TUNGTEX

Tungtex (Holdings) Company Limited 同得仕（集團）有限公司

Stock Code 股份代號：00518

2021

ANNUAL REPORT

年報

Contents

CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

Tony Chang Chung Kay
Robert Yau Ming Kim
Kenneth Yuen Ki Lok
Wilson Yu Wing Sang

AUDIT COMMITTEE

Kenneth Yuen Ki Lok *(Chairman)*
Tony Chang Chung Kay
Robert Yau Ming Kim

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Dickson Chu Pui Ki

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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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

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STOCK CODE

00518

WEBSITE

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On behalf of the board of directors (the "Board") of Tungtex (Holdings) Company Limited (the "Company"), I am pleased to present the results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2021 (the "Year").

Looking back on the Year, the coronavirus disease 2019 ("COVID-19") pandemic (the "Pandemic") was likely the most challenging crisis both in scope and magnitude the Group has ever experienced in its history which posed daunting risk and pressure in operation. Besides the rising death tolls and the collapse in global economic activity, the Pandemic has since created unprecedented situational and behavioural unpredictability. While China was stepping into its recovery miracle, resurgences in certain parts of the world and the US caused further lockdowns and business disruptions periodically throughout the Year, resulting in ensuing turmoil to the apparel and fashion industry and ushering in a wave of bankruptcies of well-known brand and retailers. Operating against the unfavourable backdrop, the Group's revenue saw significant reduction of 35.1% year-on-year to HK$460.4 million, primarily attributable to the dampened demand from our major customers in the North America market and the Group's stringent trade credit control policy.

Retail market has been undergoing massive structural changes in the recent decade alongside geopolitical and macroeconomic headwinds in play which accounted for the ever-changing customer preferences and behaviour. The Group responded and focused on internal adjustments to rationalise and consolidate its manufacturing and retailing capabilities in the context of a rapidly changing environment. These collective initiatives incurred employee compensation expenses in the past but resulted in long term cost savings, reduced complexity and thereby improved adaptability and flexibility to allow the Group to respond quickly to this global crisis.

In the second quarter of 2020, while the Pandemic was wrecking the western world, China and some of the Association of Southeast Asian Nations ("ASEAN") regions including Vietnam were gradually regaining control of the Pandemic. The Group acted with agility to cautiously resume operations and manufacturing facilities, re-map supply chain, adjust production capacity and shifted market focus to the domestic consumption in Mainland China.

The Group demonstrated great resilience to forge ahead and seized the opportunities arising from the easing of social restrictions and economic rebound in China to recoup the lost revenue due to the lockdown or disrupted operation. Despite the rising competitive intensity, the Group's sales to China market saw signs of recovery in the second half of the Year and marked a double-digit growth of 16.5% over the last corresponding period, in contrast to the contraction of 22.5% in the first half of the Year. On a full year basis, sales to China amounted to HK$258.8 million representing a modest decrease of 4.7% compared to the last corresponding year.

Throughout the Pandemic, the Group took various pre-emptive actions to preserve cash and conservatively managed our liquidity position. The Group also made available capacity under committed revolving credit facility to safeguard against unexpected circumstances. The Group will continue to place a high priority on prudent financial policies and carefully monitor its risk profile to maintain a healthy capital structure.

Following the full integration and amalgamation of our manufacturing facilities in China into the factory premises in Zhongshan, the management made relentless efforts to overcome the disturbances of the Pandemic and completed the disposal of our direct wholly-owned subsidiary which owned the unutilised factory premises in Shenzhen and the disposal of our unutilised factory premises in Dongguan respectively. As a result, total gains on such disposals of HK$309.4 million were recognised and turned the Year into a net profit of HK$255.3 million, as compared to the net loss of HK$84.3 million in the last corresponding year. The proceeds from the disposals ended the Year in a stronger cash flow position to manage through potential difficulties while allowing the Group to strategically reposition itself by investing in important longer-term initiatives.

Albeit the challenging ambience, our commitment of a green solar factory in Vietnam did not falter and represented our forward-looking stride towards renewable resources and energy efficiency to reduce pollution and greenhouse gas emissions, while simultaneously reducing energy costs and increase productivity in the longer run. The balance of economic competitiveness with sustainability initiatives fosters our long-term strategic advantage in low-cost production.

Recognising the long-term support of our shareholders, the Board has recommended the payment of a final dividend for the Year of HK1.5 cents per share (2020: Nil). Taking together with the interim dividend of HK2.2 cents per share and the special dividends of HK23.92 cents per share declared and paid, the annual dividend per share totals HK27.62 cents. Details are set out in the section "Dividend".

The short-term outlook remains highly uncertain and challenging and the apparel and fashion industry is severely competitive. Nevertheless, we believe we will emerge from the Pandemic in a stronger and leaner position. We are confident to leverage on our resources and capabilities to swiftly react to market changes and capture recovery opportunities.

CHAIRMAN'S STATEMENT

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

APPRECIATION

I would like to thank the management and the Board for their arduous efforts to lead the Group through such unprecedented adversities and act decisively to prepare for our future. At the same time, I would like to take this opportunity to express my gratitude and appreciation to our shareholders, business partners and customers for their continued patronage and support to the Group.

Martin Tung Hau Man
Chairman
Hong Kong, 28 June 2021

SUMMARY OF OPERATING RESULTS

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

Despite the reduction in revenue for the Year, the Group recorded a net profit before tax of HK$254.9 million compared to the loss before tax of HK$84.1 million in the last corresponding year. The turnaround was favourably driven by the one-off gains on the completion of disposal of the Group's direct wholly-owned subsidiary which owned the factory premises in Shenzhen (the "SZ Disposal") and disposal of the Group's factory premises in Dongguan (the "DG Disposal") respectively during the Year, thanks to the strenuous effort of the management team since the outbreak of the COVID-19. Consequently, the Group recorded a net profit attributable to the owners of the Company of HK$256.0 million, as compared to the loss of HK$83.6 million in the last corresponding year. The Board has also recommended a final dividend of HK1.5 cents per ordinary share for the Year (2020: Nil).

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

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

BUSINESS REVIEW

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

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

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

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

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

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

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

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

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

SALES TO ASIA

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

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

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

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

SALES TO NORTH AMERICA

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

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

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

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

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

RETAILING BUSINESS

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

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

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

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

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

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

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

DISPOSAL OF A DIRECT WHOLLY-OWNED SUBSIDIARY WHICH OWNED THE FACTORY PREMISES IN SHENZHEN

As announced by the Company on 2 April 2020, the Company (as Vendor) entered into a sale and purchase agreement on 31 March 2020 ("SP Agreement") with Pioneer Fortress Limited (as Purchaser), who and its ultimate beneficial owner are independent third parties, pursuant to which the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire the entire issued share capital of Sing Yang (Overseas) Limited ("SYO"), which is a direct wholly-owned subsidiary of the Company (the "Sale Shares") and such amount as equals the face value of the entire sum of shareholder's loan owing by SYO to the Company as at the completion date (the "Sale Loan"). The consideration for the Sale Shares is approximately HK$172.8 million (being the difference of the total consideration and the face value of the Sale Loan at Completion) and the consideration for the Sale Loan is its face value at Completion, which is approximately HK$131.0 million as at the date of the SP Agreement.

SYO owns an industrial building with the name "同得仕大廈 (Tungtex Building)" located at Shizheng No. 2 Road, Beihuan Road, Futian District, Shenzhen, the PRC (中國深圳福田區北環路市政二號路) with total gross floor area of 11,033 sq.m. erected on a land parcel for industrial use with a site area of approximately 4,319.4 sq.m. ("Shenzhen Building"). The SZ Disposal constitutes a very substantial disposal of the Company and is therefore subject to the notification, announcement, circular and shareholders' approval requirements under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The SZ Disposal was unanimously approved by the shareholders of the Company attended and voted at the extraordinary general meeting of the Company held on 26 August 2020. The SZ Disposal was completed on 2 September 2020. The gross proceeds received by the Company from the SZ Disposal were RMB276.0 million (equivalent to approximately HK$303.8 million translated at the exchange rate of RMB0.9084 to HK$1.00 as agreed by the Company and the Purchaser).

