounts were based on value-in-use calculations using discounted cash flow projections based on the sales forecast. Since the recoverable amounts of right-of-use assets are higher than the carrying amounts, no impairment was provided.

17. RIGHT-OF-USE ASSETS

	Leasehold land <i>HK\$'000</i>	Leased properties <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST			
At 31 March 2019	–	–	–
Impact on initial application of HKFRS 16	35,074	–	35,074
At 1 April 2019	35,074	–	35,074
Exchange adjustments	(778)	(76)	(854)
Additions	–	7,263	7,263
Transfer to assets classified as held for sale (<i>note 26</i>)	(24,316)	–	(24,316)
At 31 March 2020	9,980	7,187	17,167
ACCUMULATED DEPRECIATION			
At 31 March 2019	–	–	–
Impact on initial application of HKFRS16	11,938	–	11,938
At 1 April 2019	11,938	–	11,938
Exchange adjustments	(115)	(17)	(132)
Provided for the year	654	950	1,604
Transfer to assets classified as held for sale (<i>note 26</i>)	(9,464)	–	(9,464)
At 31 March 2020	3,013	933	3,946
CARRYING VALUES			
At 31 March 2020	6,967	6,254	13,221

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

17. RIGHT-OF-USE ASSETS (Continued)

For both years, the Group leases various retail stores, offices and warehouses. Lease contracts are entered into the following ranges of fixed terms:

Retail stores, offices and warehouses 2 – 3.5 years

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. The remaining right-of-use assets are depreciated on a straight-line basis over the terms of the leases.

The short-term lease expense not included in the measurement of lease liabilities incurred during the year were HK\$2,634,000.

The total cash outflow for leases is HK\$3,553,000.

The lease agreements do not impose any extension or termination options which are exercisable only by the Group and not by the respective lessors.

As at 31 March 2020, the Group does not provide residual value guarantees in relation to leases arrangements. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

As at 31 March 2020, the Group has no leases that are committed but not yet commenced. The maturity of lease liabilities is presented in note 29.

18. PREPAID LEASE PAYMENTS

2019
HK\$'000

Analysed for reporting purposes as:

Non-current assets	22,339
Current assets	797
	<hr/>
	23,136

19. INTANGIBLE ASSET

Trademark
HK\$'000

COST	
At 1 April 2018, 31 March 2019 and 31 March 2020	774
AMORTISATION	
At 1 April 2018, 31 March 2019 and 31 March 2020	774
CARRYING VALUES	
At 31 March 2020	–
At 31 March 2019	–

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

20. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

General information of subsidiaries

Particulars of the Company's principal subsidiaries at 31 March 2020 and 2019 are as follows:

Name of subsidiary	Place of incorporation/ registration and operation	Paid up issued share capital/ common stock/registered capital		Proportion of ownership interest held by the Company				Principal Activities
		2020	2019	Directly		Indirectly		
				2020 %	2019 %	2020 %	2019 %	
Modern Wealth Development Limited [#]	Hong Kong	Ordinary shares HK\$1	Ordinary shares HK\$1	-	100	-	-	Investment holding
Sing Yang (Overseas) Limited	Hong Kong	Ordinary shares HK\$97,450,000	Ordinary shares HK\$97,450,000	100	100	-	-	Property investment
Tungtex International Limited	Hong Kong	Ordinary shares HK\$20,000,000	Ordinary shares HK\$20,000,000	-	-	100	100	Garment trading
Tungtex Trading Company Limited	Hong Kong	Ordinary shares HK\$6,000,000	Ordinary shares HK\$6,000,000	100	100	-	-	Garment trading
中山同得仕絲綢服裝有限公司	PRC	Registered and paid up capital HK\$38,800,000	Registered and paid up capital HK\$38,800,000	-	-	100	100	Garment manufacture
深圳百多爾時裝有限公司	PRC	Registered and paid up capital RMB152,000,000	Registered and paid up capital RMB152,000,000	-	-	100	100	Garment retail
東莞同得仕時裝有限公司	PRC	Registered capital RMB73,000,000/ paid up capital RMB65,300,000	Registered and paid up capital RMB65,000,000	-	-	100	100	Garment manufacture
寧波雲圖時裝有限公司	PRC	Registered capital RMB3,000,000/ paid up capital nil	Registered capital RMB1,000,000/ paid up capital nil	-	-	100	100	Garment retail
Tungtex Fashions (Vietnam) Limited	Vietnam	Registered capital and paid up capital US\$3,200,000	Registered capital and paid up capital US\$3,200,000	-	-	100	100	Garment manufacture

[#] The Company was disposed during the year.

