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

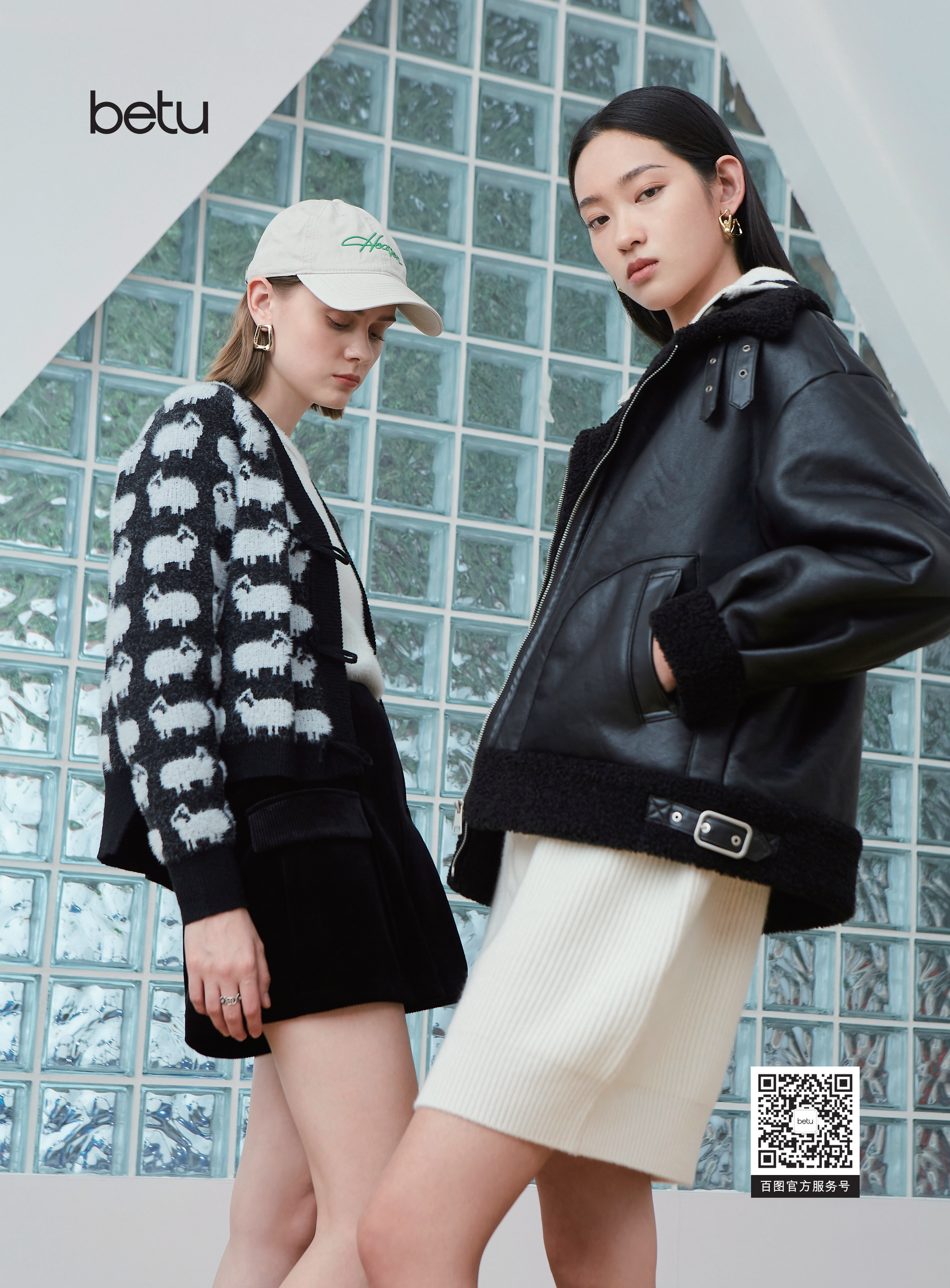
Stock Code 股份代號：00518

ANNUAL REPORT

2022

ANNUAL REPORT

年報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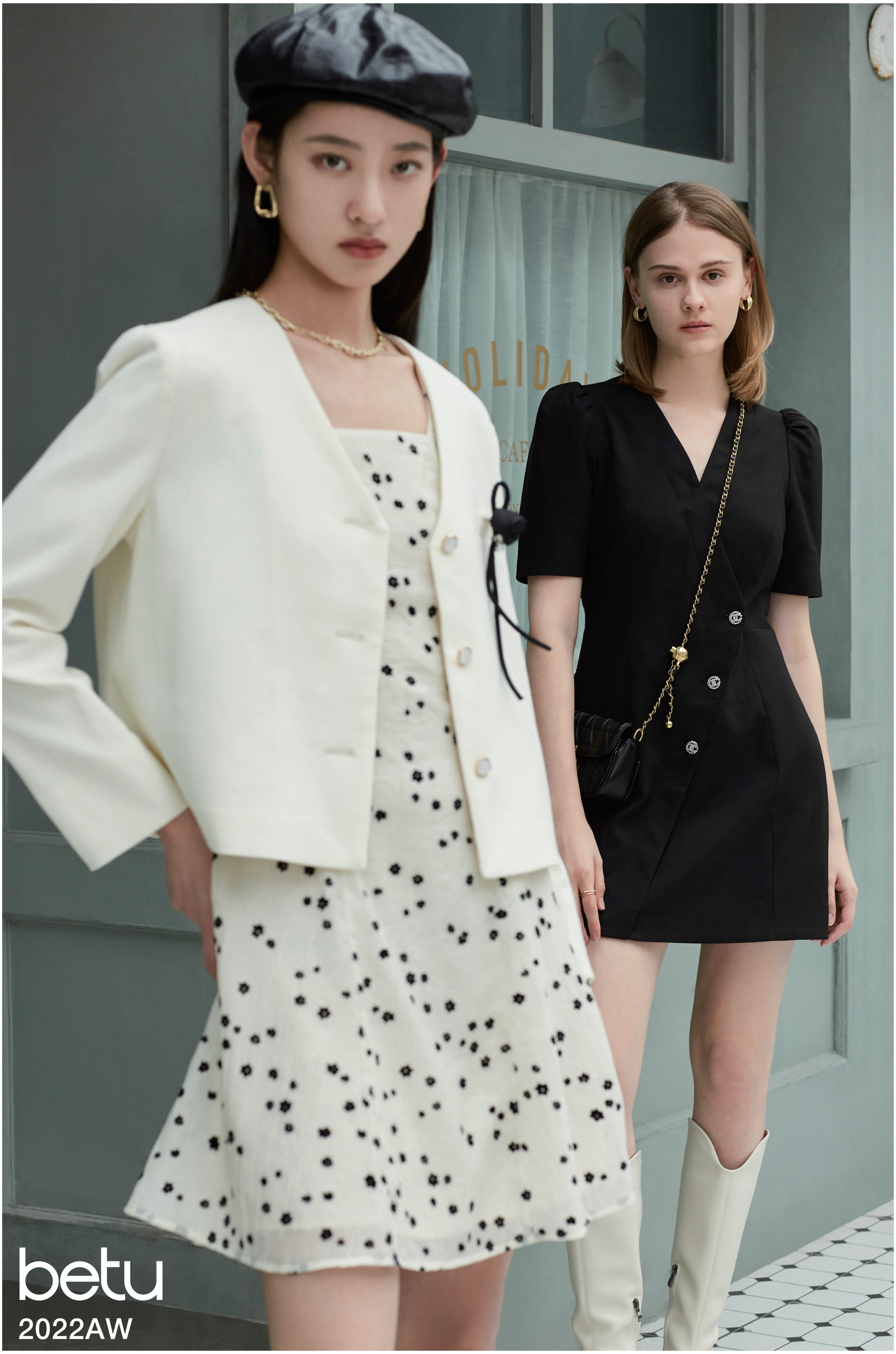
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CORPORATE INFORMATION

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
Lee Siu Mei

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

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

Office A, 26th Floor,
EGL Tower,
No. 83 Hung To Road,
Kwun Tong
Kowloon
Hong Kong
Telephone: 2797 7000
Fax: 2343 9668

AUDITOR

D & PARTNERS CPA LIMITED
Certified Public Accountants

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

00518

WEBSITE

www.tungtex.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board") of Tungtex (Holdings) Company Limited (the "Company"), together with its subsidiaries, (the "Group"), it is my pleasure to present the annual report of the Company for the year ended 31 March 2022 (the "Year").

The Year was another year of global volatility as the recovery of the world economy continued to face acute headwinds amid the resurgence of the coronavirus disease 2019 (the "COVID-19") pandemic (the "Pandemic") and its more powerful variants. Governments of most countries reimposed social distancing and quarantine measures which slowed down the recovering consumption growth in our major markets from time to time and produced disruptions of varying degrees to our production and physical retail operations.

On the other hand, with the progress in global vaccinations, we have seen many countries with large retail markets especially the United States, Canada and Europe to gradually ease into a more "Living with COVID-19" approach and loosened public health measures to a degree not seen in the past two years, enabling the opening up of more economic and social activities to support a faster recovery. With different level of global travel restrictions, consumers with suppressed buying power switched to local spending and online consumption. As a result, global economy sustained its growth momentum and rebounded in 2021 following 2020's Pandemic-related recession.

The management of the Group worked unremittingly to grasp the emerging opportunities while navigating operational complexity to deliver for our customers. Fueled by strong recovery of demand from our customers in the North American Market, the Group made significant progress towards recoupling past Pandemic-driven sales losses to achieve total revenue of HK$588.3 million (2021: HK$460.4 million), representing a surge of 27.8% from the last corresponding year. As a result of the growth in gross profit and reduction in total operating expenses, the net loss for the Year was HK$26.7 million, as compared to a net profit of HK$255.3 million for the last corresponding year which contained certain one-off non-operating items including a gain of HK$278.1 million on disposal of a subsidiary owning a factory premises in Shenzhen and a gain on disposal of assets classified as held for sale of HK$31.3 million in relation to the disposal of the factory premises in Dongguan.

Despite our retail and manufacturing operations in China were constantly affected by strict implementation of COVID-19-related control measures by the Chinese government throughout most of the Year in order to contain the Pandemic in a timely manner, our sales performance in China and overall Asian market was managed to post a growth. At the same time, we also delivered solid revenue growth across European and other markets amid the resumption of economic activities.

As the battle against COVID-19 became protracted, business and social practices have changed dramatically. The strength of our business model remains well-anchored in our agile operating model and an innovative mindset which enabled us to timely adapt our operational and production strategies in response to the unprecedented disruptions brought forth by the Pandemic and turn crisis into opportunities. The Board's restructuring initiatives prior to the Pandemic to consolidate the Group's production platforms in its present diversified layout have not only substantially enhanced management capacity but have also created a nimbler and more flexible organisation structure to respond to the Pandemic in a faster manner. We believe our ability to recalibrate ourselves against the impact of the Pandemic was vital for survival during this period of uncertainties and would also reinforce our business dynamism for the post COVID-19 era.

The Pandemic has irreversibly accelerated the adoption of digitalisation and technology as the new normal. By embracing the change in consumer shopping behaviours and channelling our efforts into expanding e-commerce operations, the Group seized the boom in online shopping and achieved again encouraging growth of revenue from our digital platforms.

During this enormously difficult time, in addition to our strategic initiatives to improve our existing operations, we managed better leverage of the Group by reduction in non-prioritised capital expenditures and further optimised working capital position. We proactively implemented measures to reduce operating expenses while improving sales performance to position the Group in a better financial and operational health.