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

DISPOSAL OF THE FACTORY PREMISES IN DONGGUAN

On 29 November 2019, 東莞同得仕時裝有限公司("Dongguan Tungtex"), an indirect wholly-owned subsidiary of the Company in China (as Vendor) entered into a sale and purchase agreement (the "Disposal Agreement") with 東莞市豐泰達科技有限公司 (as Purchaser), who and its ultimate beneficial owner are independent third parties, in relation to the disposal by Dongguan Tungtex to the Purchaser of the industrial land use rights with a total site area of 17,041.96 sq.m. until 31 March 2055 together with the buildings and ancillary facilities located thereon with a total gross floor area of 20,473.03 sq.m. located in 中國廣東省東莞市清溪鎮漁梁圍 村 at an aggregate consideration of RMB70.5 million, subject to the terms of the Disposal Agreement.

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

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

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

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

ACQUISITION OF PROPERTY AFTER THE YEAR

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

PROSPECTS

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

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

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

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

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

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

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

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

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

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

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

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

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

CAPITAL EXPENDITURE

During the Year, the Group incurred HK$2.4 million capital expenditure compared to HK$8.6 million of the last corresponding year. Such capital expenditure mainly represented regular replacement, upgrading and automation of production facilities, and leasehold improvement of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

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

FINANCIAL REVIEW

The Key Performance Indicators ("KPI") judged by the directors to be effective in measuring the development, performance or position of the business of the Group include:

Percentage of consolidated cost of sales

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

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

Selling and distribution costs and administrative expenses

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

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

Selling and distribution costs

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

Advertising and promotion expense was essential for the retail operation and brand building, especially for promoting sales through e-commerce platforms such as Tmall, Jingdong and Vips. The decrease in advertising and promotion expense was attributable to the stringent cost control, online mode of promotion and buying meetings for franchisees and the decrease in retail sales in the Year.

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

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

Administrative expenses

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

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

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

The management continued to carry out an impairment assessment of the property, plant and equipment of the Group. After the comprehensive assessments, no further impairment loss was recognised in the Year, as compared to a total impairment loss of HK$6.1 million recognised in the last corresponding year.

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

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

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

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

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

Operating loss

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

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

Profit (loss) before tax

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

Earnings (loss) per share

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

Inventory turnover days

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

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

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

Trade receivable turnover days

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

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

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

Other receivables

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

Other payables and contract liabilities

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

TREASURY POLICY

The Group continued to adopt prudent policies consistently to hedge exchange rate and interest rate risks associated with our core business. The majority of our export sales are denominated in USD, while incomes from our business in China are denominated in RMB and a tiny portion destined for the European export markets is denominated in EUR. As a substantial portion of the purchases and overheads are denominated in RMB and the EUR exchange rate fluctuation may be significant, the Group entered into forward contracts to hedge the risks as deemed appropriate.

HUMAN RESOURCES

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

Staff costs, including Directors' remunerations, of the Group amounted to HK$134.1 million for the Year (2020: HK$184.7 million). Remuneration of the employees is determined with reference to market terms and the performance, qualification and experience of individual employees. In addition to a basic salary, year-end discretionary bonuses are offered to those staff with outstanding performance to attract and retain eligible employees to contribute to the Group.

LITIGATION

As at 31 March 2021, the Group was involved in a litigation, details of which are set out in note 36 to the consolidated financial statements.

The board of directors (the "Board") and the management of Tungtex (Holdings) Company Limited (the "Company"), together with its subsidiaries (the "Group") strive to attain sound and well-established corporate governance practices, they will continue to exercise leadership, integrity and sound judgement so as to act in the best interests of the Company and its shareholders in a transparent and responsible manner.

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 2021.

A. DIRECTORS

A.1 The Board

The Board is primarily responsible for formulating long-term corporate strategy, to review and monitor the management performance of the Group and to assess the achievement of targets periodically set by the Board. The Board decides on overall Group strategies and monitors of the Group's performance on behalf of the shareholders, while the management of the Company is responsible for the daily management and operations of the Group.

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 2021, the attendance of each director at the Board meetings, the Annual General Meeting (the "2020 AGM") and the Extraordinary General Meeting held on 26 August 2020 (the "2020 EGM") are set out as follows:

Name of director	Attendance at the 2020 AGM	Attendance at the 2020 EGM	Attendance at Board meetings
Mr. Martin Tung Hau Man	1/1	1/1	6/6
Mr. Billy Tung Chung Man	1/1	1/1	6/6
Mr. Raymond Tung Wai Man	1/1	1/1	6/6
Mr. Tony Chang Chung Kay	1/1	1/1	6/6
Mr. Robert Yau Ming Kim	1/1	1/1	6/6
Mr. Kenneth Yuen Ki Lok	1/1	1/1	6/6
Mr. Leslie Chang Shuk Chien (resigned on 1 January 2021)	1/1	1/1	3/5

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, Vice Chairman and Managing Director

The positions of the Chairman, the Vice 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, Mr. Billy Tung Chung Man being the Vice 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 Vice Chairman is responsible for assisting the Chairman in performing the latter's duties and responsibles, also managing matters of workplace diversity and day-to-day operation. The Managing Director is responsible for effective implementation of the overall strategies and initiatives adopted by the Board.

With the support of the Vice Chairman, 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. Billy Tung Chung Man *(Vice Chairman)*
Mr. Raymond Tung Wai Man *(Managing Director)*

Independent non-executive directors:

Mr. Tony Chang Chung Kay
Mr. Robert Yau Ming Kim
Mr. Kenneth Yuen Ki Lok
Mr. Wilson Yu Wing Sang (appointed on 1 April 2021)
Mr. Leslie Chang Shuk Chien (resigned on 1 January 2021)

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 in respect of his independence pursuant to Rule 3.13 of the Listing Rules. All the independent non-executive directors are still considered to be independent. Mr. Leslie Chang Shuk Chien ("Mr. Chang"), an independent non-executive director of the Company, is the 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 ("Mr. Yau"), 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 Board 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 page 24.

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 of the Company. 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 2021. 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 2021 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. Billy Tung Chung Man	✓	✓
Mr. Raymond Tung Wai Man	✓	✓
Independent non-executive directors:		
Mr. Tony Chang Chung Kay	✓	✓
Mr. Robert Yau Ming Kim	✓	✓
Mr. Kenneth Yuen Ki Lok	✓	✓
Mr. Leslie Chang Shuk Chien (resigned on 1 January 2021)	✓	✓

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 Vice Chairman and the Managing Director are 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 independent non-executive directors, namely Mr. Tony Chang Chung Kay, Mr. Robert Yau Ming Kim and Mr. Kenneth Yuen Ki Lok. Mr. Leslie Chang Shuk Chien resigned as a member of Nomination Committee with effect from 1 January 2021.

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;

- 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 2021, the Nomination Committee held two meetings, with attendance record as follows:

Name of member	Number of attendance
Mr. Martin Tung Hau Man *(Chairman)*	2/2
Mr. Tony Chang Chung Kay	2/2
Mr. Robert Yau Ming Kim	2/2
Mr. Kenneth Yuen Ki Lok	2/2
Mr. Leslie Chang Shuk Chien (resigned on 1 January 2021)	1/1

The following is a summary of the work of the Nomination Committee during the year ended 31 March 2021:

- 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 2020 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 and Mr. Tony Chang Chung Kay, independent non-executive director. Mr. Leslie Chang Shuk Chien resigned as member of Remuneration Committee with effect from 1 January 2021.

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 2021, the Remuneration Committee held four meetings, with attendance record as follows:

Name of member	Number of attendance
Mr. Robert Yau Ming Kim *(Chairman)*	4/4
Mr. Martin Tung Hau Man	4/4
Mr. Tony Chang Chung Kay	4/4
Mr. Leslie Chang Shuk Chien (resigned on 1 January 2021)	2/3

The following is a summary of the work of the Remuneration Committee during the year ended 31 March 2021:

– 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 2021.