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

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

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21. DEFERRED TAXATION

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

	Accelerated tax depreciation <i>HK\$'000</i>	Fair value change in relation to properties <i>HK\$'000</i> <i>(Note)</i>	Total <i>HK\$'000</i>
At 1 April 2018	(1,499)	(5,270)	(6,769)
Credit (charge) to profit or loss	214	(2,369)	(2,155)
Exchange adjustments	–	291	291
Disposal of a property	–	640	640
Disposal of subsidiaries (<i>note 33</i>)	–	6,708	6,708
At 31 March 2019	(1,285)	–	(1,285)
Credit to profit or loss	114	–	114
At 31 March 2020	(1,171)	–	(1,171)

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

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Deferred tax assets	59	61
Deferred tax liabilities	(1,230)	(1,346)
	(1,171)	(1,285)

At 31 March 2020, the Group has unused tax losses of approximately HK\$526 million (2019: HK\$529 million) available for offset against future profits. No deferred tax asset has been recognised in respect of the HK\$526 million (2019: HK\$529 million) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK\$214 million (2019: HK\$231 million) that can be carried forward for one to five years and losses of approximately HK\$141 million (2019: HK\$137 million) that can be carried forward up to twenty years. Unrecognised tax losses of HK\$57 million (2019: HK\$46 million) expired during the year. Other unrecognised tax losses may be carried forward indefinitely.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards.

Deferred taxation has not been provided for in the consolidated financial statements in respect of the temporary differences attributable to accumulated profits of the PRC subsidiary amounting to RMB1,915,000 (equivalent to HK\$2,096,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

22. INVENTORIES

	2020 HK\$'000	2019 HK\$'000
Raw materials	21,081	39,241
Work in progress	14,686	16,217
Finished goods	58,739	77,462
	94,506	132,920

23. TRADE AND OTHER RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Trade and bills receivables	73,146	94,521
Less: Allowance for credit losses	(1,870)	(552)
	71,276	93,969
Deposits, prepayments and other receivables	18,535	31,020
Total trade and other receivables	89,811	124,989

As at 31 March 2020, total bills received amounting to HK\$17,171,000 (2019: HK\$16,961,000) are held by the Group for future settlement of trade receivables. The Group continues to recognise their full carrying amounts at the end of the reporting period and details are disclosed in note 40. All bills received by the Group are with a maturity period of less than six months.

Details of impairment assessment of trade and other receivables for the year ended 31 March 2020 and 2019 are set out in note 40.

Other than cash and credit card sales for retail transactions, the Group normally grants a credit period ranging from 30 days to 90 days to its trade customers. 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 HK\$'000	2019 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

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23. TRADE AND OTHER RECEIVABLES (Continued)

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

As at 31 March 2020, included in the Group's trade and bills receivables balance are debtors with aggregate carrying amount of HK\$20,901,000 (2019: HK\$16,791,000) which are past due as at the reporting date. Out of the past due balances, HK\$2,051,000 (2019: HK\$2,255,000) has been past due 90 days or more and is not considered as in default as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

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

	2020 HK\$'000	2019 HK\$'000
HK\$	567	–
EURO ("EUR")	418	524
USD	2,617	407
	3,602	931

24. FINANCIAL ASSETS AT FVTPL

	2020 HK\$'000	2019 HK\$'000
Equity securities listed in Hong Kong	–*	7,628

* The equity securities listed in Hong Kong were fully held by one subsidiary, which was disposed in the current year.

25. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

During the year ended 31 March 2020, the bank deposits carry interest at market rates ranging from 0.0001% to 2.13% (2019: 0.0001% to 2.13%) per annum.