With a growing sense of awareness that apparel industry is one of the most globalised sectors of the world economy and has a huge impact on the natural environment, the Group is determined to build a better planet by strengthening our operational measures designed to promote environmental protection through our sustainability focus as set out in our Environmental, Social and Governance Report 2022. Meanwhile, we also possess a strong sense of commitment to support the communities in which we operate, while the same as always, remaining dedicated to our shareholders, employees, customers, and other stakeholders in the ecosystem.

CHAIRMAN'S STATEMENT

APPRECIATION

On behalf of the Board, I would like to extend my heartfelt gratitude to our team of dedicated staff who have demonstrated solidarity and commitment to embrace the toughest challenges and delivered improvement in results.

Last but not the least, I would also like to express my sincere appreciation to our business partners, professional parties, customers, suppliers, and shareholders. Their unwavering support and confidence in the Group throughout the years enabled us to forge ahead and strive for betterment.

Martin Tung Hau Man
Chairman
Hong Kong, 28 June 2022

SUMMARY OF OPERATING RESULTS

Benefiting from the strong growth in export demand from our North American market, the Group achieved total revenue of HK$588.3 million during the year ended 31 March 2022 (the "Year") as compared to HK$460.4 million of the last corresponding year, representing an encouraging increase of 27.8% despite the broad-based disruptive shocks from the coronavirus disease 2019 ("COVID-19").

With the upturn in revenue, gross profit increased by 13.8% year-on-year to HK$112.0 million, representing gross profit margin of 19.0% which was about 2.4 percentage point lower than that of the last corresponding year, mainly due to (i) the significant cost pressure and inefficiencies arising from the widespread supply and logistical bottlenecks on top of an adverse impact of production stoppage caused by the outbreak of the COVID-19 variants during the Year and (ii) the relatively higher growth rate of sales in manufacturing segment for the Year.

The Group posted a loss before tax of HK$26.5 million for the Year, as compared to a profit before tax of HK$254.9 million for the last corresponding year which included one-off non-operating gains of HK$278.1 million on disposal of a subsidiary owning a factory premises in Shenzhen and HK$31.3 million on disposal of assets classified as held for sale in relation to the disposal of the factory premises in Dongguan respectively.

Without taking into account the impact of one-off and non-operating items, the Group recorded year-on-year reduction of 46.7% in operating loss before tax to HK$29.6 million as compared to the operating loss before tax of HK$55.5 million for the last corresponding year, reflecting the combined favourable outcome of the rebound in revenue alongside our proactive and ongoing cost and efficiency improvement initiatives during the Year.

In line with our business growth, selling and distribution costs increased by 16.3% to HK$68.9 million for the Year (2021: HK$59.3 million) which was mainly as a result of (i) the increase in advertising and promotion expense driven by the increase of 43.8% in online sales and the Group's conscious brand-building efforts to enhance our brand awareness, and (ii) the increase in freight and handling charges driven by the significant growth in export sales and the escalating freight costs against the backdrop of widespread delivery and logistical bottlenecks caused by the outbreak of the COVID-19 variants during the Year.

Administrative expenses decreased by 27.0% to HK$74.3 million for the Year (2021: HK$101.8 million) primarily due to (i) the complete cessation of the Group's manufacturing operation in Shenzhen and Dongguan in 2020, (ii) the decrease in staff costs as a result of the consolidated factory operation and streamlined human resources and operational management of the Group, (iii) the decrease in performance-based directors' emoluments and (iv) the Group's overall stringent cost control during the Year.

Finance costs decreased from HK$5.2 million for the last corresponding year to approximately HK$2.9 million for the Year, representing a drop of 43.9% which was attributable to the Group's effective deployment of cashflows and working capital management.

BUSINESS REVIEW

Due to its effective pandemic control policy, China began 2021 in a relatively strong position. We improved our performance during the first half of the Year and our retail business was on track to pick up further momentum. However, retail industry and the overall consumption sector in the second half of the Year was reeling from the adverse impacts of renewed outbreaks driven by new variants of the COVID-19 leading to aggressive restrictions and swift lockdowns of some of China's largest cities including Shenzhen and Guangzhou, resulting in dampened consumer confidence, significant decline in foot traffic and reduced consumer spending in our physical stores. Inevitably, the growth prospects and performance of our physical retail operation were negatively affected.

Notwithstanding the adverse impact of the COVID-19 pandemic (the "Pandemic") on in-store shopping, domestic spending in the form of e-commerce continued to register gigantic growth in China. Throughout the period of disruptions, the Group proactively served our customers through our online channels. We repositioned to upscale the scope, coverage, and offerings of our e-commerce operation, and drove our customers online and experienced a sustained and promising acceleration in sales fulfilled through the digital channel. Given our strength in digital sales and in line with the complementary advantage of our physical platform to provide quality in-store experience, the management managed to grow the overall revenue of our retail business despite the volatile environment.

Apart from retail operations, manufacturing industries in China also fraught with multitude of domestic issues and faced new and existing challenges brought on by the global supply shocks and logistical bottlenecks resulting in rising costs and shortages of many kinds.

Our management effectively adjusted the Group's sourcing policy by leveraging on our own local supply ecosystems of onshore or nearshore suppliers for a wide range of raw materials and inputs to reduce the pressure associated with rising freight and unscheduled delays. At the same time, we integrated and consolidated our production capacity to prepare for the anticipated uncertainties in production demand. Benefited from flexible operating scale and significantly enhanced sample room system which speedily responded to customers' needs, our production platform in Zhongshan demonstrated exceptional operation resilience in serving the dynamic China market while accommodating with the surging production needs from our export business particularly during the second half of the Year. As a result, production originated from China accounted for 88.1% (2021: 78.6%) of the Group's total output during the Year.

The prevailing Pandemic in Southeast Asia and the unpredictable lockdown measures by local authorities had led to intermittent disruptions or temporary unavailability of production capacity in our manufacturing operation in Vietnam during the first half of the Year. Besides the operational disruptions, exports to overseas markets also faced unprecedented uncertainty of global logistics interruptions resulting in escalating freight rate and unpredictable delivery schedule. Amid the unforeseen difficulties, the Company worked closely than ever with our key customers in the North American regions to best accommodate their needs. The Company also took actions to manage through the disruptions, including shipping customer orders by air freight and switching over production as necessary to our Zhongshan production plant to mitigate the adverse impact of delayed deliveries or cancellation of orders from our overseas customers.

Our strong production capability and unwavering commitment to serve our long-standing customers brought forth strong demand of our apparel products and led to remarkable rebound in export sales in the second half of the Year despite the rampant outbreaks of the highly transmissible Delta variant and subsequent Omicron variant.

As of 31 March 2022, all of our operations and facilities have resumed and have adopted health measures that are in full compliance with relevant government health regulations. Meanwhile, we continue to put the spotlight on protecting the health and well-being of our employees by implementing effective anti-Pandemic measures and allowing extra flexibility in work arrangement, which boosted positive morale and enhance productivity during the difficult period.

SALES TO ASIA

The Group's sales to Asia recorded a moderate increase of 9.2% to HK$300.8 million during the Year (2021: HK$275.6 million). Sales to China remained the key market and contributed to 96.9% and 49.5% of sales to Asia and total sales of the Group respectively.

China's gross domestic product (the "GDP") growth was 4% in the fourth quarter of 2021 but reached a year-on-year growth rate of 8.1% to record the fastest expansion in nearly a decade, despite strict COVID-19 curbs in many regions and domestic headwinds particularly from the sluggish property sector which temporarily slowed down the pace of the country's growth.

During the Year, as the Pandemic continued to spread globally, international tourism remained restricted, and consumers concentrated their accumulated savings and suppressed consumption desires into local consumption. Moreover, despite the imposition of stringent mobility restrictions by the local authorities continued to hard hit in-store shopping, retail sales growth was propelled by new levels of consumer activity across e-commerce platforms. Benefited from the management's proactive strategic response and our strength in online channels which well adapted to the shift in consumption patterns, the Group was able to achieve an overall growth of 16.0% to HK$225.4 million in our retail sales amid an intensely competitive environment.

In view of the opportunities and challenges presented by the ongoing Pandemic controls, our domestic brand customers maintained a cautiously optimistic outlook towards the local retail market. The flexible response of our Zhongshan production base to swiftly address to their changing production needs led to increasing production orders from our business customers and a slight growth of 0.8% to HK$65.0 million in sales to domestic retail brands segment was recorded accordingly.

SALES TO NORTH AMERICA

During the Year, driven by dramatic growth in demands from our customers, sales to North America regained momentum and registered an impressive increase of 57.0% to of HK$269.2 million (2021: HK$171.5 million). Sales to the U.S. and Canada demonstrated exceptional resilience and recorded revenue of HK$144.9 million and HK$124.2 million, representing a remarkable growth of 67.0% and 46.8% respectively when compared with the last corresponding year and become the key drivers of growth.

Following a record 3.5% contraction in 2020, the American economy expanded an annualised 6.9% during the fourth quarter and advanced 5.7% for the full year of 2021, the most since 1984 despite soaring prices and impact of the Omicron variant wave.

On the back of a high rate of vaccinations and saving, strong end-customer demand surged forth as people unleashed their pent-up buying power amid the relaxing of COVID-19 measures leading to upturn in retail sales and increasing confidence of our apparel brand customers to replenish their depleted stock level.

Order sentiment was further reinforced by the adverse impact of the lingering Pandemic on major apparel manufacturing hubs in East Asia regions and international shipment capacity which caused global brands to place their manufacturing orders ahead of schedule in order to lock up future deliveries and mitigate the risks of unpredictable delivery and stockouts during major festive seasons.

In a similar vein, even though multiple Omicron variant waves had slowed down Canada's economic recovery, the country's GDP expanded on a high note of 4.6% in 2021, after a 5.2% contraction in 2020 as mass vaccination allowed for more reopening across the country. Household financial position remained strong with high accumulated savings and hence following the relaxation of COVID-19 restrictions, consumer confidence was largely restored and accelerated consumer spending towards discretionary consumption.

RETAILING

Despite the relatively effective anti-epidemic measures in China, retail activities remained dampened by the emergence of new COVID-19 variants. Revenue from physical store operation in the Year declined by a year-on-year 18.1% due to the continued and cumulative depressing effects of the Pandemic control measures. On the other hand, as the Group has pivoted towards e-commerce, our remarkable performance from online channels outpaced the lower revenue from offline store channels and led to an overall increase of 16.0% in total retail sales of the Group from HK$194.3 million in the last corresponding year to HK$225.4 million during the Year. The overall costs correspondingly rose on account of changes in channel mix, supply chain disruptions, as well as increased labour and operating cost in China.

Operating under the impact of the evolving Pandemic and ever-changing consumers' behaviours, management is cognizant of the new challenges and growth opportunities facing the retail industry in China. Besides the intense level of competition, management was aware of the domestic headwinds during the Year which were significantly impacting costs, margins and profitability of our retailing business.

In response, the Group managed the retail operations under the two-pronged approach of efficiency maximisation and cost minimisation in order to improve our operating performance and maintain margins, while constantly adjusting our strategies and priorities to better adapt to the prevailing circumstances. Our steadfast commitment to maintain a favourable cost structure enabled our retailing business to record an operating profit of HK$3.1 million despite an incredibly challenging operating environment.

Concurrently, we cautiously evaluated the appropriate store base in light of the prevailing economic and Pandemic conditions as well as our repositioned sales platform strategy which focused on maximizing our omni-channel capabilities. Management continued to close loss-making stores or stores in location unaligned to present strategy. As at 31 March 2022, there were a total number of 173 Betu-brand physical stores (including self-owned and franchised stores) in China, representing a net decrease of 4 since the beginning of the Year.