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 are independent non-executive directors, namely Mr. Kenneth Yuen Ki Lok ("Mr. Kenneth Yuen") (appointed on 1 October 2020), Mr. Tony Chang Chung Kay and Mr. Robert Yau Ming Kim. Mr. Leslie Chang Shuk Chien ("Mr. Leslie Chang") resigned as Chairman of Audit Committee with effect from 1 January 2021. The Committee is chaired by Mr. Leslie Chang before 1 January 2021 and by Mr. Kenneth Yuen after 1 January 2021, who possesses recognised professional qualifications in accounting and extensive experience in audit and accounting. 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 2021, the Audit Committee held three meetings, with attendance record as follows:

Name of member	Number of attendance
Mr. Kenneth Yuen Ki Lok *(Chairman)* (appointed on 1 January 2021)	1/1
Mr. Tony Chang Chung Kay	3/3
Mr. Robert Yau Ming Kim	3/3
Mr. Leslie Chang Shuk Chien *(Chairman)* (resigned on 1 January 2021)	2/3

At the meetings, the Audit Committee has reviewed the audited financial statements for the year ended 31 March 2020 and the interim accounts for six months ended 30 September 2020 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, the effectiveness of the risk management and internal control systems, 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 2021 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. During the year ended 31 March 2021, the Group has complied with all the risk management and internal control code provisions set out in the Code.

The Group regards periodic review of internal control system as a part of the Board's oversight function. The Board is of the view that in light of the size, nature and complexity of the business of the Group, as well as has engaged an external consultant to conduct a review of the effectiveness of the risk management and internal control systems would be sufficient to ensure the effective operation of the Group. The review shall be conducted once every year. During the year, a review has been conducted and the Board considered the internal control system of the Group to be effective and adequate.

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 2021 is set out as follows:

Services rendered	**Fee** *HK$'000*
Audit service	805
Non-audit services	722

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 annual general meeting (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 2020 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 2020 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 2020 AGM and the 2020 EGM.

At the 2021 Annual General Meeting (the "2021 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 2021 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, 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 ("Ms. Li") of VBG Capital Limited, an external service provider, had resigned as the company secretary of the Company with effect from 1 April 2021. Following her resignation, Mr. Dickson Chu Pui Ki of APEC Corporate Services Limited, an external service provider, has been appointed as the company secretary in replacement of Ms. Li with effect from 1 April 2021. The primary contact person at the Company is Ms. Cheung Yiu Shan (Group Chief Financial Officer).

The directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 March 2021.

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 21 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's largest and five largest customers were 14% and 34%, respectively. The aggregate purchases attributable to the Group's largest and five largest suppliers were 7% and 26%, 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 2021 and the financial position of the Group at that date are set out in the consolidated financial statements on pages 31 to 34.

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

1st special dividend of HK1.75 cents per share, an interim dividend of HK2.2 cents per share and 2nd special dividend of HK22.17 cents per share were paid to the shareholders during the year.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 March 2021 represented the retained profits of HK$94,508,000 (2020: HK$10,022,000).

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 87.

PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INVESTMENT PROPERTY

Movements in property, plant and equipment, right-of-use assets and investment property during the year is set out in notes 16 to 18 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 from pages 3 to 4 and from pages 5 to 13 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 38(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 38(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 38(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 38(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 ("ESG Report") of the Company.

The ESG Report of the Company prepared in accordance with Appendix 27 to the Listing Rules will be published within three months after the publication of this annual 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 ESG Report of the Company.

An account of the Company's relationships with employees is included in the Management Discussion and Analysis from pages 5 to 13 of this Annual Report and ESG Report of the Company respectively.

SHARE CAPITAL

Details of movements in the Company's share capital for the year ended 31 March 2021 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 2021, 500,000 repurchased shares in March 2020 were cancelled in May 2020.

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 2021.

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:

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

Independent non-executive directors:

Mr. Tony Chang Chung Kay
Mr. Robert Yau Ming Kim
Mr. Kenneth Yuen Ki Lok
Mr. Wilson Yu Wing Sang (appointed on 1 April 2021)
Mr. Leslie Chang Shuk Chien (resigned on 1 January 2021)

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 of Hong Kong Limited (the "Stock Exchange") may from time to time prescribe. Accordingly, Messrs. Billy Tung Chung Man and Robert Yau Ming Kim shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election thereat.

In accordance with Article 83 of the Company's Articles of Association, Mr. Wilson Yu Wing Sang shall retire and, being eligible, offer himself for re-election.

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 2021 or during the period from 1 April 2021 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 46, joined the Group in 2000 and was promoted to assistant director in 2002. Mr. Tung was appointed as an executive director and Chairman of the Board in 2010 and 2018 respectively. 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, the Vice Chairman and the cousin of Mr. Raymond Tung Wai Man, the managing director. Mr. Martin Tung is a director of Corona.

Billy Tung Chung Man
Vice Chairman
Aged 44, joined the Group in 2001 and was promoted to assistant director in 2003. Mr. Tung was appointed as an executive director and Vice Chairman of the Board in 2010 and May 2021 respectively. 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.

Raymond Tung Wai Man
Managing Director
Aged 55, joined the Group in 1988 and was appointed as an executive director and managing director in 2000 and 2018 respectively. 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.

Independent Non-executive Directors:

Tony Chang Chung Kay
Member of Audit Committee, Remuneration Committee and Nomination Committee
Aged 65, was appointed as a non-executive director in 1994. He was re-designated as an independent non-executive director in 1995. 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 82, was appointed as an independent non-executive director in 2006. 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. Mr. Yau 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.

Kenneth Yuen Ki Lok
Chairman of Audit Committee
Member of Nomination Committee
Aged 46, was appointed as an independent non-executive director in 2018. 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.

Wilson Yu Wing Sang
Aged 55, was appointed as an independent non-executive director with effect from 1 April 2021. Mr. Yu holds a Diploma in Legal Studies from University of Hong Kong, School of Professional and Continuing Education. He has over 24 years' experience in advising and handling company legal matters and conveyancing business. Mr. Yu has joined a law firm since 2004 and is currently a legal executive.

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

As at 31 March 2021, 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%
Billy Tung Chung Man	Beneficial owner	3,052,400	0.68%
Raymond Tung Wai Man	Beneficial owner	360,000	0.08%
Tony Chang Chung Kay	Beneficial owner	3,844,760	0.85%

Save as disclosed above, as at 31 March 2021, 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 35 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.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2021, 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 the 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	33.27%
Benson Tung Wah Wing	Interest of controlled corporation *(note a)*	150,059,268	33.27%
Madam Wong Fung Lin	Interest of controlled corporation *(note a)*	150,059,268	33.27%
Wykeham Capital Asia Value Fund ("WCAVF")	Beneficial owner *(note b)*	45,220,000	10.02%
Wykeham Capital Limited	Investment manager *(note b)*	45,220,000	10.02%
Thomas Howel Gruffudd Rhys	Interest of controlled corporation *(note b)*	45,220,000	10.02%
Webb David Michael	Beneficial owner *(note c)* Interest of controlled corporation *(note c)*	12,271,534 14,878,466	2.72% 3.29%

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 30 December 2020, he was deemed to be interested in the 45,220,000 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 28 December 2020, he is beneficial owner of 12,271,534 shares. In addition, 14,878,466 shares are held by Preferable Situation Assets Limited, a company 100% controlled by Webb David Michael. In total, he is interested in 27,150,000 shares, representing 6.01% of the issued shares of the Company as at 31 March 2021.

(d) The percentage of shareholding is calculated based on the total number of issued shares of the Company in issue as at 31 March 2021. As at 31 March 2021, the total number of issued shares of the Company was 451,067,557.

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.

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 2021, 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 14 to 20 of this Annual Report.

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 2021 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$122,000.

AUDITOR

The consolidated financial statements for the year ended 31 March 2021 were audited by D & PARTNERS CPA LIMITED ("D & PARTNERS"), who will retire at the forthcoming annual general meeting (the "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, 28 June 2021

D & PARTNERS
CERTIFIED PUBLIC ACCOUNTANTS

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 31 to 86, which comprise the consolidated statement of financial position as at 31 March 2021, 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 2021, 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 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 23 to the consolidated financial statements, the carrying amount of inventories was HK$78,582,000 (2020: HK$94,506,000) as at 31 March 2021. During the year ended 31 March 2021, allowance for inventories of HK$5,905,000 (2020: HK$9,327,000) 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
Impairment of plant and machinery, furniture, fixture and equipment, leasehold improvements and right-of-use assets	
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. 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$4,935,000 (2020: HK$5,840,000) and as disclosed in note 17 to the consolidated financial statements, the carrying amount of right-of-use assets was HK$20,808,000 (2020: HK$13,221,000) as at 31 March 2021. 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 and value in use of these assets to determine the impairment amount required to write down these assets to their recoverable amounts. Based on the management assessment, no impairment loss was provided for plant and machinery, furniture, fixture and equipment, leasehold improvements and right-of-use assets in the current year (2020: impairment loss of HK$6,112,000 was recognised in plant and machinery, furniture, fixture and equipment and leasehold improvements).	Our procedures in relation to the impairment of plant and machinery, furniture, fixture and equipment, leasehold improvements and right-of-use assets include: • 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.