Pledged bank deposits are pledged to secure the bank borrowings and general banking facilities, which carry interest at market rates ranging from 0.0001% to 2.13% (2019: 0.0001% to 2.13%) per annum.

For the year ended 31 March 2020 and 2019, the Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided. Details of impairment assessment of bank balances for the year ended 31 March 2020 and 2019 are set out in note 40.

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

	2020 HK\$'000	2019 HK\$'000
HK\$	77,417	85,090
RMB	5,087	1,463
EUR	501	2,577
USD	1,119	6,009
	84,124	95,139

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For the year ended 31 March 2020

26. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

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

	2020 HK\$'000	2019 HK\$'000
Amount comprises:		
Property, plant and equipment (<i>note iii & i</i>)	36,411	8,093
Right-of-use assets (<i>note iii</i>)	8,878	–
Assets related to the Disposal Company (<i>note ii</i>)	6,166	–
Total assets classified as held for sale	51,455	8,093
Liabilities associated with the Disposal Company (<i>note ii</i>)	72	–

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

Note ii: 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 (the “Disposal Company”), which is an investment holding company. Therefore, the assets and liabilities attributable to the Disposal Company, which are expected to be sold within twelve months from the end of reporting period, have been classified as assets held for sale and liabilities associated with assets classified as held for sale respectively, and are presented separately in the consolidated statement of financial position.

The assets and liabilities of the Disposal Company at the end of the reporting period are as follows:

	2020 HK\$'000
Bank balances	192
Right-of-use assets	5,974
Total assets classified as held for sale	6,166
Other payables	72
Total liabilities classified as held for sale	72

For details, please refer to the announcement of the Company dated 2 April 2020.

Note iii: On 29 November 2019, a wholly owned subsidiary of the Company has entered into an agreement with an independent third party in relation to disposal of property located at Dongguan at consideration of RMB70,500,000 (equivalent to approximately HK\$78,255,000). The disposal has not yet completed.

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For the year ended 31 March 2020

27. TRADE AND OTHER PAYABLES

	2020 HK\$'000	2019 HK\$'000
Trade and bills payables	48,278	74,366
Other payables, accrued charges and receipt in advance	30,152	45,877
	78,430	120,243

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 HK\$'000	2019 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

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

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

	2020 HK\$'000	2019 HK\$'000
HK\$	5,253	15,998
USD	–	174
	5,253	16,172

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For the year ended 31 March 2020

28. CONTRACT LIABILITIES

	2020 HK\$'000	2019 HK\$'000
Manufacturing and retail sales of garment products	11,607	8,969

As at 1 April 2018, contract liabilities amounted to HK\$31,117,000.

For manufacturing and retail sales of garment products, the contract liabilities recorded at the beginning of the year HK\$8,315,000 (2019: HK\$31,117,000) had been recognised as revenue during the year. The management believed that the remaining will be recognised as revenue approximately within two years from 31 March 2020.

29. LEASE LIABILITIES

Lease liabilities payables	2020 HK\$'000
Within one year	2,501
In more than one year but not exceeding two years	2,247
In more than two years but not exceeding five years	1,587
	6,335
Less: Amount due for settlement with 12 months shown under current liabilities	(2,501)
Amount due for settlement after 12 months shown under non-current liabilities	3,834

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30. BANK BORROWINGS

	2020 HK\$'000	2019 HK\$'000
Floating-rate borrowings:		
Bank loans	44,574	37,077
Trust receipts loans	19,128	12,591
Import trade loans	86,486	93,884
	150,188	143,552
Secured	143,966	129,871
Unsecured	6,222	13,681
	150,188	143,552
The carrying amounts of the above borrowings are repayable:		
Within one year	144,388	135,552
In more than one year but not exceeding two years	2,400	2,400
In more than two years but not exceeding five years	3,400	5,600
	150,188	143,552
Less:		
Amounts secured, due within one year, shown under current liabilities without repayment on demand clause	(2,400)	(2,400)
Amounts secured, due within one year, shown under current liabilities with repayment on demand clause	(135,766)	(119,471)
Amounts unsecured, due within one year, shown under current liabilities with repayment on demand clause	(6,222)	(13,681)
Amounts secured and without repayment on demand clause shown under non-current liabilities	5,800	8,000

The effective interest rates (which is also equal to contracted interest rate) on the Group's borrowings ranged from 2.30% to 6.18% (2019: 3.21% to 6.18%) per annum.