On the other hand, the Pandemic has powered and accelerated the megatrend towards the growth of online consumption in an otherwise difficult retail environment. During the Year, partnership with traditional e-commerce platforms in China remained one of our most important sales strategies of the Group to foster brand popularity and grow online sales more efficiently and effectively. Benefited from long history of cooperation with major e-commerce platforms, the Group capitalised on their huge customer base and marketing resources to maintain progressive sales performance which contributed to a growth of 43.8% in online revenue and an increasing proportion of online to total retail sales from 55.1% to 68.3% during the Year.

Building upon the strong growth momentum from well-established e-commerce platforms, we actively boosted additional leads through exploring new marketing tactics and diversifying into popular social media platforms, such as Xiaohongshu（小紅書）, Douyin and wechat to facilitate a deeper communication of our brand and sales conversion. Recognising the shift to digital interactions will only accelerate, we will continue to broaden and elevate our online product offerings in order to improve customer experience, expand our customer base and market share. At the same time, the Group also expedited to optimise our distribution capabilities and capacity to cater for the increase in digital demand and pave way for future growth.

PROSPECTS

While year 2022 began with a new global wave of COVID-19 which has reversed much of global recovery progress, the prospects for the rest of the year and beyond remains hinged on the big unknown of future COVID-19 variants. Despite the reopening of various countries and increase in vaccine distribution, global economy and our industry continue to face multiple challenges brought forth by the lingering pandemic, a highly volatile global supply chain environment, hiking inflation, rising interest rate and recently compounded by the Russia-Ukraine war which have further decelerated growth momentum. Against these backdrops, management expects there will be continued uncertainty and challenges in the near-term.

In China, following the effective enforcement of the "dynamic-zero" COVID-19 policy at different economically important locations to contain the spread of the virus, the government has once again successfully stabilised the country from the worst of the Pandemic. However, in view of the significant downward pressures on China's economy, the State Council has recently issued a new set of opinions aiming at boosting post-COVID-19 recovery and domestic consumption to fuel the country's long-term growth objectives. Besides, it is expected that the Chinese government will further bolster economic stability by undertaking more aggressive measures including further policy easing and prioritizing of infrastructure investment.

Under the strong support of national policies and barring further severe waves of infection, the Group believes the long-term vitality and growth outlook of the PRC economy will not change. Meanwhile, we witness the emergence of a younger generation of consumers in China who possess substantial consumption power and demand fashionable apparels that express their individuality and distinguished lifestyles without inclining to international brands. We believe the consumption upgrade due to a change in consumer structure and government's efforts towards high quality domestic spending will provide new impetus for the development of the retail industry driving the next wave of consumption growth as well as continual flourishing of domestic retail brands.

With decades of solid operating history, our production platform in Zhongshan has demonstrated high level of competence and resilience to maintain excellent quality and on-time production under an adverse operating environment. The Group has great commitment to capitalise on our industry knowledge, advanced and scalable production capabilities, and together with the strong local supply chain networks to sustain our competitive edge as a premium apparel manufacturer to capture future growth, expand customer base and improve margins.

In response to the digital dominant shopping preference and a younger generation consumer group who are more digital savvy, the Group will aggressively increase the pace and scale of online sales by capitalising on the popularity of traditional e-commerce platforms as well as rapid development of emerging social media platforms to further expand brand exposure and customer growth. Meanwhile, we continue to deliver improved and personalised customer experience by maximizing omni-channel efficiency and market coverage. We aspire to harness the huge transformative potential of digital and innovative technologies to evolve into a responsive and agile organization to better serve our customers under the new consumption landscape.

As for our export business, the order book from our existing customers as at 31 March 2022 remains strong. The close collaboration with our customers in the North American market to overcome the global logistical turmoil has fostered a strong relationship of mutual trust with the Group being viewed as their long-term strategic partner in critical links of their value chains.

A wider vaccination coverage has led to a more "co-existent" approach to dealing with the virus by the Vietnamese government since the end of 2021. With full vaccination of our employees and the taking of effective prevention and protection measures, operational disruptions to production in Vietnam have gradually subsided and the management is now actively refocusing our efforts to drive stability and expansion of our production capacity in preparation for the surging post-pandemic demand growth in our overseas markets.

Looking ahead, as the crisis continues to evolve, the Group remains vigilant and reactive for health measures under the guidance of local authorities to ensure the safety of our employees, customers, and business associates. In view of the near-term challenges, we continue to be prudent in financial and liquidity management, while optimizing production and any cost-saving initiatives. More importantly, as we stay focused on driving long-term growth, we remain mindful to balance the needs of various stakeholders to create value for our customers, shareholders, the broader environment, and the communities in which we operate.

CAPITAL EXPENDITURE

During the Year, the Group incurred HK$43.6 million capital expenditure compared to HK$2.4 million of the last corresponding year. Such capital expenditure mainly represented the acquisition of a commercial property in Hong Kong, the regular replacement and upgrading of production facilities, and leasehold improvement of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

The Group adopted prudent financial management and sustain a sound financial position throughout the Year. As at 31 March 2022, the Group's cash level was recorded at HK$293.3 million (of which HK$105.7 million was pledged bank deposits) as compared to HK$393.8 million (of which HK$115.7 million was pledged bank deposits) as at 31 March 2021. Most of the bank balances were placed in USD, HKD and RMB short term deposits with major banks. As at 31 March 2022, total bank borrowings of the Group were HK$85.6 million (which were all short-term bank borrowings and mainly denominated in HKD and USD), as compared to HK$93.6 million as at 31 March 2021. The Group had no borrowings at fixed interest rates during the Year. As at 31 March 2022, the gearing ratio (total bank borrowings to total equity) was 21.7%.

Throughout the Year, the Group performed effective deployment of cashflows and working capital management. Working capital cycles remained under stringent control. Inventory turnover is 71 days compared to 62 days of last corresponding year. The increase of inventory turnover days was mainly attributable to the higher inventory level of the manufacturing segment as at the year-end date to support the relatively higher order volume for delivery in the first quarter subsequent to the year-end date.

Trade receivable turnover is 51 days as compared to 50 days of the last corresponding year, reflecting the higher export sales in the fourth quarter of the Year on a year-on-year basis.

At 31 March 2022, no land and buildings (2021: HK$25.6 million) were pledged to banks to secure general banking facilities granted to the Group.

As at 31 March 2022, excluding the pledged bank deposits of HK$105.7 million which were pledged to banks to secure the general banking facilities of the Group, net cash balance of the Group was HK$102.0 million, as compared to HK$184.5 million as at 31 March 2021. Such decrease of HK$82.5 million in net cash was mainly attributable to the operating loss for the Year, the capital expenditure incurred for the purchase and corresponding renovation of the new head office premises of the Company and the payment of the final dividend declared for the year ended 31 March 2021 in 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 will continue to retain sufficient funds for meeting the financial obligations of its business when they fall due, supporting its business growth and financing its future investment.

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 increased to 81.0% (2021: 78.6%). The comparison of percentage of consolidated cost of sales is as follows:

	2022 ***HK$'000***	2021 *HK$'000*
Revenue	**588,269**	460,377
Cost of sales	**(476,223)**	(361,888)
Percentage of consolidated cost of sales	**81.0%**	78.6%

The increase of 2.4 percentage point in cost of sales was mainly due to (i) the significant cost pressure and inefficiencies arising from the widespread supply and logistical bottlenecks on top of an adverse impact of production stoppage caused by the outbreak of the COVID-19 variants during the Year, and (ii) the relatively higher growth rate of sales in the manufacturing segment for the Year.

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:

	2022 ***HK$'000***	2021 *HK$'000*	% *Changes*
Selling and distribution costs	**68,947**	59,288	16.3%
Administrative expenses	**74,322**	101,816	(27.0%)

Selling and distribution costs

	2022 ***HK$'000***	2021 *HK$'000*	Changes *HK$'000*	% *Changes*
Advertising & promotion expense	**15,738**	11,550	4,188	36.3%
Freight and handling charge	**5,415**	2,442	2,973	121.7%
Shop management fee	**11,546**	9,936	1,610	16.2%
Retail shop rental and running expenses	**12,839**	12,460	379	3.0%
Staff costs	**17,253**	18,071	(818)	(4.5%)
Other selling and distribution costs	**6,156**	4,829	1,327	27.5%
Total	**68,947**	59,288	9,659	16.3%

Advertising and promotion expense was essential for the retail operation and brand building, especially for promoting sales through e-commerce platform such as Tmall, Jingdong and Vips. The increase in advertising and promotion expense was attributable to (i) the increase of 43.8% in online sales and (ii) the Group's conscious brand-building efforts to enhance our brand awareness.

The increase of freight and handling charges was attributable to (i) the significant increase in export sales and (ii) the escalating freight costs against the backdrop of widespread delivery and logistical bottlenecks caused by the outbreak of the COVID-19 variants during the Year.

The increase of shop management fee was attributable to the increase of 16.0% in retail sales during the Year.

Administrative expenses

	2022 *HK$'000*	2021 *HK$'000*	Changes *HK$'000*	% *Changes*
Auditor's remuneration	**1,134**	1,527	(393)	(25.7%)
Depreciation and amortisation	**6,824**	3,496	3,328	95.2%
Entertainment and travelling	**1,946**	2,204	(258)	(11.7%)
Exchange (gain) loss	**(2,577)**	991	(3,568)	(360.0%)
Legal and professional fee	**2,304**	2,944	(640)	(21.7%)
Staff costs	**54,268**	71,305	(17,037)	(23.9%)
Office expenses	**4,177**	4,771	(594)	(12.5%)
Other administrative expenses	**6,246**	14,578	(8,332)	(57.2%)
Total	**74,322**	101,816	(27,494)	(27.0%)

The increase in depreciation and amortisation was mainly attributable to (i) the purchase of the new office premises as the Company's head office during the Year and (ii) the renovation of retail operation.

The decreases in staff costs and other administrative expenses were mainly attributable to (i) the complete cessation of the Group's manufacturing operation in Shenzhen and Dongguan in 2020, (ii) the decrease in staff costs as a result of the consolidated factory operation and streamlined human resources and operational management of the Group, (iii) the decrease in performance-based directors' emoluments and (iv) the Group's overall stringent cost control during the Year.

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

The Group's negative EBITDA for the Year is HK$8.9 million (2021: EBITDA of HK$270.6 million). The comparison of EBITDA is as follows:

	2022 *HK$'000*	2021 *HK$'000*
(Loss) profit for the year	**(26,697)**	255,298
Add:		
Finance costs	**2,908**	5,182
Income tax expenses (credit)	**163**	(355)
Depreciation	**14,763**	10,464
EBITDA	**(8,863)**	270,589

Operating loss

The Group incurred an operating loss before tax of HK$29.6 million for the Year (2021: HK$55.5 million). The comparison of operating loss is as follows:

	2022 **HK$'000**	2021 HK$'000
(Loss) profit before tax	**(26,534)**	254,943
Less:		
Increase in fair value of investment property	**3,051**	1,056
Gain on disposal of a subsidiary	**–**	278,139
Gain on disposal of assets classified as held for sale	**–**	31,292
Operating loss before tax	**(29,585)**	(55,544)

(Loss) profit before tax

The Group's loss before tax for the Year is HK$26.5 million (2021: profit before tax of HK$254.9 million).

(Loss) earnings per share

The Group's loss per share for the Year is HK5.8 cents (2021: earnings per share of HK56.7 cents).

Inventory turnover days

Inventory turnover days increased by 9 days to 71 days for the Year (2021: 62 days). The comparison of inventory turnover days is as follows:

	2022 **HK$'000**	2021 HK$'000
Revenue	**588,269**	460,377
Inventory as at 31 March	**114,902**	78,582
Inventory turnover days	**71 days**	62 days

The increase of inventory turnover days was mainly attributable to the higher inventory level of the manufacturing segment as at the year-end date to support the relatively higher order volume from the Group's customers for delivery in the first quarter subsequent to 31 March 2022.