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 Ordnance, 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 HKSAs 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 HKSAs, 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.

The engagement partner on the audit resulting in the independent auditor's report is Lau, Ming Tak Simeon.

D & PARTNERS CPA LIMITED
Certified Public Accountants
Lau, Ming Tak Simeon
Practising Certificate Number: P07579

Hong Kong
28 June 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
Revenue	5,6	**460,377**	708,994
Cost of sales		**(361,888)**	(567,437)
Gross profit		**98,489**	141,557
Other income and other gain	7	**43,060**	3,820
Net reversal of impairment loss (impairment loss) recognised on financial assets	9	**450**	(1,318)
Decrease in fair value of financial assets at fair value through profit or loss ("FVTPL")		**–**	(3,817)
Increase in fair value of investment property	18	**1,056**	–
Gain (loss) on disposal of subsidiaries	32	**278,139**	(16,829)
Selling and distribution costs		**(59,288)**	(75,969)
Administrative expenses		**(101,816)**	(124,100)
Finance costs	8	**(5,182)**	(7,437)
Share of profit of an associate		**35**	–
Profit (loss) before tax	10	**254,943**	(84,093)
Income tax credit (expenses)	13	**355**	(252)
Profit (loss) for the year		**255,298**	(84,345)
Profit (loss) for the year attributable to:			
Owners of the Company		**255,996**	(83,606)
Non-controlling interests		**(698)**	(739)
		255,298	(84,345)
Earnings (loss) per share			
Basic and diluted *(HK cents)*	15	**56.7**	(18.1)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

	2021 *HK$'000*	2020 *HK$'000*
Profit (loss) for the year	**255,298**	(84,345)
Other comprehensive income (expense)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translating foreign operations:		
— exchange differences arising during the year	**9,996**	(12,385)
Reclassification adjustments from foreign currencies translation reserves:		
— release upon disposal of subsidiaries	**–**	13,527
Items that will not be reclassified to profit or loss:		
Gain on revaluation of a property transferred from property, plant and equipment to investment property	**18,012**	–
Other comprehensive income for the year	**28,008**	1,142
Total comprehensive income (expense) for the year	**283,306**	(83,203)
Total comprehensive income (expense) for the year attributable to:		
Owners of the Company	**284,004**	(82,464)
Non-controlling interests	**(698)**	(739)
	283,306	(83,203)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current assets			
Investment property	18	21,600	–
Property, plant and equipment	16	20,852	23,836
Right-of-use assets	17	20,808	13,221
Intangible asset	19	–	–
Interests in an associate	20	811	–
Deferred tax assets	22	34	59
		64,105	37,116
Current assets			
Inventories	23	78,582	94,506
Trade and other receivables	24	81,839	89,811
Pledged bank deposits	25	115,704	116,704
Bank balances and cash	25	278,082	113,946
		554,207	414,967
Assets classified as held for sale	26	–	51,455
		554,207	466,422
Current liabilities			
Trade and other payables	27	74,754	78,430
Contract liabilities	28	12,270	11,607
Lease liabilities	29	5,633	2,501
Amount due to an associate		544	–
Tax liabilities		58	152
Bank borrowings	30	93,590	144,388
		186,849	237,078
Liabilities associated with assets classified as held for sale	26	–	72
		186,849	237,150
Net current assets		367,358	229,272
Total assets less current liabilities		431,463	266,388

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current liabilities			
Lease liabilities	29	**9,658**	3,834
Bank borrowings	30	**–**	5,800
Deferred tax liabilities	22	**794**	1,230
		10,452	10,864
		421,011	255,524
Capital and reserves			
Share capital	31	**254,112**	254,112
Treasury shares		**–**	(230)
Reserves		**177,506**	11,551
Equity attributable to owners of the Company		**431,618**	265,433
Non-controlling interests		**(10,607)**	(9,909)
		421,011	255,524

The consolidated financial statements on pages 31 to 86 were approved and authorised for issue by the Board of Directors on 28 June 2021 and are signed on its behalf by:

Martin Tung Hau Man
DIRECTOR

Billy Tung Chung Man
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2021

	Attributable to owners of the Company								
	Share capital *HK$'000*	**Treasury shares** *HK$'000*	**Property Revaluation reserve** *HK$'000* *(Note i)*	**Statutory reserve** *HK$'000* *(Note ii)*	**Translation reserve** *HK$'000*	**Retained profits** *HK$'000*	**Total** *HK$'000*	**Non-Controlling interests** *HK$'000*	**Total** *HK$'000*
At 1 April 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
Profit for the year	–	–	–	–	–	255,996	255,996	(698)	255,298
Exchange differences arising on translation of foreign operations	–	–	–	–	9,996	–	9,996	–	9,996
Gain on revaluation of a property transferred from property, plant and equipment to investment property	–	–	18,012	–	–	–	18,012	–	18,012
Total comprehensive income (expense) for the year	–	–	18,012	–	9,996	255,996	284,004	(698)	283,306
Shares repurchased and cancelled *(note 31)*	–	230	–	–	–	(230)	–	–	–
Dividends recognised as distribution *(note 14)*	–	–	–	–	–	(117,819)	(117,819)	–	(117,819)
At 31 March 2021	254,112	–	18,012	3,441	(14,690)	170,743	431,618	(10,607)	421,011

Note i: The property revaluation reserve represents the differences between net book value and fair value, net of deferred tax, if applicable, 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 2021

	2021 HK$'000	2020 HK$'000
OPERATING ACTIVITIES		
Profit (loss) before tax	**254,943**	(84,093)
Adjustments for:		
Depreciation of property, plant and equipment	**5,008**	12,062
Depreciation of right-of-use assets	**5,456**	1,604
Increase in fair value of investment property	**(1,056)**	–
Finance costs	**5,182**	7,437
(Gain) loss on disposal of subsidiaries	**(278,139)**	16,829
Net (reversal of impairment loss) impairment loss recognised on financial assets	**(450)**	1,318
(Gain) loss on disposal/write-off of property, plant and equipment	**(75)**	2,288
Gain on disposal of assets classified as held for sale	**(31,292)**	(2,338)
Decrease in fair value of financial assets at FVTPL	**–**	3,817
Allowance for inventories	**5,905**	9,327
Interest income	**(1,201)**	(1,472)
Share of profit of an associate	**(35)**	–
Impairment loss recognised on property, plant and equipment	**–**	6,112
Operating cash flows before movements in working capital	**(35,754)**	(27,109)
Decrease in inventories	**15,319**	23,387
Decrease in trade and other receivables	**12,486**	29,572
Decrease in trade and other payables	**(5,539)**	(37,154)
(Decrease) increase in contract liabilities	**(147)**	3,258
Increase in amount due to an associate	**544**	–
Cash used in operations	**(13,091)**	(8,046)
Hong Kong Profits Tax paid	**–**	(100)
Taxation in other jurisdictions paid	**(158)**	(223)
NET CASH USED IN OPERATING ACTIVITIES	**(13,249)**	(8,369)
INVESTING ACTIVITIES		
Net cash inflow from disposal of subsidiaries	**283,988**	897
Net cash inflow from disposal of assets classified as held for sale	**75,088**	10,431
Withdrawal of pledged bank deposits	**6,000**	16,000
Interest received	**1,201**	1,472
Proceeds from disposal of property, plant and equipment	**287**	896
Deposits paid for right-of-use assets	**(459)**	(211)
Acquisition of investment in an associate	**(776)**	–
Purchase of property, plant and equipment	**(2,382)**	(8,640)
Placement of pledged bank deposits	**(5,000)**	(16,000)
NET CASH FROM INVESTING ACTIVITIES	**357,947**	4,845

	2021 *HK$'000*	2020 *HK$'000*
FINANCING ACTIVITIES		
Bank borrowings raised	178,568	326,035
Payment of repurchase of shares	–	(6,956)
Interest paid	(4,380)	(7,311)
Repayment of lease liabilities, including related interests	(5,424)	(919)
Dividends paid	(117,819)	–
Repayment of bank borrowings	(238,857)	(315,913)
NET CASH USED IN FINANCING ACTIVITIES	(187,912)	(5,064)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	156,786	(8,588)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	114,138	129,556
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	7,158	(6,830)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	278,082	114,138
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	278,082	113,946
Bank balances and cash classified as held for sale	–	192
	278,082	114,138

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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 21.