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

	2020 HK\$'000	2019 HK\$'000
HK\$	76,600	74,772

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For the year ended 31 March 2020

31. 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 (<i>note</i>)	(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 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.

32. TREASURY SHARES

The Company repurchased 500,000 of its ordinary shares on the Stock Exchange at a total consideration of HK\$227,600 before expenses in March 2020. The repurchased shares were subsequently cancelled on 7 May 2020. Repurchased shares that are not subsequently cancelled at the end of the reporting period are classified as treasury shares and presented as a deduction from total equity. When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable cost, is recognised in equity.

33. DISPOSAL OF SUBSIDIARIES

- (i) During the year, the Company entered into a sale and purchase agreement with an independent third party to dispose 100% entire share capital of a direct wholly owned subsidiary, Tung Thai Fashions Limited, with its operation already discontinued in 2016, at a total consideration of Thai Baht 100 (equivalent to approximately HK\$25) ("the Disposal"). The Disposal was completed during the year.

	HK\$'000
Consideration received	– *
Other receivables	495
Bank balances and cash	943
Other payables	(97)
Net assets disposed of	1,341
Loss on disposal of a subsidiary:	
Consideration received	– *
Net assets disposed of	(1,341)
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss on disposal of a subsidiary	(13,527)
Transaction costs	(79)
Loss on disposal of a subsidiary	(14,947)
Net cash outflow arising from disposal, net of transaction costs	(79)
Less: bank balances and cash disposed of:	(943)
	(1,022)

* Less than HK\$1,000

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33. DISPOSAL OF SUBSIDIARIES (Continued)

- (ii) On 10 March 2020, the Company entered into a sale and purchase agreement with an independent third party to dispose 100% entire share capital of a direct wholly owned subsidiary, Modern Wealth Development Limited, at a total consideration of HK\$2,443,000 ("the Disposal"). The loss on disposal of a subsidiary was HK\$1,882,000. The net cash inflow arising from disposal, net of transaction costs and bank balances and cash disposed of is HK\$1,919,000.
- (iii) On 30 January 2019, the Company entered into a sale and purchase agreement with independent third parties to dispose 100% entire share capital of a direct wholly owned subsidiary, Cheergain Limited and its subsidiaries, Winnertex Fashions Limited and 同得仕(杭州)時裝有限公司 at a total consideration of HK\$52,417,000 ("the Disposal"). The Disposal was completed on 22 February 2019.

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

34. OPERATING LEASES

The Group as lessee

For the year ended 31 March 2019, the Group made minimum lease payments under operating leases of HK\$7,805,000 in respect of rented premises.

At 31 March 2019, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises, which fall due as follows:

	2019 <i>HK\$'000</i>
Within one year	1,605

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35. PLEDGE OF ASSETS

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

	2020 HK\$'000	2019 HK\$'000
Right-of-use assets/prepaid lease payments	8,607	8,991
Buildings	4,068	5,149
Pledged bank deposits	116,704	116,704

36. RETIREMENT BENEFIT SCHEMES

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

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

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

The total cost charged to profit or loss of HK\$15,610,000 (2019: HK\$24,474,000) represents contributions paid and payable to these schemes by the Group for the year ended 31 March 2020.

37. RELATED PARTY DISCLOSURES

Compensation of key management personnel

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

	2020 HK\$'000	2019 HK\$'000
Short-term benefits	5,915	6,226
Post-employment benefits (note)	90	93
	6,005	6,319

Note: The amount represents contributions to retirement benefit schemes and has been included in the amount disclosed in notes 11 and 36.