Trade receivable turnover days

Trade receivable turnover days increased by 1 day to 51 days for the Year (2021: 50 days). The comparison of trade receivable turnover days is as follows:

	2022 **HK$'000**	2021 HK$'000
Revenue	**588,269**	460,377
Trade and bills receivables as at 31 March	**82,681**	62,699
Trade receivable turnover days	**51 days**	50 days

The trade receivable turnover days for the Year reflected the higher export sales in the fourth quarter of the Year on a year-on-year basis.

Other receivables

	2022 **HK$'000**	2021 HK$'000	Changes HK$'000	% Changes
Deposits paid to suppliers and vendors	**17,417**	9,151	8,266	90.3%
Other tax receivables	**3,603**	4,308	(705)	(16.4%)
Prepayment	**1,420**	1,183	237	20.0%
Rental and utilities deposits	**1,840**	2,220	(380)	(17.1%)
Others	**1,946**	2,278	(332)	(14.6%)
Total	**26,226**	19,140	7,086	37.0%

The substantial increase in deposits paid to suppliers and vendors was mainly attributable to the higher volume of purchase orders placed with the suppliers and vendors of the manufacturing segment as at 31 March 2022 to support the relatively higher order volume from the Group's customers for delivery in the first quarter subsequent to 31 March 2022.

Other payables and contract liabilities

	2022 HK$'000	2021 HK$'000	Changes HK$'000	% Changes
Accrued subcontracting and processing fees	**5,233**	1,558	3,675	235.9%
Franchise deposits received	**1,744**	1,816	(72)	(4.0%)
Other tax payables	**2,682**	3,408	(726)	(21.3%)
Other accruals and receipts in advance	**3,858**	1,647	2,211	134.2%
Wages payable	**7,160**	6,703	457	6.8%
Contract liabilities	**12,797**	12,270	527	4.3%
Others	**14,998**	19,514	(4,516)	(23.1%)
Total	**48,472**	46,916	1,556	3.3%

TREASURY POLICY

The Group continues to adopt prudent policies consistently to hedge exchange rate and interest rate risks associated with our core business. The revenue and cost are denominated in RMB, USD, HKD, VND and EUR. The Group considers the foreign exchange risk is not high as the Group will consider the foreign exchange effect of the terms of purchase and sale contracts dealt with foreign enterprises and enter into forward contracts to hedge the risks as deemed appropriate.

HUMAN RESOURCES

As at 31 March 2022, the Group has approximately 1,200 employees as compared to approximately 1,300 as at 31 March 2021. Such decrease is mainly attributable to the continuous internal rationalization and streamlining of both manufacturing and retail operations of the Group during 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. Total employee benefits expenses, including Directors' remunerations, of the Group amounted to HK$118.1 million for the Year (2021: HK$134.1 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 2022, the Group was involved in a litigation, details of which are set out in note 35 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 new Corporate Governance Code (the "New CG Code") as set out in the existing Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") has come into effect on 1 January 2022, their requirements are applicable to the financial year commencing on 1 January 2022 (which, in the case of the Company, means the financial year commencing from 1 April 2022). In March 2022, the Board resolved to adopt the code provisions contained in the New CG Code as the Company's corporate governance code to regulate the Company's corporate governance matters with effect from 1 April 2022.

During the year ended 31 March 2022, the Company's corporate governance practices were based on the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report contained in the previous Appendix 14 to the Listing Rules before the New CG Code came into effect (the "Code"). The Board is of the view that the Company complied with all the code provisions set out in the Code throughout the year ended 31 March 2022.

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 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 2022, the Board held seven Board meetings and the Company held one general meeting (i.e. the Annual General Meeting held on 25 August 2021 (the "2021 AGM")), the attendance of each director at the Board meetings and the 2021 AGM are set out as follows:

Name of director	Attendance at the 2021 AGM	Attendance at Board meetings
Mr. Martin Tung Hau Man	1/1	7/7
Mr. Billy Tung Chung Man	1/1	7/7
Mr. Raymond Tung Wai Man	1/1	7/7
Mr. Tony Chang Chung Kay	1/1	7/7
Mr. Robert Yau Ming Kim	1/1	6/7
Mr. Kenneth Yuen Ki Lok	1/1	7/7
Mr. Wilson Yu Wing Sang	1/1	7/7

To provide an opportunity to directors to include matters for discussion in the agenda, at least 14 days' notice of a regular 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 different 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 responsibilities, and 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

During the year ended 31 March 2022 and as at the date of this annual report, the Board consisted of the following 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
Ms. Lee Siu Mei (with effect from 1 May 2022)

The list of Directors (by category) is disclosed in all corporate communications issued by the Company and on the websites of the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Listing Rules.

The Company received from each of the independent non-executive directors an annual confirmation in respect of his/her independence pursuant to Rule 3.13 of the Listing Rules. All the independent non-executive directors are still considered to be independent.

The relationship among members of the Board is disclosed in "Directors' Report" from pages 25 to 26 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 from pages 25 to 26.

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. Having made specific enquiry of all directors, all directors confirmed that they had complied with the required standards set out in the Model Code throughout the year ended 31 March 2022. 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 director of a listed company. 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 2022 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. Wilson Yu Wing Sang	✓	✓

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 the 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, approving matters that are of a material or substantial nature and ensuring 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 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 CPD 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 Mr. Tony Chang Chung Kay, Mr. Robert Yau Ming Kim and Mr. Kenneth Yuen Ki Lok, all of whom are independent non-executive directors.

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 2022, 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

The following is a summary of the work of the Nomination Committee during the year ended 31 March 2022:

- Considered the appointment of Vice Chairman;
- 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 2021 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, an executive director and Mr. Tony Chang Chung Kay and Ms. Lee Siu Mei, both of whom are independent non-executive directors. Ms. Lee Siu Mei has been appointed as a member of the Remuneration Committee with effect from 1 May 2022.

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/her duties and responsibilities with the Company, his/her experience in the industry, the prevailing market conditions and the Group's performance. The Remuneration Committee ensures that no director or any of his/her associates is involved in deciding his/her 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 2022, the Remuneration Committee held two meetings, with attendance record as follows:

Name of member	Number of attendance
Mr. Robert Yau Ming Kim *(Chairman)*	2/2
Mr. Martin Tung Hau Man	2/2
Mr. Tony Chang Chung Kay	2/2

The following is a summary of the work of the Remuneration Committee during the year ended 31 March 2022:

- Determined, with delegated responsibility, the remuneration packages of individual executive directors;
- Made recommendations to the Board on the remuneration of Vice Chairman and independent non-executive directors; and
- Approved annual bonus for the year ended 31 March 2022.

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.

D.1 Remuneration of senior management

The range of remuneration paid and payable to the members of the senior management (other than the directors) of the Group for the year ended 31 March 2022 is set out as follows:

Remuneration range	Number of persons
HK$500,001 to HK$1,000,000	4
HK$1,000,001 to HK$1,500,000	1
HK$1,500,001 to HK$2,000,000	1

E. AUDIT COMMITTEE

All the members of the Audit Committee are independent non-executive directors, namely Mr. Kenneth Yuen Ki Lok, Mr. Tony Chang Chung Kay, Mr. Robert Yau Ming Kim and Ms. Lee Siu Mei (with effect from 1 May 2022). The Audit Committee is chaired by Mr. Kenneth Yuen Ki Lok, 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 2022, the Audit Committee held three meetings, with attendance record as follows:

Name of member	Number of attendance
Mr. Kenneth Yuen Ki Lok *(Chairman)*	3/3
Mr. Tony Chang Chung Kay	3/3
Mr. Robert Yau Ming Kim	3/3

At the meetings, the Audit Committee reviewed the audited financial statements for the year ended 31 March 2021 and the interim accounts for the six months ended 30 September 2021 respectively with management and the Company's external auditor. The Audit Committee 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 2022 was 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 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" contains 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 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 occurrences. 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 or 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 that the confidentiality of the same will be preserved until it is publicly disclosed.

The Company has formulated policies on information disclosure and has regularly reminded directors and its employees to properly comply with relevant policies on inside information. At the same time, the Company will notify the directors, senior management and employees the latest guidance announced by the regulatory body on such information disclosure from time to time to keep all of them abreast of the latest requirements.

With respect to the procedures and internal controls for the handling and dissemination of inside information, the Group has taken reasonable measures to:

i. restrict the access of confidential information to a limited number of employees on a need-to-know basis;

ii. prohibit unauthorised use of confidential or inside information by the management and all employees; and

iii. disclose inside information as soon as reasonably practicable in accordance with the prevailing requirements under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) and the Listing Rules.

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 so as 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 2022, the Group complied with all the risk management and internal control code provisions set out in the Code.

The Group regards periodic review of internal control systems as 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, the risk management and internal control systems are sufficient to ensure the effective operation of the Group. The review shall be conducted once every year. During the year, a review was conducted and the Board considered the risk management and internal control systems of the Group 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 2022 is set out as follows:

Services rendered	**Fee** *HK$'000*
Audit service	855
Non-audit services *(note)*	279

Note: The non-audit services mainly included interim results review, results announcement and others.

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 2021 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 Chairman of the Remuneration Committee attended the 2021 AGM and were available to answer questions from 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:	Office A, 26th Floor, EGL Tower, No. 83 Hung To Road, 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 ended 31 March 2022, the Company did not make 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 2021 AGM.

At the 2022 Annual General Meeting (the "2022 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 2022 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 preserving 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

Mr. Dickson Chu Pui Ki of APEC Corporate Services Limited, an external service provider, has been appointed as the company secretary with effect from 1 April 2021. The primary contact person of the company secretary at the Company is Ms. Cheung Yiu Shan (Group Chief Financial Officer).

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 March 2022.

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 21% and 54%, respectively. The aggregate purchases attributable to the Group's largest and five largest suppliers were 5% and 22%, 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 2022 and the financial position of the Group at that date are set out in the consolidated financial statements on pages 32 to 35.

The board of directors (the "Board") has recommended the payment of a final dividend for the year ended 31 March 2022 of HK0.5 cent per share (2021: HK1.5 cents per share). Subject to shareholders' approval at the annual general meeting of the Company, the final dividend will be paid on 16 September 2022 to shareholders whose names appear on the register of members of the Company on 2 September 2022.

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 ended 31 March 2021. A final dividend of HK1.5 cents per share for the year ended 31 March 2021 was paid by the Company in September 2021.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 March 2022 represented the retained profits of HK$72,686,000 (2021: HK$94,508,000).

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 5 to 6 and from pages 7 to 14 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 37(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 37(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 foreign currency forward contracts to hedge the risks as deemed appropriate.

Details of the currency risk are set out in note 37(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 bank balances and bank 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 37(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 in July 2022.

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 7 to 14 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 2022 are set out in note 30 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

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 2022.

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
Ms. Lee Siu Mei (with effect from 1 May 2022)

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. Raymond Tung Wai Man, Tony Chang Chung Kay and Kenneth Yuen Ki Lok 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, Ms. Lee Siu Mei shall retire and, being eligible, offer herself 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 2022 or during the period from 1 April 2022 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 47, 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 45, 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 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 56, 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 66, 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 83, 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 Organisation) in Geneva, Switzerland and was awarded GATT Fellowship after his attachment. He is currently an independent non-executive director of Parkson Retail Group Limited and Alltronics Holdings Limited respectively, the shares of which are listed on the Main Board of the Stock Exchange.

Kenneth Yuen Ki Lok
Chairman of Audit Committee
Member of Nomination Committee
Aged 47, 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. He 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 56, was appointed as an independent non-executive director in 2021. Mr. Yu holds a Diploma in Legal Studies from University of Hong Kong, School of Professional and Continuing Education. He has over 25 years' experience in advising and handling company legal matters and conveyancing business. He has joined a law firm since 2004 and is currently a legal executive.