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

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

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

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

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

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

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

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

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

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

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 and the related Amendments[1]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[2]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2021

The directors of the Company anticipate that the application of all the new and amendments to HKFRSs will have no material impact on the Group's financial positions and performance and/or on the disclosures to the Group in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and 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 *Lease* ("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* ("HKAS 36").

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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 *Financial Instruments* ("HKFRS 9") or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Investments in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in an associate *(Continued)*

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any assets, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate recognised in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

Refund liabilities

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

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

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 leasee

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 in the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under 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 leasee (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

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

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.

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 use 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 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” in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model.

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 classified as right-of-use assets) 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment property

Investment property is a property held to earn rental and/or for capital appreciation. Investment property is initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is measured at its fair value. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using fair value model. Gains and losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise. An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk *(Continued)*

Despite the a 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.

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 collaterals 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL *(Continued)*

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.

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 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 24.

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 2021 was HK$78,582,000 (net of allowance of HK$5,905,000) (2020: HK$94,506,000 (net of allowance of HK$9,327,000)).

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.

Plant and machinery, furniture, fixture and equipment, leasehold improvement and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts. Where the actual future cash flows are less than expected, a material impairment loss may arise. The fair value less costs of disposal of certain assets have been determined from market available information.

As at 31 March 2021, the carrying amount of plant and machinery, furniture, fixture and equipment and leasehold improvements was HK$4,935,000 (2020: HK$5,840,000), and the carrying amount of right-of-use assets was HK$20,808,000 (2020: HK$13,221,000). Based on the management assessment, no impairment loss was provided for plant and machinery, furniture, fixture and equipment, leasehold improvements and right-of-use assets in the current year. (2020: impairment loss of HK$6,112,000 was recognised in plant and machinery, furniture, fixture and equipment and leasehold improvements). Details are set out in notes 16 and 17 respectively.

5. REVENUE

For the year ended 31 March 2021

(i) Disaggregation of revenue from contracts with customers

	For the year ended 31 March 2021		
	Manufacturing and sales of garment products *HK$'000*	**Retail of garment products** *HK$'000*	**Total** *HK$'000*
At point in time	**266,068**	**194,309**	**460,377**
Geographical markets			
The PRC	**64,512**	**194,309**	**258,821**
The United States of America (the "USA")	**86,804**	**–**	**86,804**
Canada	**84,647**	**–**	**84,647**
Others	**30,105**	**–**	**30,105**
Total	**266,068**	**194,309**	**460,377**

	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 USA	254,413	–	254,413
Canada	153,671	–	153,671
Others	29,449	–	29,449
Total	481,700	227,294	708,994

5. REVENUE *(Continued)*

For the year ended 31 March 2021 *(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 14 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.

(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 – Asia, North America and Europe and others.

No segment assets and liabilities are disclosed as they are not reported to the chief operating decision makers.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

For the year ended 31 March 2021:

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

6. SEGMENTAL INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

For the year ended 31 March 2020:

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

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

Geographical information

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

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

6. SEGMENTAL INFORMATION *(Continued)*

Geographical information *(Continued)*

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

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

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

Information about major customers

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

7. OTHER INCOME AND OTHER GAIN

	2021 *HK$'000*	2020 *HK$'000*
Gain on disposal of assets classified as held for sale	**31,292**	2,338
Government subsidies *(Note)*	**6,051**	–
Other income	**4,441**	–
Bank interest income	**1,201**	1,472
Gain on disposal of property, plant and equipment	**75**	–
Rental income	**–**	10
	43,060	3,820

Note: During the current year, the Group recognised Government grants of HK$6,051,000 of which HK$3,201,000 related to Employment Support Scheme for the coronavirus disease 2019 ("COVID-19") epidemic provided by the Government of the Hong Kong Special Administrative Region and HK$2,850,000 related to subsidies provided by the Government of the PRC.

8. FINANCE COSTS

	2021 *HK$'000*	2020 *HK$'000*
Bank borrowings	**4,380**	7,311
Interest on lease liabilities	**802**	126
	5,182	7,437

9. NET REVERSAL OF IMPAIRMENT LOSS (IMPAIRMENT LOSS) RECOGNISED ON FINANCIAL ASSETS

	2021	2020
	HK$'000	*HK$'000*
Net reversal of impairment loss (impairment loss) recognised on:		
Trade and bills receivables	**838**	(1,318)
Other receivables	**(388)**	—
	450	(1,318)

10. PROFIT (LOSS) BEFORE TAX

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

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:

2021

	Executive directors			**Independent non-executive directors**				
	Martin Tung Hau Man *HK$'000*	**Billy Tung Chung Man** *HK$'000*	**Raymond Tung Wai Man** *HK$'000*	**Tony Chang Chung Kay** *HK$'000*	**Robert Yau Ming Kim** *HK$'000*	**Kenneth Yuen Ki Lok** *HK$'000*	**Leslie Chang Shuk Chien** *HK$'000* *(note c)*	**Total** *HK$'000*
Fees	88	50	50	180	188	142	132	830
Other emoluments:								
Salaries and other benefits	5,075	3,740	2,610	–	–	–	–	11,425
Contributions to retirement benefit schemes	36	29	36	–	–	–	–	101
Total emoluments	5,199	3,819	2,696	180	188	142	132	12,356

2020

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

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

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. Leslie Chang Shuk Chien resigned as independent non-executive director of the Company with effect from 1 January 2021.

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 (2020: three) were directors of the Company whose emoluments are included in the disclosures in note 11 above. The emoluments of the remaining two (2020: two) individuals were as follows:

	2021	2020
	HK$'000	*HK$'000*
Salaries and other benefits	**3,012**	2,363
Contributions to retirement benefits schemes	**36**	32
	3,048	2,395

The emoluments were within the following bands:

	Number of employee	
	2021	2020
HK$1,000,001 to HK$1,500,000	**1**	2
HK$1,500,001 to HK$2,000,000	**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.

13. INCOME TAX CREDIT (EXPENSES)

	2021 **HK$'000**	2020 HK$'000
Current tax:		
Hong Kong	**–**	–
The PRC	**(56)**	(366)
	(56)	(366)
Deferred taxation *(note 22)*	**411**	114
	355	(252)

No provision for Hong Kong Profits Tax is made for the years ended 31 March 2021 and 2020 as the Group has no assessable profit arising in Hong Kong or the assessable profits are wholly absorbed by tax losses brought forward from prior years.

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

One PRC subsidiary, which is a micro and small enterprises, enjoys the preferential tax rates. According to the EIT Law and the Implementation of the EIT Law of the PRC, an entity qualified as micro and small enterprises is subject to preferential tax treatments.

From 1 April 2019 to 31 December 2020, for the first RMB1 million of the assessable profits, it would be taxed at the rate of 5%; for the assessable profits which exceed RMB1 million but not exceeding RMB3 million, would be taxed at the rate of 10%. From 1 January 2021 to 31 March 2021, the portion of annual taxable income not more than RMB1 million of a micro and small enterprise is subject to Enterprise Income Tax calculated at 12.5% of its taxable income at a tax rate of 20%. During the years ended 31 March 2021 and 2020, a subsidiary of the Group is qualified as a micro and small enterprise and is subject to the relevant preferential tax treatments.

13. INCOME TAX CREDIT (EXPENSES) *(Continued)*

The income tax credit (expenses) can be reconciled to the profit (loss) before tax per the consolidated statement of profit or loss as follows:

	2021	2020
	HK$'000	*HK$'000*
Profit (loss) before tax	**254,943**	(84,093)
Tax at the Hong Kong Profits Tax rate of 16.5%	**(42,066)**	13,875
Tax effect of expenses not deductible for tax purpose	**(8,130)**	(12,912)
Tax effect of income not taxable for tax purpose	**52,931**	9,614
Tax effect of tax losses not recognised	**(11,241)**	(16,894)
Utilisation of tax losses previously not recognised	**9,217**	4,052
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(356)**	2,013
Income tax credit (expenses)	**355**	(252)

Details of deferred taxation for the year are set out in note 22.