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

38. LITIGATION

In December 2010, the administratrix of the estate of Peter Mui (who was a 49% shareholder of Yellow River, Inc. ("Yellow River"), a 51% subsidiary of the Company) (the "Administratrix") filed a Verified Petition (the "Petition") against Tungtex (U.S.A.) Inc. ("Tungtex US"), a wholly-owned subsidiary of the Company and the 51% shareholder of Yellow River, and Yellow River in the Surrogate's Court of the State of New York, County of New York (the "Court") alleging Tungtex US was engaged in oppressive conduct as a majority shareholder of Yellow River and (a) seeking the dissolution of Yellow River and the appointment of receiver to oversee the dissolution; (b) requiring Tungtex US to turnover to the estate of Peter Mui 49% of the value of Yellow River; (c) requiring Tungtex US to account for sums received from Yellow River since 1 April 2009; (d) requiring Tungtex US to turnover to Yellow River funds improperly looted and diverted by it; and (e) seeking the grant of such other and further relief as the Court may deem just and proper. By the verified answers and counterclaims filed, Tungtex US and Yellow River both denied the allegations made by, and asserted counterclaims for damages against, the Administratrix. The Administratrix moved for summary judgement granting its claim for a judicial dissolution and dismissing the counterclaims. Tungtex US and Yellow River opposed the motion and cross-moved for summary judgement dismissing the Petition. By Decision and Order dated 8 November 2017, the Court denied the Administratrix's motion for summary judgement and cross-motions of Tungtex US and Yellow River for summary judgement, denied the Administratrix's motion to dismiss counterclaims of Yellow River except for the counterclaim for an accounting, and granted the Administratrix's motion to dismiss counterclaims of Tungtex US, holding that

Tungtex US does not have an independent basis to assert the counterclaims, which allege damage to Yellow River and also were asserted by Yellow River. The Administratrix did not appeal from the decision, and its time to do so has expired.

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

39. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of bank borrowings disclosed in note 30, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, various reserves and retained profits.

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

40. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2020 HK\$'000	2019 HK\$'000
Financial assets		
Fair value through profit or loss (FVTPL)	–	7,628
Financial assets at amortised cost	306,247	347,129
	306,247	354,757
Financial liabilities		
Amortised cost	219,507	253,852
Lease liabilities	6,335	–

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40. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies

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

Market risk

(i) Currency risk

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

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

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

	Liabilities		Assets	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
HK\$	81,853	90,770	77,984	85,090
RMB	49	37	5,087	1,463
EUR	2	2	919	3,101
USD	–	174	3,736	6,416

Sensitivity analysis

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

The following table details the sensitivity of the Group to a 5% increase and decrease in USD against RMB and EUR. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably

possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. On this basis, there will be an increase in post-tax loss (2019: increase in post-tax loss) for the year where USD strengthens against EUR by 5%, and vice versa; an increase in post-tax loss (2019: increase in post-tax loss) for the year where USD strengthens against RMB by 5%, and vice versa.

	RMB impact		EUR impact	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Increase in post-tax loss	(210)	(60)	(38)	(129)

40. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(ii) Interest rate risk

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

The Group is mainly exposed to cash flow interest rate risk in relation to floating-rate bank balances and bank borrowings as at 31 March 2020 and 2019. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

For the year ended 31 March 2020 and 2019, the Group's exposure to interest rate risk on financial liabilities is detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rate arising from the Group's floating rate bank borrowings.

Sensitivity analysis

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

The analysis is prepared assuming the outstanding amount at the end of the reporting period was outstanding for the whole year. For the year ended 31 March 2020 and 2019, 50 basis points increase or decrease for bank borrowings and bank balances is used, when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates for bank borrowings and bank balances.

If interest rates had been higher/lower as indicated above, and all other variables were held constant, the Group's post-tax loss for the year would decrease/increase by approximately HK\$137,000 (2019: post-tax loss for the year would increase/decrease by approximately HK\$33,000).

(iii) Equity price risk

The Group is exposed to equity price risk through its investment in equity securities measured at FVTPL for the year end 31 March 2019. The Group's equity price risk is concentrated on equity instruments quoted on the Stock Exchange. The management manages the exposure to price risk by maintaining a portfolio of investments with different risk and return profiles. As the equity securities listed in Hong Kong were fully held by one subsidiary, which was disposed in the current year. No equity price risk was noted as at 31 March 2020.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at 31 March 2019. For sensitivity analysis purpose, the sensitivity rate at 10% is applied as a result of the volatile financial market.