Lee Siu Mei
Member of Audit Committee and Remuneration Committee
Aged 48, was appointed as an independent non-executive director with effect from 1 May 2022. Ms. Lee is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. She holds a Bachelor of Business Administration Degree in Professional Accountancy from The Chinese University of Hong Kong and a Master of Science Degree in Engineering Business Management from The University of Warwick.

Ms. Lee has more than 20 years of financial management, business development and operational experience in the garment and fashion retail industries. She was the chief financial officer of ENM Holdings Limited (a company listed on the Main Board of the Stock Exchange) from 2016 to 2020. From 1999 to 2016, she worked for the Company with the last positions as the group chief financial officer and the company secretary of the Company. She also worked for an international accounting firm for about 3 years.

Senior Management:

Jessie Cheung Yiu Shan
Aged 51, is the group chief financial officer of the Company. She has over 18 years of financial experience. Prior to joining the Company in 2016, she worked as group financial controller at a company listed on the London Stock Exchange and worked for an international accounting firm for about 5 years. She holds a Bachelor of Business Degree from University of Technology, Sydney of Australia.

Eugene Cheng Kam Fai
Aged 62, is the human resources director of the Company. From 2002 to 2012, Mr. Cheng worked for the Company with the last position as the general manager of Group human resources department. He rejoined the Company in 2019. He has over 30 years' experience in professional human resources management in various industries, including banking, manufacturing and service. He holds a Bachelor of Arts Degree and a Master of Business Administration Degree from the Executive MBA programme at the Chinese University of Hong Kong.

Li Ka Ki
Aged 41, is the sales director of manufacturing and sales of garment products division of the Group. Prior to joining the Group in 2011, he worked for a global trading company for over 4 years. He has over 18 years of experience in the garment industry. He is the son-in-law of Mr. Benson Tung, the brother-in-law of Mr. Martin Tung and Mr. Billy Tung and the cousin-in-law of Mr. Raymond Tung.

Kinny Lee Shuk Kin
Aged 54, is the general manager of manufacturing and sales of garment products division of the Group. She joined the Group in 2003 and has over 30 years' experience in the garment sales and manufacturing industry. She is responsible for the Group's factory operation and garment sales in the PRC. She holds a Post-experience Certificate in Apparel Merchandising from The Hong Kong Polytechnic University.

Elaine Leung Siu Chun
Aged 63, is the administration & human resources director of retail of garment products division of the Group. She joined the Group in 2003 and has over 18 years' experience in human resources management in the PRC retail business division.

Joe Chiu Tin Chor
Aged 42, is e-commerce director of retail of garment products division of the Group. He joined the Group in 2008. He is an associate member of the Hong Kong Institute of Certified Public Accountants. He holds a Bachelor of Business Administration Degree from The Chinese University of Hong Kong and a Master of Professional Accounting from The Hong Kong Polytechnic University. He is the nephew of Mr. Benson Tung, the cousin of Mr. Martin Tung and Mr. Billy Tung.

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

As at 31 March 2022, 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 2022, 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 34 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 2022, 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)*	32,986,000	7.31%
Wykeham Capital Limited	Investment manager *(note b)*	32,986,000	7.31%
Thomas Howel Gruffudd Rhys	Interest of controlled corporation *(note b)*	32,986,000	7.31%
Webb David Michael	Beneficial owner *(note c)* Interest of controlled corporation *(note c)*	13,799,000 18,189,000	3.06% 4.03%

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 17 January 2022, he was deemed to be interested in the 32,986,000 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 17 November 2021, he is beneficial owner of 13,799,000 shares. In addition, 18,189,000 shares are held by Preferable Situation Assets Limited, a company 100% controlled by Webb David Michael. In total, he is interested in 31,988,000 shares, representing 7.09% of the issued shares of the Company as at 31 March 2022.

(d) The percentage of shareholding is calculated based on the total number of issued shares of the Company in issue as at 31 March 2022. As at 31 March 2022, 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/her 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 2022, 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 15 to 21 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 2022 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$21,000.

AUDITOR

The consolidated financial statements for the year ended 31 March 2022 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 2022

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 32 to 86, which comprise the consolidated statement of financial position as at 31 March 2022, 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 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Valuation of inventories	
We identified the valuation of inventories as a key audit matter due to the use of judgement and estimates by the management in estimating the allowance for inventories. In determining the allowance for inventories, the management considers the aging analysis, current market trends, and makes an estimate of net realisable value for obsolete and slow-moving inventories that are no longer popular in the market with reference to subsequent sales or usage information. As disclosed in note 23 to the consolidated financial statements, the carrying amount of inventories was HK$114,902,000 (2021: HK$78,582,000) as at 31 March 2022. During the year ended 31 March 2022, reversal of allowance for inventories of HK$5,452,000 (2021: allowance for inventories of HK$5,905,000) 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$8,015,000 (2021: HK$4,935,000). As disclosed in note 17 to the consolidated financial statements, the carrying amount of right-of-use assets was HK$18,950,000 (2021: HK$20,808,000) as at 31 March 2022. 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 for the years ended 31 March 2022 and 2021.	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 Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 judgment 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 Wong, Ho Fung.

D & PARTNERS CPA LIMITED
Certified Public Accountants
Wong Ho Fung
Practising Certificate No.: P07542

Hong Kong
28 June 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
Revenue	5,6	**588,269**	460,377
Cost of sales		**(476,223)**	(361,888)
Gross profit		**112,046**	98,489
Other income and other gain	7	**4,972**	43,060
Net (impairment loss) reversal of impairment loss recognised on financial assets	9	**(122)**	450
Increase in fair value of investment property	18	**3,051**	1,056
Gain on disposal of a subsidiary	31	**–**	278,139
Selling and distribution costs		**(68,947)**	(59,288)
Administrative expenses		**(74,322)**	(101,816)
Finance costs	8	**(2,908)**	(5,182)
Share of (loss) profit of an associate		**(304)**	35
(Loss) profit before tax	10	**(26,534)**	254,943
Income tax (expenses) credit	13	**(163)**	355
(Loss) profit for the year		**(26,697)**	255,298
(Loss) profit for the year attributable to:			
Owners of the Company		**(26,064)**	255,996
Non-controlling interests		**(633)**	(698)
		(26,697)	255,298
(Loss) earnings per share			
Basic and diluted *(HK cents)*	15	**(5.8)**	56.7

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

	2022	2021
	HK$'000	*HK$'000*
(Loss) profit for the year	**(26,697)**	255,298
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translating foreign operations:		
— exchange differences arising during the year	**4,319**	9,996
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	**2,218**	18,012
Other comprehensive income for the year	**6,537**	28,008
Total comprehensive (expense) income for the year	**(20,160)**	283,306
Total comprehensive (expense) income for the year attributable to:		
Owners of the Company	**(19,527)**	284,004
Non-controlling interests	**(633)**	(698)
	(20,160)	283,306

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
Non-current assets			
Investment property	18	**27,017**	21,600
Property, plant and equipment	16	**57,482**	20,852
Right-of-use assets	17	**18,950**	20,808
Intangible asset	19	**–**	–
Interests in an associate	20	**507**	811
Deferred tax assets	22	**12**	34
		103,968	64,105
Current assets			
Inventories	23	**114,902**	78,582
Trade and other receivables	24	**108,907**	81,839
Pledged bank deposits	25	**105,704**	115,704
Bank balances and cash	25	**187,551**	278,082
		517,064	554,207
Current liabilities			
Trade and other payables	26	**113,663**	74,754
Contract liabilities	27	**12,797**	12,270
Lease liabilities	28	**6,748**	5,633
Amount due to an associate		**–**	544
Tax liabilities		**171**	58
Bank borrowings	29	**85,598**	93,590
		218,977	186,849
Net current assets		**298,087**	367,358
Total assets less current liabilities		**402,055**	431,463

	Notes	2022 HK$'000	2021 HK$'000
Non-current liabilities			
Lease liabilities	28	**7,247**	9,658
Deferred tax liabilities	22	**723**	794
		7,970	10,452
		394,085	421,011
Capital and reserves			
Share capital	30	**254,112**	254,112
Reserves		**151,213**	177,506
Equity attributable to owners of the Company		**405,325**	431,618
Non-controlling interests		**(11,240)**	(10,607)
		394,085	421,011

The consolidated financial statements on pages 32 to 86 were approved and authorised for issue by the Board of Directors on 28 June 2022 and are signed on its behalf by:

Billy Tung Chung Man
DIRECTOR

Raymond Tung Wai Man
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2022

	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 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 30)*	–	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
Loss for the year	–	–	–	–	–	(26,064)	(26,064)	(633)	(26,697)
Exchange differences arising on translation of foreign operations	–	–	–	–	4,319	–	4,319	–	4,319
Gain on revaluation of a property transferred from property, plant and equipment to investment property	–	–	2,218	–	–	–	2,218	–	2,218
Total comprehensive (expense) income for the year	–	–	2,218	–	4,319	(26,064)	(19,527)	(633)	(20,160)
Transfer to statutory reserve	–	–	–	235	–	(235)	–	–	–
Dividends recognised as distribution *(note 14)*	–	–	–	–	–	(6,766)	(6,766)	–	(6,766)
At 31 March 2022	**254,112**	**–**	**20,230**	**3,676**	**(10,371)**	**137,678**	**405,325**	**(11,240)**	**394,085**

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 2022

	2022 *HK$'000*	2021 *HK$'000*
OPERATING ACTIVITIES		
(Loss) profit before tax	**(26,534)**	254,943
Adjustments for:		
Depreciation of property, plant and equipment	**7,217**	5,008
Depreciation of right-of-use assets	**7,546**	5,456
Increase in fair value of investment property	**(3,051)**	(1,056)
Finance costs	**2,908**	5,182
Gain on disposal of a subsidiary	**–**	(278,139)
Net impairment loss (reversal of impairment loss) recognised on financial assets	**122**	(450)
Gain on disposal/write-off of property, plant and equipment	**(451)**	(75)
Gain on lease modification	**(16)**	–
Gain on termination of leases	**(134)**	–
Gain on disposal of assets classified as held for sale	**–**	(31,292)
(Reversal of allowance for inventories) allowance for inventories	**(5,452)**	5,905
Interest income	**(2,082)**	(1,201)
Share of loss (profit) of an associate	**304**	(35)
Operating cash flows before movements in working capital	**(19,623)**	(35,754)
(Increase) decrease in inventories	**(27,368)**	15,319
(Increase) decrease in trade and other receivables	**(25,043)**	12,486
Increase (decrease) in trade and other payables	**35,477**	(5,539)
Increase (decrease) in contract liabilities	**107**	(147)
(Decrease) increase in amount due to an associate	**(544)**	544
Cash used in operations	**(36,994)**	(13,091)
Taxation in other jurisdictions paid	**(103)**	(158)
NET CASH USED IN OPERATING ACTIVITIES	**(37,097)**	(13,249)
INVESTING ACTIVITIES		
Withdrawal of pledged bank deposits	**20,000**	6,000
Interest received	**2,082**	1,201
Proceeds from disposal of property, plant and equipment	**586**	287
Refund of deposits for right-of-use assets	**381**	–
Net cash inflow from disposal of a subsidiary	**–**	283,988
Net cash inflow from disposal of assets classified as held for sale	**–**	75,088
Acquisition of investment in an associate	**–**	(776)
Placement of pledged bank deposits	**(10,000)**	(5,000)
Deposits paid for right-of-use assets	**(290)**	(459)
Purchase of property, plant and equipment	**(43,578)**	(2,382)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(30,819)**	357,947

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2022

	2022 *HK$'000*	2021 *HK$'000*
FINANCING ACTIVITIES		
Bank borrowings raised	**209,273**	178,568
Interest paid	**(2,004)**	(4,380)
Dividends paid	**(6,766)**	(117,819)
Repayment of lease liabilities, including related interests	**(7,721)**	(5,424)
Repayment of bank borrowings	**(218,209)**	(238,857)
NET CASH USED IN FINANCING ACTIVITIES	**(25,427)**	(187,912)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(93,343)**	156,786
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**278,082**	114,138
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**2,812**	7,158
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**187,551**	278,082

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 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 periods beginning on or after 1 April 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" which determining the net realisable value of inventories.