14. DIVIDEND

	2021	2020
	HK$'000	*HK$'000*
Dividend recognised as distribution during the year:		
1st special dividend (HK1.75 cents per share)	**7,894**	–
Interim dividend (HK2.2 cents per share)	**9,923**	–
2nd special dividend (HK22.17 cents per share)	**100,002**	–
	117,819	–

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

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

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

15. BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

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

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

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

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

16. PROPERTY, PLANT AND EQUIPMENT

	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 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
Exchange adjustments	**383**	**2,504**	**3,857**	**66**	**6,810**
Additions	**–**	**868**	**552**	**962**	**2,382**
Disposals/write-off	**–**	**(5,068)**	**(11,892)**	**–**	**(16,960)**
Transfer to investment property *(note 18)*	**(7,565)**	**(2,081)**	**–**	**–**	**(9,646)**
At 31 March 2021	**34,166**	**40,881**	**102,733**	**6,307**	**184,087**
DEPRECIATION AND IMPAIRMENT					
At 1 April 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
Exchange adjustments	**100**	**2,351**	**3,476**	**42**	**5,969**
Provided for the year	**1,514**	**1,095**	**1,552**	**847**	**5,008**
Eliminated on disposals/write-off	**–**	**(5,057)**	**(11,691)**	**–**	**(16,748)**
Transfer to investment property *(note 18)*	**(6,578)**	**(2,081)**	**–**	**–**	**(8,659)**
At 31 March 2021	**21,558**	**38,859**	**99,820**	**2,998**	**163,235**
CARRYING VALUES					
At 31 March 2021	**12,608**	**2,022**	**2,913**	**3,309**	**20,852**
At 31 March 2020	14,826	2,107	3,733	3,170	23,836

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

As at 31 March 2021, the Group has pledged buildings having a carrying value of HK$2,151,000 (2020: HK$4,068,000) 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:

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%

Impairment review for the year ended 31 March 2020

Due to the outbreak of the 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 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 and furniture and fixtures and equipment 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.

Impairment review for the year ended 31 March 2021

The management of the Group considered that no further impairment loss is required to be recognised for its property, plant and equipment.

17. RIGHT-OF-USE ASSETS

	Leasehold land HK$'000	Leased properties HK$'000	Total HK$'000
COST			
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 *(note 26)*	(24,316)	–	(24,316)
At 31 March 2020	9,980	7,187	17,167
Exchange adjustments	**143**	**655**	**798**
Additions	**–**	**13,173**	**13,173**
Transfer to investment property *(note 18)*	**(1,295)**	**–**	**(1,295)**
At 31 March 2021	**8,828**	**21,015**	**29,843**
ACCUMULATED DEPRECIATION			
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 *(note 26)*	(9,464)	–	(9,464)
At 31 March 2020	3,013	933	3,946
Exchange adjustments	**28**	**176**	**204**
Provided for the year	**219**	**5,237**	**5,456**
Transfer to investment property *(note 18)*	**(571)**	**–**	**(571)**
At 31 March 2021	**2,689**	**6,346**	**9,035**
CARRYING VALUES			
At 31 March 2021	**6,139**	**14,669**	**20,808**
At 31 March 2020	6,967	6,254	13,221

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 — 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$1,982,000 (2020: HK$2,634,000).

The total cash outflow for leases is HK$7,406,000 (2020: 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 2021 and 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 2021 and 2020, the Group has no leases that are committed but not yet commenced. The maturity of lease liabilities is presented in note 29.

17. RIGHT-OF-USE ASSETS *(Continued)*

For the year ended 31 March 2021, the Group has performed impairment assessment on right-of-use assets. The estimates of the recoverable amount of the items of right-of-use assets are determined based on a value-in-use calculation using discounted cash flow projections based on the sales forecast covering a period of the remaining lease terms. Since the recoverable amounts of right-of-use assets are higher than the carrying amounts, no impairment was provided (2020: Nil).

18. INVESTMENT PROPERTY

	HK$'000
FAIR VALUE	
At 1 April 2020	–
Transferred from property, plant and equipment	**987**
Transferred from right-of-use assets	**724**
Increase in fair value recognised in other comprehensive income	**18,012**
Increase in fair value recognised in profit or loss	**1,056**
Exchange adjustments	**821**
At 31 March 2021	**21,600**

The carrying value of the Group's investment property shown above comprises:

	Fair value hierarchy	**2021** ***HK$'000***
Property in the PRC	Level 3	**21,600**

All of the Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

As at 31 March 2021, the Group held a property situated at Guojia, ZhangJiabian, Yixian Road, Huoju Development Zone, Zhong Shan City, Guangdong Province, the People's Republic of China. The existing usage of such property is factories and offices and the property is held on land under medium term lease.

The fair values of the Group's investment properties at 1 October 2020 and 31 March 2021 have been arrived at on the basis of a valuation carried out on that date by Graval Consulting Limited, independent qualified professional valuer not connected with the Group.

The fair value was determined by direct comparison method and depreciated replacement cost method. Direct comparison method, where price per square meter of the property is assessed by reference to market evidence transaction prices for similar use of properties in similar location and conditions in the PRC. Depreciated replacement cost method provides an indication of value by calculating the current replacement or reproduction cost of an asset or building and making deductions for physical deterioration and all other relevant forms of obsolescence.

Under the depreciated replacement cost method, one of the key inputs used in valuing the building and structures was the construction cost per square meter which ranged from HK$1,329 to HK$1,527. Under the direct comparison method, one of the key inputs used in valuing the land was the transaction prices per square meter of comparable properties, which ranged from HK$853 to HK$1,048.

In estimating the fair value of the property, the highest and best use of the property is its current use.

Under the depreciated replacement cost method, a significant increase in the construction cost per square meter used would result in a significant increase in fair value measurement of the investment property, and vice versa.

Under the direct comparison method, a significant increase in the market price per square meter used would result in a significant increase in fair value measurement of the investment property, and vice versa.

There were no transfer into or out of level 3 during the year.

19. INTANGIBLE ASSET

	Trademark *HK$'000*
COST	
At 1 April 2019, 31 March 2020 and **31 March 2021**	**774**
AMORTISATION	
At 1 April 2019, 31 March 2020 and **31 March 2021**	**774**
CARRYING VALUES	
At 31 March 2021	**–**
At 31 March 2020	–

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

20. INTERESTS IN AN ASSOCIATE

	2021 *HK$'000*
Cost of investment in an associate — unlisted	**776**
Share of post-acquisition profit	**35**
	811

Detail of the Group's associate at the end of the reporting period is as follows:

Name of entity	Place of incorporation/ registration	Principal place of business	Proportion of ownership interest held by the Company Indirectly	Proportion of voting rights held by the Company	Principal activity
			2021	**2021**	
Hengli Garment Technology Company Limited ("Hengli")	Vietnam	Vietnam	**25%**	**25%**	Manufacturing and processing of clothing apparel

During the year ended 31 March 2021, the Company invested in an associate, Hengli, by contributing cash of USD100,000.

Aggregate information of the associate that is not individually material

	2021 *HK$'000*
The Group's share of profit from continuing operations	**35**
Aggregate carrying amount of the Group's interests in the associate	**811**

21. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

General information of subsidiaries

Particulars of the Company's principal subsidiaries at 31 March 2021 and 2020 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
				Directly		Indirectly		
		2021	*2020*	**2021 %**	2020 %	**2021 %**	2020 %	
Sing Yang (Overseas) Limited#	Hong Kong	**–**	Ordinary shares HK$97,450,000	**–**	100	**–**	–	Property investment
Tungtex International Limited	Hong Kong	**Ordinary shares HK$20,000,0000**	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$38,000,000**	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 capital RMB202,000,000/ paid up capital RMB152,000,000**	Registered and paid up capital RMB152,000,000	**–**	–	**100**	100	Garment retail
寧波雲圖時裝有限公司	PRC	**Registered capital RMB3,000,000/ paid up capital nil**	Registered capital RMB3,000,000/ paid up capital nil	**–**	–	**100**	100	Garment retail
Tungtex Fashions (Vietnam) Limited	Vietnam	**Registered and paid up capital US$3,200,000**	Registered 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, results 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.