If the price of the respective financial assets at FVTPL had been 10% lower, the Group's loss after taxation would increase by HK\$637,000 for the year ended 31 March 2019.

Credit risk and impairment assessment

As at 31 March 2020 and 2019, the Group's maximum exposure to credit risk which will cause a financial loss due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the recognised financial assets as stated in the consolidated statement of financial position.

Trade and bills receivables arising from contracts with customers

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

40. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

Other receivables

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

Bank balances and pledged bank deposits

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

Significant concentration of credit risk

The Group's concentration of credit risk on trade and bills receivables by geographical locations is mainly in the North America which accounted for 58% (2019: 49%) of the total trade and bills receivables balance at 31 March 2020. The Group also has concentration of credit risk on its five largest customers which represent 44% (2019: 45%) of the total trade and bills receivables balance and of which the largest customer represents 19% (2019: 13%) of the total trade and bills receivables balance. For both years, the five largest customers, which are engaged in garment retailing and e-commerce platform and are mainly located in the North America and the PRC, have good repayment history and credit quality with reference to the track records of these customers under internal assessment by the Group.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

40. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

Significant concentration of credit risk (Continued)

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

	Notes	Internal credit rating	12-month or Lifetime ECL	Gross carrying amount	
				2020 HK\$'000	2019 HK\$'000
Trade and bills receivables	23	(Note)	Lifetime ECL – not credit-impaired and assessed individually	71,858	94,521
			Lifetime ECL – credit-impaired and assessed individually	1,288	–
Other receivables	23	Low risk	12-month ECL – not credit impaired and assessed individually	18,535	31,020
Pledged bank deposits	25	Low risk	12-month ECL – not credit impaired and assessed individually	116,704	116,704
Bank balances	25	Low risk	12-month ECL – not credit impaired and assessed individually	113,563	124,870

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

During the year ended 31 March 2020, approximately HK\$1,318,000 (2019: HK\$208,000) net impairment loss allowance related to trade and bills receivables and approximately HK\$537,000 (2019: Nil) reversal of impairment loss allowance related to trade and bills receivables that are not credit-impaired was recognised in profit or loss, respectively.

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

	Lifetime ECL (not credit-impaired) HK\$'000	Lifetime ECL (credit-impaired) HK\$'000	Total HK\$'000
At 1 April 2018	344	–	344
Impairment loss recognised	208	–	208
At 31 March 2019	552	–	552
Changes due to trade and bills receivables recognised at 1 April 2019:			
Transfer to credit-impaired	(6)	6	–
Impairment loss recognised	22	993	1,015
Impairment loss reversed	(537)	–	(537)
New trade and bills receivables originated	551	289	840
At 31 March 2020	582	1,288	1,870

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

40. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk

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

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

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

2020

	Weighted average interest rate %	On demand or less than 1 month HK\$'000	1 – 3 months HK\$'000	3 months to 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31 March 2020 HK\$'000
Non-derivative financial liabilities							
Trade and other payables	–	69,132	93	94	–	69,319	69,319
Bank borrowings (note) – floating-rate	4.33	142,188	404	1,864	6,007	150,463	150,188
		211,320	497	1,958	6,007	219,782	219,507
Lease liabilities	5.11	226	456	2,077	4,003	6,762	6,335

40. FINANCIAL INSTRUMENTS (Continued)
(b) Financial risk management objectives and policies (Continued)
Liquidity risk (Continued)

2019

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

Note:

Bank borrowings with a repayment on demand clause are included in the “on demand” time band in the above maturity analysis. As at 31 March 2020, the aggregate principal amounts of these bank loans amounted to HK\$141,988,000 (2019: HK\$133,152,000). Taking into account the Group’s financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that the bank loans will be repaid within one year after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements. The aggregate principal and interest cash outflows of bank borrowings with a repayment on demand clause are amounted to HK\$143,645,000 (2019: HK\$134,896,000).