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

Impacts on application of the agenda decision of the Committee – Cost necessary to sell inventories (HKAS 2 Inventories)

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group's accounting policy prior to the Committee's agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee's agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other cost necessary to sell inventories. The new accounting policy has been applied retrospectively.

The application of the Committee's agenda decision has had no material impact on the Group's financial positions and performance.

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

New and amendments to HKFRSs and the new interpretation issued but not yet effective

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

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKFRS 4	Extension of the Temporary Exemption from Applying HKFRS 9[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-Scope Amendments[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 17 and Amendments to HKFRS 17	Insurance Contracts[2]
Accounting Guideline 5 (revised)	Merger Accounting for Common Control Combinations[1]
HK Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[1]

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 No mandatory effective date is determined yet, but early application is permitted.

The directors of the Company anticipate that the application of all the new and amendments to HKFRSs and the new interpretation 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 *Leases* ("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.

Investment 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)*

Investment 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 asset, 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 or joint venture.

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 a 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 lessee

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 leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

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

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

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

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

Refundable rental deposits

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

Lease liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee (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 Contracts with Customers* ("HKFRS 15") 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.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivables as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income and other gain".

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 for the year. Taxable profit differs from '(loss) profit 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

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

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

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

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" 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 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.

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. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Investment in subsidiaries

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

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

A financial asset is classified as held for trading if:

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

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

(i) Amortised cost and interest income

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(ii) Financial assts at FVTPL

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

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

Impairment of financial assets

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

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

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

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

(i) Significant increase in credit risk

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (Continued)

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

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

(ii) Definition of default

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Derecognition of financial assets

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

Financial liabilities and equity instruments

Classified as debtor 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, amount due to an associate 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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

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

Provision of ECL for on trade and bills receivables

The Group uses provision matrix to calculate ECL for the trade and bills receivables. The provision rates are assessed individually and based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade and bills receivables with significant balances and credit impaired are assessed for ECL individually. The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade and bills receivables are disclosed in note 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 2022 was HK$114,902,000 (net of reversal of allowance for inventories of HK$5,452,000) (2021: HK$78,582,000 (net of allowance for inventories of HK$5,905,000)).

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 2022, the carrying amount of plant and machinery, furniture, fixture and equipment and leasehold improvements was HK$8,015,000 (2021: HK$4,935,000), and the carrying amount of right-of-use assets was HK$18,950,000 (2021: HK$20,808,000). 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 for the years ended 31 March 2022 and 2021. Details are set out in notes 16 and 17 respectively.

5. REVENUE

(i) Disaggregation of revenue from contracts with customers

	For the year ended 31 March 2022		
	Manufacturing and sales of garment products *HK$'000*	**Retail of garment products** *HK$'000*	**Total** *HK$'000*
At point in time	**362,867**	**225,402**	**588,269**
Geographical markets			
The PRC	**66,019**	**225,402**	**291,421**
The United States of America (the "USA")	**144,943**	**–**	**144,943**
Canada	**124,233**	**–**	**124,233**
Others	**27,672**	**–**	**27,672**
Total	**362,867**	**225,402**	**588,269**

	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 USA	86,804	–	86,804
Canada	84,647	–	84,647
Others	30,105	–	30,105
Total	266,068	194,309	460,377

5. REVENUE *(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 2022:

	Asia *HK$'000*	North America *HK$'000*	Europe and others *HK$'000*	Consolidated *HK$'000*
REVENUE				
Sales of goods – external	300,800	269,176	18,293	588,269
SEGMENT PROFIT (LOSS)	10,011	(1,654)	(292)	8,065
Increase in fair value of investment property				3,051
Finance costs				(2,908)
Unallocated income				4,972
Unallocated expenses				(39,410)
Share of loss of an associate				(304)
Loss before tax				(26,534)

6. SEGMENTAL INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit (loss) earned (incurred) 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 investment property, gain on disposal of a subsidiary, share of (loss) 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:

	2022 ***HK$'000***	2021 *HK$'000*
The PRC	**291,421**	258,821
The USA	**144,943**	86,804
Canada	**124,233**	84,647
Others	**27,672**	30,105
	588,269	460,377

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:

	2022	2021
	HK$'000	*HK$'000*
Hong Kong	**41,964**	8,150
The PRC	**43,798**	38,118
Vietnam	**17,687**	16,992
	103,449	63,260

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

Information about major customers

For the year ended 31 March 2022, there is one external customer in North America and one external customer in Asia operating segment (2021: one external customer in North America operating segment) who contributed over 10% of the total sales of the Group. Their contributions were approximately HK$192 million (2021: HK$64 million).

7. OTHER INCOME AND OTHER GAIN

	2022	2021
	HK$'000	*HK$'000*
Bank interest income	**2,082**	1,201
Government subsidies *(Note)*	**1,430**	6,051
Other income	**859**	4,441
Gain on disposal/write-off of property, plant and equipment	**451**	75
Gain on termination of leases	**134**	–
Gain on lease modification	**16**	–
Gain on disposal of assets classified as held for sale	**–**	31,292
	4,972	43,060

Note: During the current year, no government grants related to Employment Support Scheme due to coronavirus disease 2019 epidemic provided by the Government of the Hong Kong Special Administrative Region was recognised (2021: HK$3,201,000) and HK$1,430,000 (2021: HK$2,850,000) related to subsidies provided by the Government of the PRC was recognised.

8. FINANCE COSTS

	2022	2021
	HK$'000	*HK$'000*
Bank borrowings	**2,004**	4,380
Interest on lease liabilities	**904**	802
	2,908	5,182

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

	2022 **HK$'000**	2021 HK$'000
Net (impairment loss) reversal of impairment loss recognised on:		
Trade and bill receivables	**(114)**	838
Other receivables	**(8)**	(388)
	(122)	450

10. (LOSS) PROFIT BEFORE TAX

	2022 **HK$'000**	2021 HK$'000
(Loss) profit before tax has been arrived at after charging (crediting):		
Directors' remunerations:		
Fees	**1,090**	830
Other emoluments	**7,855**	11,425
Contributions to retirement benefit schemes	**108**	101
	9,053	12,356
Other employee benefits expenses:		
Salaries, allowances and bonus	**98,123**	108,962
Contributions to retirement benefit schemes	**10,932**	12,781
Total employee benefits expenses	**118,108**	134,099
Auditor's remuneration		
– Audit service	**855**	805
– Non-audit services	**279**	722
Cost of inventories recognised as an expense (including reversal of allowance for inventories of HK$5,452,000 (2021: allowance for inventories of HK$5,905,000))	**476,223**	361,888
Depreciation of property, plant and equipment	**7,217**	5,008
Depreciation of right-of-use assets	**7,546**	5,456
Gain on disposal of assets classified as held for sale	**–**	(31,292)
Gain on disposal/write off of property, plant and equipment	**(451)**	(75)
Net exchange (gain) loss	**(2,577)**	991

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:

2022

	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*	Wilson Yu Wing Sang *HK$'000* *(Note d)*	Total *HK$'000*
Fees	190	100	100	190	220	190	100	1,090
Other emoluments:								
Salaries and other benefits	2,275	2,170	2,210	–	–	–	–	6,655
Performance related incentive payments *(Note)*	500	500	200	–	–	–	–	1,200
Contributions to retirement benefit schemes	36	36	36	–	–	–	–	108
Total emoluments	3,001	2,806	2,546	190	220	190	100	9,053

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	2,275	1,570	2,210	–	–	–	–	6,055
Performance related incentive payments *(Note)*	2,800	2,170	400	–	–	–	–	5,370
Contributions to retirement benefit schemes	36	29	36	–	–	–	–	101
Total emoluments	5,199	3,819	2,696	180	188	142	132	12,356

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.

(d) Mr. Wilson Yu Wing Sang has been appointed as an independent non-executive director of the Company with effect from 1 April 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 (2021: three) were directors of the Company whose emoluments are included in the disclosures in note 11 above. The emoluments of the remaining two (2021: two) individuals were as follows:

	2022	2021
	HK$'000	*HK$'000*
Salaries and other benefits	**2,948**	2,598
Performance related incentive payments *(Note)*	**326**	414
Contributions to retirement benefits schemes	**38**	36
	3,312	3,048

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

The emoluments were within the following bands:

	Number of employee	
	2022	2021
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**1**	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 (EXPENSES) CREDIT

	2022 HK$'000	2021 HK$'000
Current tax:		
Hong Kong	–	–
The PRC	(212)	(56)
	(212)	(56)
Deferred taxation *(note 22)*	49	411
	(163)	355

No provision for Hong Kong Profits Tax is made for the years ended 31 March 2022 and 2021 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%.

PRC subsidiaries, which are micro and small enterprises, enjoy the preferential tax rates. According to the EIT Law and the Implementation Regulation of the EIT Law, an entity qualified as micro and small enterprises is subject to preferential tax treatments.

From 1 January 2019 to 31 December 2020, the annual taxable income not more than RMB1,000,000 of a micro and small enterprises is subject to Enterprise Income Tax (the "EIT") calculated at 25% of its taxable income at a tax rate of 20% and the annual taxable income between RMB1,000,000 and RMB3,000,000 is calculated at 50% of its taxable income at a tax rate of 20%. From 1 January 2021 to 31 December 2021, the annual taxable income not more than RMB1,000,000 of a micro and small enterprises is subject to the EIT calculated at 12.5% of its taxable income at a tax rate of 20% and the annual taxable income between RMB1,000,000 and RMB3,000,000 is calculated at 50% of its taxable income at a tax rate of 20%. From 1 January 2022 to 31 December 2022, the annual taxable income not more than RMB1,000,000 of a micro and small enterprises is subject to the EIT calculated at 12.5% of its taxable income at a tax rate of 20% and the annual taxable income between RMB1,000,000 and RMB3,000,000 is calculated at 25% of its taxable income at a tax rate of 20%. Pursuant to the Notice of the Ministry of Finance and the State Taxation Administration issued in March 2022, the annual taxable income between RMB1,000,000 and RMB3,000,000 will be calculated at 25% of its taxable income at a tax rate of 20%, effective until 31 December 2024.

During the year ended 31 March 2022, there are two subsidiaries (2021: one subsidiary) of the Company qualified as micro and small enterprises and subject to the relevant preferential tax treatments.

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

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

	2022 *HK$'000*	2021 *HK$'000*
(Loss) profit before tax	**(26,534)**	254,943
Tax at the Hong Kong Profits Tax rate of 16.5%	**4,378**	(42,066)
Tax effect of expenses not deductible for tax purpose	**(2,771)**	(8,130)
Tax effect of income not taxable for tax purpose	**1,879**	52,931
Tax effect of tax losses not recognised	**(6,346)**	(11,241)
Utilisation of tax losses previously not recognised	**3,944**	9,217
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(1,247)**	(356)
Income tax (expenses) credit	**(163)**	355

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

14. DIVIDEND

	2022 *HK$'000*	2021 *HK$'000*
Dividend recognised as distribution during the year:		
Final dividend (HK1.5 cents per share)	**6,766**	–
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
	6,766	117,819

The board of directors (the "Board") has recommended the payment of a final dividend for the year ended 31 March 2022 of HK0.5 cent per share (2021: HK1.5 cents per share). Subject to shareholders' approval at the annual general meeting of the Company, the final dividend will be paid on 16 September 2022 to shareholders whose names appear on the register of members of the Company on 2 September 2022. The payment date of the final dividend for the year ended 31 March 2021 was Wednesday, 15 September 2021.