22. DEFERRED TAXATION

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

	Accelerated tax depreciation *HK$'000*
At 1 April 2019	(1,285)
Credit to profit or loss	114
At 31 March 2020	(1,171)
Credit to profit or loss	**411**
At 31 March 2021	**(760)**

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

	2021 ***HK$'000***	2020 *HK$'000*
Deferred tax assets	**34**	59
Deferred tax liabilities	**(794)**	(1,230)
	(760)	(1,171)

At 31 March 2021, the Group has unused tax losses of approximately HK$552 million (2020: HK$526 million) available for offset against future profits. No deferred tax asset has been recognised in respect of the HK$552 million (2020: HK$526 million) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$217 million (2020: HK$214 million) that can be carried forward for one to five years and losses of approximately HK$139 million (2020: HK$141 million) that can be carried forward up to twenty years. Unrecognised tax losses of HK$23 million (2020: HK$57 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.

At 31 March 2020, 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.

23. INVENTORIES

	2021 HK$'000	2020 HK$'000
Raw materials	**11,152**	21,081
Work in progress	**18,143**	14,686
Finished goods	**49,287**	58,739
	78,582	94,506

24. TRADE AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade and bills receivables	**62,800**	73,146
Less: Allowance for credit losses	**(101)**	(1,870)
	62,699	71,276
Deposits, prepayments and other receivables	**19,140**	18,535
Total trade and other receivables	**81,839**	89,811

As at 31 March 2021, total bills received amounting to HK$1,539,000 (2020: HK$17,171,000) 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 38. 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 2021 and 2020 are set out in note 38.

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

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

24. 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 2021, included in the Group's trade and bills receivables balance are debtors with aggregate carrying amount of HK$8,120,000 (2020: HK$20,901,000) which are past due as at the reporting date. Out of the past due balances, HK$31,000 (2020: HK$2,051,000) 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:

	2021 *HK$'000*	2020 *HK$'000*
HK$	**434**	567
EURO ("EUR")	**311**	418
USD	**–**	2,617
	745	3,602

25. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

During the year ended 31 March 2021, the bank deposits carry interest at market rates ranging from 0.0001% to 2.63% (2020: 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 1.27% (2020: 0.0001% to 2.13%) per annum.

For the year ended 31 March 2021 and 2020, 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 2021 and 2020 are set out in note 38.

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:

	2021 *HK$'000*	2020 *HK$'000*
HK$	**116,532**	77,417
RMB	**61,200**	5,087
EUR	**1,070**	501
USD	**1,580**	1,119
	180,382	84,124

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:

	2021 *HK$'000*	2020 *HK$'000*
Amount comprises:		
Property, plant and equipment *(note)*	–	36,411
Right-of-use assets *(note)*	–	8,878
Assets related to Sing Yang (Overseas) Limited (the "Disposal Company")	–	6,166
Total assets classified as held for sale	–	51,455
Liabilities associated with the Disposal Company	–	72

note: 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 HK$80,538,000). The disposal of the property was completed on 3 November 2020.

27. TRADE AND OTHER PAYABLES

	2021 *HK$'000*	2020 *HK$'000*
Trade and bills payables	40,108	48,278
Other payables, accrued charges and receipt in advance	34,646	30,152
	74,754	78,430

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

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

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.

27. TRADE AND OTHER PAYABLES *(Continued)*

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

	2021 ***HK$'000***	2020 *HK$'000*
HK$	**3,454**	5,253

28. CONTRACT LIABILITIES

	2021 ***HK$'000***	2020 *HK$'000*
Manufacturing and retail sales of garment products	**12,270**	11,607

As at 1 April 2019, contract liabilities amounted to HK$8,969,000.

For manufacturing and retail sales of garment products, the contract liabilities recorded at the beginning of the year HK$11,507,000 (2020: HK$8,315,000) had been recognised as revenue during the year. The management believed that the remaining will be recognised as revenue approximately within one year from 31 March 2021 (2020: the remaining HK$654,000 has been fully recognised as revenue during the year ended 31 March 2021).

29. LEASE LIABILITIES

Lease liabilities payables	**2021** ***HK$'000***	2020 *HK$'000*
Within one year	**5,633**	2,501
In more than one year but not exceeding two years	**5,266**	2,247
In more than two years but not exceeding five years	**4,392**	1,587
	15,291	6,335
Less: Amount due for settlement with 12 months shown under current liabilities	**(5,633)**	(2,501)
Amount due for settlement after 12 months shown under non-current liabilities	**9,658**	3,834

The weighted average incremental borrowing rates applied to lease liabilities is 5.96% (2020: 5.11%).

30. BANK BORROWINGS

	2021 HK$'000	2020 HK$'000
Floating-rate borrowings:		
Bank loans	**29,000**	44,574
Trust receipts loans	**1,246**	19,128
Import trade loans	**63,344**	86,486
	93,590	150,188
Secured	**93,590**	143,966
Unsecured	**–**	6,222
	93,590	150,188
The carrying amounts of the above borrowings are repayable:		
Within one year	**93,590**	144,388
In more than one year but not exceeding two years	**–**	2,400
In more than two years but not exceeding five years	**–**	3,400
	93,590	150,188
Less:		
Amounts secured, due within one year, shown under current liabilities without repayment on demand clause	**–**	(2,400)
Amounts secured, due within one year, shown under current liabilities with repayment on demand clause	**(93,590)**	(135,766)
Amounts unsecured, due within one year, shown under current liabilities with repayment on demand clause	**–**	(6,222)
Amounts secured and without repayment on demand clause shown under non-current liabilities	**–**	5,800

The effective interest rates (which is also equal to contracted interest rate) on the Group's borrowings ranged from 1.48% to 6.18% (2020: 2.30% 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:

	2021 HK$'000	2020 HK$'000
HK$	**53,650**	76,600

31. SHARE CAPITAL

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

Notes:

(i) 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.

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

32. GAIN (LOSS) ON DISPOSAL OF SUBSIDIARIES

(i) 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 disposal was completed on 2 September 2020.

Gain on disposal of a subsidiary are as follows:

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

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

32. GAIN (LOSS) ON DISPOSAL OF SUBSIDIARIES *(Continued)*

(ii) For the year ended 31 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, 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 ended 31 March 2020.

	2020 *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*

(iii) 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 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.

33. 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:

	2021 ***HK$'000***	2020 *HK$'000*
Right-of-use assets	**1,829**	8,607
Buildings	**2,151**	4,068
Investment property	**21,600**	–
Pledged bank deposits	**115,704**	116,704

34. 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 and Vietnam are members of the state-managed retirement benefit schemes operated by the government in the PRC and Vietnam respectively. The subsidiaries in the PRC and Vietnam are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefit. The obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

The total cost charged to profit or loss of HK$12,882,000 (2020: HK$15,610,000) represents contributions paid and payable to these schemes by the Group for the year ended 31 March 2021.

35. RELATED PARTY DISCLOSURES

During the years ended 31 March 2021 and 2020, the Group entered into the following transactions with related parties. In the opinion of the directors, the following transactions arose in the ordinary course of the Group's business:

(i) Transactions with an associate of the Group

	2021 ***HK$'000***
Purchases from an associate	**741**

(ii) Compensation of key management personnel

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

	2021 ***HK$'000***	2020 *HK$'000*
Short-term benefits	**11,425**	5,915
Post-employment benefits *(note)*	**101**	90
	11,526	6,005

Note: The amount represents contributions to retirement benefit schemes and has been included in the amount disclosed in notes 11 and 34.

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.

36. 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.

37. 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.

38. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2021 ***HK$'000***	2020 *HK$'000*
Financial assets		
Amortised cost	**460,981**	306,247
Financial liabilities		
Amortised cost	**162,277**	219,507
Lease liabilities	**15,291**	6,335

38. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies

The major financial instruments of the Group include trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables, amount due to an associate 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 and interest rate 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**	
	2021	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
HK$	**57,104**	81,853	**116,966**	77,984
RMB	**49**	49	**61,268**	5,087
EUR	**2**	2	**1,381**	919
USD	**–**	–	**1,580**	3,736

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, the positive (negative) numbers below will indicate an increase (a decrease) in post-tax profit (2020: a decrease (an increase) in post-tax loss) for the year where USD strengthens against EUR by 5%, and vice versa; an increase (a decrease) in post-tax profit (2020: a decrease (an increase) in post-tax loss) for the year where USD strengthens against RMB by 5%, and vice versa.