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

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

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

Financial assets	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)
	31 March 2020 HK'000	31 March 2019 HK'000		
Listed equity securities	–	7,628	Level 1	Quoted prices in an active market

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

41. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Lease liabilities <i>HK\$'000</i>	Bank borrowings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2018	–	145,932	145,932
Financing cash flows	–	1,449	1,449
Exchange adjustments	–	(3,829)	(3,829)
At 31 March 2019	–	143,552	143,552
Financing cash flows	(919)	10,122	9,203
New lease entered	7,188	–	7,188
Interest expenses	126	–	126
Exchange adjustments	(60)	(3,486)	(3,546)
At 31 March 2020	6,335	150,188	156,523

42. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

43. STATEMENT OF FINANCIAL POSITION

Note	2020 HK\$'000	2019 HK\$'000
Non-current assets		
Property, plant and equipment	111	261
Investments in subsidiaries	82,053	82,053
Deferred tax assets	48	40
	82,212	82,354
Current assets		
Deposits and other receivables	783	751
Amounts due from subsidiaries	219,570	254,488
Bank balances and cash	49,563	37,485
	269,916	292,724
Current liabilities		
Other payables and accruals	3,433	7,622
Amounts due to subsidiaries	64,791	64,788
Bank borrowings	20,000	15,000
	88,224	87,410
Net current assets	181,692	205,314
Total assets less current liabilities	263,904	287,668
Capital and reserves		
Share capital	254,112	254,112
Treasury shares	(230)	—
Retained profits (a)	10,022	33,556
	263,904	287,668

Approved and authorised for issue by the Board of Directors on 29 June 2020 and are signed on its behalf by:

Martin Tung Hau Man
DIRECTOR

Raymond Tung Wai Man
DIRECTOR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

43. STATEMENT OF FINANCIAL POSITION (Continued)

Note:

(a) The retained profits of the Company at 31 March 2020 and 2019 are as follows:

	Retained profits <i>HK\$'000</i>
At 1 April 2018	41,129
Loss and total comprehensive expense for the year	(2,468)
Dividend recognised as distribution	(5,105)
At 31 March 2019	33,556
Loss and total comprehensive expense for the year	(16,808)
Shares repurchased and cancelled	(6,726)
At 31 March 2020	10,022

FINANCIAL SUMMARY

For the year ended 31 March

	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
RESULTS					
Revenue	1,047,486	970,969	998,070	965,928	708,994
Loss before tax	(65,528)	(119,695)	(42,347)	(91,774)	(84,093)
Loss for the year attributable to owners of the Company	(65,451)	(119,638)	(46,546)	(94,086)	(83,606)
	<i>HK cents</i>				
Loss per share – Basic	(15.5)	(28.3)	(10.0)	(20.3)	(18.1)

As at 31 March

	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
ASSETS AND LIABILITIES					
Total assets	837,242	757,571	800,197	619,902	503,538
Total liabilities	(276,729)	(290,563)	(332,212)	(274,219)	(248,014)
	560,513	467,008	467,985	345,683	255,524
Equity attributable to owners of the Company	565,797	473,111	476,262	354,853	265,433
Non-controlling interests	(5,284)	(6,103)	(8,277)	(9,170)	(9,909)
	560,513	467,008	467,985	345,683	255,524

A woman with long, wavy brown hair is the central focus. She wears a wide-brimmed, light-colored hat and a double-breasted blazer with a fine houndstooth pattern in shades of brown and beige. Underneath, a white lace-trimmed top is visible. She is looking upwards and to the left with a serene expression. The background features a white building with a balcony and classical architectural details, and some greenery. The lighting is warm and directional, suggesting late afternoon or early morning. The text 'MEDITERRANEAN ART' is overlaid in white, bold, sans-serif font across the middle of the image.

MEDITERRANEAN ART



Inspired by "Midnight Barcelona", a Mediterranean art-inspired building, the manor's environment and climate are refreshing, the most attractive is the unique temperament exuded by the hostess into the art manor, her dress, the combination of patterns and the manor, is the individual shots in the movie, natural and elegant.

灵感来源于《午夜巴塞罗那》，地中海艺术气息的建筑，庄园的环境和气候让人心旷神怡，最吸引人的是女主融入艺术庄园散发出来的独特气质，她的穿搭，花型跟庄园的结合，就是电影里一个个的镜头，自然、优雅。

betu



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