On 13 November 2020, the Board 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 were 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 was Thursday, 10 December 2020.

On 27 November 2020, the Board resolved to declare an interim dividend of HK2.2 cents per share for the six months ended 30 September 2020 and a special dividend of HK22.17 cents per share ("2nd Special Dividend") in relation to a disposal of a subsidiary, details of which were 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 interim dividend and 2nd Special Dividend was Wednesday, 23 December 2020.

15. BASIC AND DILUTED (LOSS) EARNINGS PER SHARE

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

	2022 *HK$'000*	2021 *HK$'000*
(Loss) profit for the year attributable to owners of the Company	**(26,064)**	255,996

	2022	2021
Weighted average number of ordinary shares in issue during the year for the purposes of basic and diluted (loss) earnings per share	**451,067,557**	451,116,872

No diluted (loss) earnings per share is presented as there was no potential dilutive ordinary share outstanding for the years ended 31 March 2022 and 2021.

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 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
Exchange adjustments	**256**	**1,126**	**1,859**	**39**	**3,280**
Additions	**36,781**	**2,735**	**4,062**	**–**	**43,578**
Disposals/write-off	**–**	**(16,742)**	**(17,114)**	**(131)**	**(33,987)**
Transfer to investment property *(note 18)*	**(811)**	**(223)**	**–**	**–**	**(1,034)**
At 31 March 2022	**70,392**	**27,777**	**91,540**	**6,215**	**195,924**
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 April 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
Exchange adjustments	**79**	**1,052**	**1,644**	**27**	**2,802**
Provided for the year	**2,404**	**1,951**	**1,920**	**942**	**7,217**
Eliminated on disposals/write-off	**–**	**(16,756)**	**(16,965)**	**(131)**	**(33,852)**
Transfer to investment property *(note 18)*	**(737)**	**(223)**	**–**	**–**	**(960)**
At 31 March 2022	**23,304**	**24,883**	**86,419**	**3,836**	**138,442**
CARRYING VALUES					
At 31 March 2022	**47,088**	**2,894**	**5,121**	**2,379**	**57,482**
At 31 March 2021	12,608	2,022	2,913	3,309	20,852

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 to secure general banking facilities granted to the Group. The pledge arrangement has been released subsequently and there is no buildings being pledged as at 31 March 2022.

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 years ended 31 March 2022 and 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 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
Exchange adjustments	**95**	**725**	**820**
Additions	**–**	**7,342**	**7,342**
Lease modification	**–**	**(1,049)**	**(1,049)**
Termination of leases	**–**	**(5,194)**	**(5,194)**
Transfer to investment property *(note 18)*	**(138)**	**–**	**(138)**
At 31 March 2022	**8,785**	**22,839**	**31,624**
ACCUMULATED DEPRECIATION			
At 1 April 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
Exchange adjustments	**22**	**265**	**287**
Provided for the year	**207**	**7,339**	**7,546**
Lease modification	**–**	**(176)**	**(176)**
Termination of leases	**–**	**(3,954)**	**(3,954)**
Transfer to investment property *(note 18)*	**(64)**	**–**	**(64)**
At 31 March 2022	**2,854**	**9,820**	**12,674**
CARRYING VALUES			
At 31 March 2022	**5,931**	**13,019**	**18,950**
At 31 March 2021	6,139	14,669	20,808

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$1,483,000 (2021: HK$1,982,000).

The total cash outflow for leases is HK$9,204,000 (2021: HK$7,406,000).

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 2022 and 2021, 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 2022 and 2021, the Group has no leases that are committed but not yet commenced. The maturity of lease liabilities is presented in note 28.

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

For the years ended 31 March 2022 and 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 for the years ended 31 March 2022 and 2021..

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
Transferred from property, plant and equipment	**74**
Transferred from right-of-use assets	**74**
Increase in fair value recognised in other comprehensive income	**2,218**
Increase in fair value recognised in profit or loss	**3,051**
At 31 March 2022	**27,017**

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

	Fair value hierarchy	**2022** ***HK$'000***	2021 *HK$'000*
Property in the PRC	Level 3	**27,017**	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 2022 and 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 31 March 2022, 1 October 2021, 31 March 2021 and 1 October 2020 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.

For the year ended 31 March 2022

The fair value was determined by the income approach. The income approach operates by taking into account the rental income of the property derived from the existing tenancies with due allowance for the potential reversionary income of the tenanted and vacant portions, which are then capitalised at an appropriate capitalisation rate.

During the year ended 31 March 2022, there was a change in valuation technique on investment property from direct comparison method and depreciated replacement cost method to income approach since management considered this measurement approach is representing the highest and best use of the property by a market participant in the current economic condition.

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

18. INVESTMENT PROPERTY *(Continued)*

Under the income approach, one of the key inputs used in valuing the building and structures was the rental value per square meter which ranged from HK$11 to HK$29. The higher the prevailing market rents would result in the higher the fair value measurement of the investment property, and vice versa.

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

For the year ended 31 March 2021

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

19. INTANGIBLE ASSET

	Trademark *HK$'000*
COST	
At 1 April 2020 and 31 March 2021	774
Disposals/write-off	**(774)**
At 31 March 2022	**–**
AMORTISATION	
At 1 April 2020 and 31 March 2021	774
Eliminated on disposals/write-off	**(774)**
At 31 March 2022	**–**
CARRYING VALUES	
At 31 March 2022	**–**
At 31 March 2021	–

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

20. INTERESTS IN AN ASSOCIATE

	2022 *HK$'000*	2021 *HK$'000*
Cost of investment in an associate — unlisted	**776**	776
Share of post-acquisition (loss) profit	**(269)**	35
	507	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
			2022	2021	**2022**	2021	
Hengli Garment Technology Company Limited ("Hengli")	Vietnam	Vietnam	**25%**	25%	**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

	2022 *HK$'000*	2021 *HK$'000*
The Group's share of (loss) profit from continuing operations	**(304)**	35
Aggregate carrying amount of the Group's interests in an associate	**507**	811

21. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

General information of subsidiaries

Particulars of the Company's principal subsidiaries at 31 March 2022 and 2021 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		
		2022	2021	2022 %	2021 %	2022 %	2021 %	
Fintech (HK) Limited	Hong Kong	Ordinary shares HK$10,000	Ordinary shares HK$10,000	–	–	100	100	Property investment
Tungtex International Limited	Hong Kong	Ordinary shares HK$20,000,000	Ordinary shares HK$20,000,000	–	–	100	100	Garment trading
Tungtex Trading Company Limited	Hong Kong	Ordinary shares HK$6,000,000	Ordinary shares HK$6,000,000	100	100	–	–	Garment trading
中山同得仕絲綢服裝有限公司	PRC	Registered and paid up capital HK$38,800,000	Registered and paid up capital HK$38,800,000	–	–	100	100	Garment manufacture
深圳百多爾時裝有限公司	PRC	Registered capital RMB202,000,000/ paid up capital RMB196,000,000	Registered capital RMB202,000,000/ 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 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 2020	(1,171)
Credit to profit or loss	411
At 31 March 2021	(760)
Credit to profit or loss	**49**
At 31 March 2022	**(711)**

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

	2022 ***HK$'000***	2021 *HK$'000*
Deferred tax assets	**12**	34
Deferred tax liabilities	**(723)**	(794)
	(711)	(760)

At 31 March 2022, the Group has unused tax losses of approximately HK$460 million (2021: HK$552 million) available for offset against future profits. No deferred tax asset has been recognised in respect of the HK$460 million (2021: HK$552 million) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$202 million (2021: HK$217 million) that can be carried forward for one to five years and losses of approximately HK$60 million (2021: HK$139 million) that can be carried forward up to twenty years. Unrecognised tax losses of HK$111 million (2021: HK$23 million) expired during the year. Other unrecognised tax losses may be carried forward indefinitely.

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

At 31 March 2022, 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 RMB3,669,000 (equivalent to HK$4,524,000) 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

	2022 ***HK$'000***	2021 *HK$'000*
Raw materials	**26,110**	11,152
Work in progress	**20,812**	18,143
Finished goods	**67,980**	49,287
	114,902	78,582

24. TRADE AND OTHER RECEIVABLES

	2022 **HK$'000**	2021 HK$'000
Trade and bills receivables	**82,825**	62,800
Less: Allowance for credit losses	**(144)**	(101)
	82,681	62,699
Deposits, prepayments and other receivables	**26,226**	19,140
Total trade and other receivables	**108,907**	81,839

As at 31 March 2022, total bills received amounting to HK$54,000 (2021: HK$1,539,000) 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 37. 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 years ended 31 March 2022 and 2021 are set out in note 37.

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 2022, the carrying amount of trade and bills receivables was HK$82,681,000, net of allowance for credit losses of HK$144,000 (2021: HK$62,699,000, net of allowance for credit losses of HK$101,000). 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:

	2022 **HK$'000**	2021 HK$'000
Up to 30 days	**61,122**	38,761
31 – 60 days	**10,738**	14,092
61 – 90 days	**6,830**	7,405
More than 90 days	**3,991**	2,441
	82,681	62,699

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 2022, included in the Group's trade and bills receivables balance are debtors with aggregate carrying amount of HK$1,388,000 (2021: HK$8,120,000) which are past due as at the reporting date. Out of the past due balances, HK$152,000 (2021: HK$31,000) 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.

24. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	2022 **HK$'000**	2021 *HK$'000*
HK$	**147**	434
EURO ("EUR")	**12**	311
	159	745

25. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

During the year ended 31 March 2022, the bank deposits carry interest at market rates ranging from 0.001% to 2.65% (2021: 0.0001% to 2.63%) per annum.

Pledged bank deposits are pledged to secure the bank borrowings and general banking facilities, which carry interest at market rates ranging from 0.01% to 0.25% (2021: 0.0001% to 1.27%) per annum.

For the years ended 31 March 2022 and 2021, 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 years ended 31 March 2022 and 2021 are set out in note 37.

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:

	2022 **HK$'000**	2021 *HK$'000*
HK$	**72,645**	116,532
RMB	**25,307**	61,200
EUR	**568**	1,070
USD	**634**	1,580
	99,154	180,382

26. TRADE AND OTHER PAYABLES

	2022 **HK$'000**	2021 *HK$'000*
Trade and bills payables	**77,988**	40,108
Other payables, accrued charges and receipt in advance	**35,675**	34,646
	113,663	74,754

26. TRADE AND OTHER PAYABLES *(Continued)*

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:

	2022	2021
	HK$'000	*HK$'000*
Up to 30 days	**52,571**	23,477
31 – 60 days	**10,102**	7,414
61 – 90 days	**7,342**	5,427
More than 90 days	**7,973**	3,790
	77,988	40,108

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

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

	2022	2021
	HK$'000	*HK$'000*
HK$	**4,226**	3,454

27. CONTRACT LIABILITIES

	2022	2021
	HK$'000	*HK$'000*
Manufacturing and retail sales of garment products	**12,797**	12,270

For manufacturing and retail sales of garment products, the contract liabilities recorded at the beginning of the year HK$12,183,000 (2021: HK$11,507,000) had been recognised as revenue during the year. The management believed that the remaining will be recognised as revenue approximately within two years from 31 March 2022 (2021: the remaining HK$100,000 has been fully recognised as revenue during the year ended 31 March 2022).