	2021	2020
	HK$'000	*HK$'000*
RMB impact	**(2,556)**	(210)
EUR impact	**(58)**	(38)

38. 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 2021 and 2020. 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 years ended 31 March 2021 and 2020, 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 years ended 31 March 2021 and 2020, 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 profit for the year would increase/decrease by approximately HK$1,058,000 (2020: post-tax loss for the year would decrease/increase by approximately HK$137,000).

Credit risk and impairment assessment

As at 31 March 2021 and 2020, 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.

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. The impairment loss allowance for other receivables was HK$388,000 (2020: Nil) as at 31 March 2021.

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.

38. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment (Continued)

Significant concentration of credit risk

The Group's concentration of credit risk on trade and bills receivables by geographical locations is mainly in Asia which accounted for 60% (2020: North America which accounted for 58%) of the total trade and bills receivables balance at 31 March 2021. The Group also has concentration of credit risk on its five largest customers which represent 43% (2020: 44%) of the total trade and bills receivables balance and of which the largest customer represents 18% (2020: 19%) 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

The table below details 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 2021 HK$'000	2020 HK$'000
Trade and bills receivables	*24*	Low risk *(Note i)*	Lifetime ECL — not credit-impaired	**62,699**	71,858
		Loss *(Note i)*	Lifetime ECL — credit-impaired and assessed individually	**101**	1,288
Other receivables	*24*	Low risk *(Note ii)*	12-month ECL	**4,110**	18,535
		Loss *(Note iii)*	Lifetime ECL — credit-impaired and assessed individually	**388**	–
Pledged bank deposits	*25*	Low risk	12-month ECL	**115,704**	116,704
Bank balances	*25*	Low risk	12-month ECL	**278,082**	113,563

38. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment (Continued)

Note: (i) 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 2021, approximately HK$838,000 net reversal of impairment loss allowance (2020: HK$1,318,000 net impairment loss allowance) related to trade and bills receivables, approximately HK$599,000 (2020: HK$537,000) reversal of impairment loss allowance related to trade and bills receivables that are not credit-impaired and approximately HK$803,000 (2020: Nil) reversal of impairment loss allowance related to trade and bills receivables that are 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 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
Changes due to trade and bills receivables recognised at 1 April 2020:			
Transfer to credit-impaired	**(2)**	**2**	**–**
Impairment loss recognised	**–**	**564**	**564**
Impairment loss reversed	**(599)**	**(803)**	**(1,402)**
Write off	**–**	**(1,000)**	**(1,000)**
Exchange adjustments	**19**	**50**	**69**
At 31 March 2021	**–**	**101**	**101**

(ii) In determining the ECL of other receivables, the Group has taken into account the historical default experience and forward looking information as appropriate. There had been no significant increase in credit risk since initial recognition. The Group has considered the consistently low historical default rate in connection with payments and concluded that the ECL on these balances is immaterial.

(iii) During the year ended 31 March 2021, HK$388,000 (2020: Nil) net impairment loss allowance related to other receivables was recognised in profit or loss.

The following table shows the movement in lifetime ECL that has been recognised for other receivables under the general approach.

	Lifetime ECL (credit-impaired) *HK$'000*
At 1 April 2020	–
Change due to other receivables recognised at 1 April 2020:	
Impairment loss recognised	**388**
At 31 March 2021	**388**

38. 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.

2021

	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$'000*	Carrying amount at 31 March 2021 *HK$'000*
Non-derivative financial liabilities							
Trade and other payables	–	65,337	2,785	21	–	68,143	68,143
Amount due to an associate	–	544	–	–	–	544	544
Bank borrowings *(note)*							
– floating-rate	3.55	93,590	–	–	–	93,590	93,590
		159,471	2,785	21	–	162,277	162,277
Lease liabilities	5.96	581	1,091	4,699	10,427	16,798	15,291

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

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 2021, the aggregate principal amounts of these bank loans amounted to HK$93,590,000 (2020: HK$141,988,000). 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$94,761,000 (2020: HK$143,645,000).

38. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements of the Group's financial instruments

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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.

39. 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 *HK$'000*	**Bank borrowings** *HK$'000*	**Total** *HK$'000*
At 1 April 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
Financing cash flows	**(5,424)**	**(60,289)**	**(65,713)**
New lease entered	**13,078**	**–**	**13,078**
Interest expenses	**802**	**–**	**802**
Exchange adjustments	**500**	**3,691**	**4,191**
At 31 March 2021	**15,291**	**93,590**	**108,881**

40. EVENT AFTER THE REPORTING PERIOD

Subsequent to the year ended 31 March 2021 and as announced by the Company on 4 June 2021, the Group entered into a provisional agreement with an independent third party to acquire a commercial property in Hong Kong. Formal agreement was signed on 17 June 2021 and the completion of the acquisition shall take place on or before 15 July 2021. The acquisition is in line with the development plan of the Group and the proposed use of proceeds as disclosed previously by the Company in relation to disposal of Sing Yang (Overseas) Limited. The Group will relocate its head office in Hong Kong to the property after the completion of the acquisition.

41. STATEMENT OF FINANCIAL POSITION

	Note	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment		**123**	111
Investments in subsidiaries		**13,348**	82,053
Deferred tax assets		**25**	48
		13,496	82,212
Current assets			
Deposits and other receivables		**562**	783
Amounts due from subsidiaries		**283,149**	219,570
Pledged bank deposits		**5,000**	—
Bank balances and cash		**122,806**	49,563
		411,517	269,916
Current liabilities			
Other payables and accruals		**2,656**	3,433
Amounts due to subsidiaries		**63,737**	64,791
Bank borrowings		**10,000**	20,000
		76,393	88,224
Net current assets		**335,124**	181,692
Total assets less current liabilities		**348,620**	263,904
Capital and reserves			
Share capital		**254,112**	254,112
Treasury shares		**–**	(230)
Retained profits	*(a)*	**94,508**	10,022
		348,620	263,904

Approved and authorised for issue by the Board of Directors on 28 June 2021 and are signed on its behalf by:

Martin Tung Hau Man
DIRECTOR

Billy Tung Chung Man
DIRECTOR

41. STATEMENT OF FINANCIAL POSITION *(Continued)*

Note:

(a) The retained profits of the Company at 31 March 2021 and 2020 are as follows:

	Retained profits *HK$'000*
At 1 April 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
Profit and total comprehensive income for the year	**202,535**
Shares repurchased and cancelled	**(230)**
Dividends recognised as distribution	**(117,819)**
At 31 March 2021	**94,508**

	For the year ended 31 March				
	2017 *HK$'000*	2018 *HK$'000*	2019 *HK$'000*	2020 *HK$'000*	**2021** ***HK$'000***
RESULTS					
Revenue	970,969	998,070	965,928	708,994	**460,377**
Profit (loss) before tax	(119,695)	(42,347)	(91,774)	(84,093)	**254,943**
Profit (loss) for the year attributable to owners of the Company	(119,638)	(46,546)	(94,086)	(83,606)	**255,996**
	HK cents	*HK cents*	*HK cents*	*HK cents*	***HK cents***
Earnings (loss) per share – Basic	(28.3)	(10.0)	(20.3)	(18.1)	**56.7**

	As at 31 March				
	2017 *HK$'000*	2018 *HK$'000*	2019 *HK$'000*	2020 *HK$'000*	**2021** ***HK$'000***
ASSETS AND LIABILITIES					
Total assets	757,571	800,197	619,902	503,538	**618,312**
Total liabilities	(290,563)	(332,212)	(274,219)	(248,014)	**(197,301)**
	467,008	467,985	345,683	255,524	**421,011**
Equity attributable to owners of the Company	473,111	476,262	354,853	265,433	**431,618**
Non-controlling interests	(6,103)	(8,277)	(9,170)	(9,909)	**(10,607)**
	467,008	467,985	345,683	255,524	**421,011**

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