28. LEASE LIABILITIES

Lease liabilities payables	**2022**	2021
	HK$'000	*HK$'000*
Within one year	**6,748**	5,633
In more than one year but not exceeding two years	**3,816**	5,266
In more than two years but not exceeding five years	**3,431**	4,392
	13,995	15,291
Less: Amount due for settlement with 12 months shown under current liabilities	**(6,748)**	(5,633)
Amount due for settlement after 12 months shown under non-current liabilities	**7,247**	9,658

The weighted average incremental borrowing rates applied to lease liabilities is 5.80% (2021: 5.96%).

29. BANK BORROWINGS

	2022 *HK$'000*	2021 *HK$'000*
Floating-rate borrowings:		
Bank loans	**29,000**	29,000
Trust receipts loans	**16,298**	1,246
Import trade loans	**40,300**	63,344
	85,598	93,590
Secured	**85,598**	93,590
The carrying amounts of the above borrowings are repayable:		
Within one year	**85,598**	93,590
Amounts secured, due within one year, shown under current liabilities with repayment on demand clause	**85,598**	93,590

The effective interest rates (which is also equal to contracted interest rate) on the Group's borrowings ranged from 1.60% to 5.74% (2021: 1.48% 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:

	2022 *HK$'000*	2021 *HK$'000*
HK$	**69,300**	53,650

30. SHARE CAPITAL

	Number of shares	Amount *HK$'000*
Issued and fully paid:		
At 1 April 2020		
Ordinary shares with no par value	451,567,557	254,112
Shares repurchased and cancelled *(note)*	(500,000)	
At 31 March 2021 and **31 March 2022**		
Ordinary shares with no par value	**451,067,557**	**254,112**

Note:

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.

31. GAIN ON DISPOSAL OF A SUBSIDIARY

The Company entered into a disposal agreement with an independent third party of its entire shares of Sing Yang (Overseas) Limited, which is an investment holding company. 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 EIT of HK$14,236,000, which was paid during the year ended 31 March 2021.

32. 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:

	2022 ***HK$'000***	2021 *HK$'000*
Pledged bank deposits	**105,704**	115,704
Right-of-use assets	**–**	1,829
Buildings	**–**	2,151
Investment property	**–**	21,600

33. 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$11,040,000 (2021: HK$12,882,000) represents contributions paid and payable to these schemes by the Group for the year ended 31 March 2022.

34. RELATED PARTY DISCLOSURES

During the years ended 31 March 2022 and 2021, 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

	2022 ***HK$'000***	2021 *HK$'000*
Purchases from an associate	**374**	741

(ii) Compensation of key management personnel

The remuneration of key management, including amounts paid to the Company's directors as disclosed in note 11 and certain highest paid employees as disclosed in note 12, during the year was as follows:

	2022 ***HK$'000***	2021 *HK$'000*
Short-term benefits	**13,552**	11,425
Post-employment benefits	**215**	101
	13,767	11,526

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.

35. 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. The Court noted that the Administratrix did not follow the necessary procedures in seeking a judicial dissolution and advised that, accordingly, the case will not be ready for trial any time soon. The Administratrix will need to move the Court for permission to belatedly comply with the statutory procedures for a judicial dissolution, which Tungtex US and Yellow River will oppose. The Court has the discretion to allow late compliance. If the Court permits the late compliance, the case will continue to proceed.

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 by Yellow River and the legal proceeding is not of material importance to the Group.

36. 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 29, 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.

37. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2022 HK$'000	2021 HK$'000
Financial assets		
Amortised cost	379,718	460,981
Financial liabilities		
Amortised cost	187,485	162,277
Lease liabilities	13,995	15,291

(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	
	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000
HK$	73,526	57,104	72,792	116,966
RMB	49	49	25,344	61,268
EUR	2	2	580	1,381
USD	–	–	634	1,580

37. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk (Continued)

(i) Currency risk (Continued)

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 a decrease (an increase) in post-tax loss (2021: an increase (a decrease) in post-tax profit) for the year where USD strengthens against EUR by 5%, and vice versa; a decrease (an increase) in post-tax loss (2021: an increase (a decrease) in post-tax profit) for the year where USD strengthens against RMB by 5%, and vice versa.

	2022 ***HK$'000***	2021 *HK$'000*
RMB impact	**(1,056)**	(2,556)
EUR impact	**(24)**	(58)

(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 2022 and 2021. It is the Group's policy to keep its bank balances and bank 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 2022 and 2021, 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 floating-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 2022 and 2021, 50 basis points increase or decrease for bank borrowings and bank balances is used, when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates for bank borrowings and bank balances.

If interest rates had been higher/lower as indicated above, and all other variables were held constant, the Group's post-tax loss for the year would decrease/increase by approximately HK$606,000 (2021: post-tax profit for the year would increase/decrease by approximately HK$1,058,000).

Credit risk and impairment assessment

As at 31 March 2022 and 2021, 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.

37. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment (Continued)

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$14,000 (2021: HK$388,000) as at 31 March 2022.

Bank balances and pledged bank deposits

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

Significant concentration of credit risk

The Group's concentration of credit risk on trade and bills receivables by geographical locations is mainly in Asia which accounted for 49% (2021: 60%) of the total trade and bills receivables balance at 31 March 2022. The Group also has concentration of credit risk on its five largest customers which represent 51% (2021: 43%) of the total trade and bills receivables balance and of which the largest customer represents 19% (2021: 18%) 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.

37. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment (Continued)

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 2022 *HK$'000*	2021 *HK$'000*
Trade and bills receivables	*24*	Low risk *(Note i)*	Lifetime ECL — not credit-impaired	**82,796**	62,699
		Loss *(Note i)*	Lifetime ECL — credit-impaired and assessed individually	**29**	101
Other receivables	*24*	Low risk *(Note ii)*	12-month ECL	**3,790**	4,110
		Loss *(Note iii)*	Lifetime ECL — credit-impaired and assessed individually	**6**	388
Pledged bank deposits	*25*	Low risk	12-month ECL	**105,704**	115,704
Bank balances	*25*	Low risk	12-month ECL	**187,551**	278,082

37. 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 2022, HK$114,000 net impairment loss allowance (2021: HK$838,000 net reversal of impairment loss allowance) related to trade and bills receivables, no reversal of impairment loss allowance (2021: HK$599,000) related to trade and bills receivables that are not credit-impaired and HK$28,000 (2021: HK$803,000) 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 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
Changes due to trade and bills receivables recognised at 1 April 2021:			
Impairment loss recognised	**–**	**28**	**28**
Impairment loss reversed	**–**	**(28)**	**(28)**
Write off	**–**	**(76)**	**(76)**
New financial assets originated	**114**	**–**	**114**
Exchange adjustments	**1**	**4**	**5**
At 31 March 2022	**115**	**29**	**144**

Note (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.

Note (iii):

During the year ended 31 March 2022, HK$8,000 net impairment loss allowance (2021: HK$388,000) 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 (not credit-impaired) *HK$'000*	Lifetime ECL (credit-impaired) *HK$'000*	Total *HK$'000*
At 1 April 2020	–	–	–
Changes due to other receivables recognised at 1 April 2020:			
Impairment loss recognised	–	388	388
At 31 March 2021	–	388	388
Changes due to other receivables recognised at 1 April 2021:			
Write off	**–**	**(382)**	**(382)**
New financial assets originated	**8**	**–**	**8**
At 31 March 2022	**8**	**6**	**14**

37. 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.

2022

	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$'000*	Carrying amount at 31 March 2022 *HK$'000*
Non-derivative financial liabilities							
Trade and other payables	–	101,868	19	–	–	101,887	101,887
Bank borrowings *(note)*							
– floating-rate	2.08	85,598	–	–	–	85,598	85,598
		187,466	19	–	–	187,485	187,485
Lease liabilities	5.80	639	1,281	5,193	7,942	15,055	13,995

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

37. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk (Continued)

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 2022, the aggregate principal amounts of these bank loans amounted to HK$85,598,000 (2021: HK$93,590,000). 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$85,816,000 (2021: HK$94,761,000).

(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.

38. 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 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
Financing cash flows	**(7,721)**	**(8,936)**	**(16,657)**
New lease entered	**7,290**	**–**	**7,290**
Lease modification	**(889)**	**–**	**(889)**
Lease termination	**(1,374)**	**–**	**(1,374)**
Interest expenses	**904**	**–**	**904**
Exchange adjustments	**494**	**944**	**1,438**
At 31 March 2022	**13,995**	**85,598**	**99,593**

39. STATEMENT OF FINANCIAL POSITION

	Note	2022 *HK$'000*	2021 *HK$'000*
Non-current assets			
Property, plant and equipment		**75**	123
Right-of-use assets		**1,005**	–
Investments in subsidiaries		**13,348**	13,348
Deferred tax assets		**4**	25
		14,432	13,496
Current assets			
Deposits and other receivables		**436**	562
Amounts due from subsidiaries		**305,798**	283,149
Pledged bank deposits		**5,000**	5,000
Bank balances and cash		**78,799**	122,806
		390,033	411,517
Current liabilities			
Other payables and accruals		**2,925**	2,656
Amount due to a subsidiary		**63,737**	63,737
Lease liabilities		**560**	–
Bank borrowings		**10,000**	10,000
		77,222	76,393
Net current assets		**312,811**	335,124
Total assets less current liabilities		**327,243**	348,620
Non-current liabilities			
Lease liabilities		**445**	–
		326,798	348,620
Capital and reserve			
Share capital		**254,112**	254,112
Retained profits	*(a)*	**72,686**	94,508
		326,798	348,620

Approved and authorised for issue by the Board of Directors on 28 June 2022 and are signed on its behalf by:

Martin Tung Hau Man *DIRECTOR*	**Billy Tung Chung Man** *DIRECTOR*

39. STATEMENT OF FINANCIAL POSITION *(Continued)*

Note:

(a) The retained profits of the Company at 31 March 2022 and 2021 are as follows:

	Retained profits *HK$'000*
At 1 April 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
Loss and total comprehensive expense for the year	**(15,056)**
Dividends recognised as distribution	**(6,766)**
At 31 March 2022	**72,686**

	For the year ended 31 March				
	2018 *HK$'000*	2019 *HK$'000*	2020 *HK$'000*	2021 *HK$'000*	**2022** ***HK$'000***
RESULTS					
Revenue	998,070	965,928	708,994	460,377	**588,269**
(Loss) profit before tax	(42,347)	(91,774)	(84,093)	254,943	**(26,534)**
(Loss) profit for the year attributable to owners of the Company	(46,546)	(94,086)	(83,606)	255,996	**(26,064)**
	HK cents	*HK cents*	*HK cents*	*HK cents*	***HK cents***
(Loss) earnings per share – Basic	(10.0)	(20.3)	(18.1)	56.7	**(5.8)**

	At 31 March				
	2018 *HK$'000*	2019 *HK$'000*	2020 *HK$'000*	2021 *HK$'000*	**2022** ***HK$'000***
ASSETS AND LIABILITIES					
Total assets	800,197	619,902	503,538	618,312	**621,032**
Total liabilities	(332,212)	(274,219)	(248,014)	(197,301)	**(226,947)**
	467,985	345,683	255,524	421,011	**394,085**
Equity attributable to owners of the Company	476,262	354,853	265,433	431,618	**405,325**
Non-controlling interests	(8,277)	(9,170)	(9,909)	(10,607)	**(11,240)**
	467,985	345,683	255,524	421,011	**394,085**

TUNGTEX (HOLDINGS) COMPANY LIMITED

Registered Office
Office A, 26/F., EGL Tower, 83 Hung To Road,
Kwun Tong, Kowloon, Hong Kong
Tel: 2797 7000
Fax: 2343 9668

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