




baulhaus

Annual report 2020

BAUHAUS INTERNATIONAL (HOLDINGS) LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 483)



Contents

Chairman's Statement	01
Environmental, Social and Governance Report	02
Information for Investors	08
Corporate Information	09
Financial Highlights	10
Directors and Company Secretary	13
Management Discussion and Analysis	14
Corporate Governance Report	19
Report of the Directors	31
Independent Auditor's Report	37
Audited Financial Statements	
Consolidated Statement of Profit or Loss and Other Comprehensive Income	41
Consolidated Statement of Financial Position	42
Consolidated Statement of Changes in Equity	43
Consolidated Statement of Cash Flows	44
Notes to the Consolidated Financial Statements	45
Five Year Financial Summary	96

On behalf of the board of directors (the "**Board**"), I am pleased to present the annual results of Bauhaus International (Holdings) Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") for the year ended 31 March 2020.

The Group and I believe most of the retailers in Hong Kong experienced unprecedented difficulties in their operations, mainly resulting from the social instability in Hong Kong and the outbreak of COVID-19. The Group still expects to encounter strong headwinds in the short-term while the retail sentiment in Hong Kong and Macau are gradually recovering, though at a slow pace, upon stabilised local epidemic situations.

Looking forward in Hong Kong and Macau, the Group will remain cautious in controlling operating expenses, in particular the rental in Hong Kong. The Group will continue to facilitate negotiation with landlords to strive for reasonable rental concessions and more flexible lease arrangements. Many constructive responses have been received from landlords and are expected to gradually be reflected in the Group's cost structure.

In addition, as a part of cost-cutting measures, all the executive directors of the Company agreed to take a pay cut of 25% from April to June 2020 or to commit a comparable amount of unpaid leave. Salaries for almost all of the other staff will be frozen for the year ending 31 March 2021, except for promotions. The Group has also applied for subsidies under HKSAR Government's Retail Sector Subsidy Scheme and Employment Support Scheme. The Group has committed that all these subsidies to be received, including the subsidies granted from the Retail Sector Subsidy Scheme, will be solely used on paying wages to the Group's employees. The Group will continue to rationalise and streamline its workflows to improve efficiency and competitiveness and to introduce revenue-raising measures to weather the possible challenges in the coming year.

In view of the great risks to global economic growth after the pandemic of COVID-19, the Group intends to scale down its retail operations and re-focus resources on its familiar markets, including Hong Kong and Macau. The Group will continue to streamline the under-performing retail stores and operations in Mainland China and Taiwan.

As at 31 March 2020, the Group has cash and cash equivalents of about HK\$322.2 million (2019: HK\$198.7 million) and as at the date of this report, the Group has sufficient cash on hand to meet current business needs. The Board expects that there will only be limited capital requirements in coming financial year and as a gratitude to our shareholders' long-term unwavering support, the Board decided to propose a final dividend and a special dividend of 6.0 HK cents and 28.0 HK cents per ordinary share, respectively, in respect of the year to shareholders on the register of members on Tuesday, 25 August 2020.

APPRECIATION

On behalf of the Board, I would like to thank our shareholders, business partners and customers for their unwavering support. My gratitude also goes to the entire management team and workforce for their dedication and contributions, especially during the tough time in the past financial year, to the Group.

Wong Yui Lam

Chairman & Executive Director
Hong Kong, 30 June 2020

ESG REPORT

Bauhaus Group (the “**Group**” or “**Bauhaus**”) values the increasing importance of environmental, social and governance-related matters. Our board of directors (the “**Board**”) believes that protecting the environment, fostering social care and responsibility while maintaining sound corporate governance are key goals to our long-term success.

As a regional fashion company with 102 stores and counters in Hong Kong, Macau, Taiwan and Mainland China, we strive to provide the best quality products with the highest safety standards for our customers while minimising any negative impact to our environment, and maintaining an optimal work-life balance for our employees by providing them with favourable working terms and conditions. We and our staff continue to contribute our every effort for the well-being of our community.

To enable all stakeholders to have an overview of our policies and performance in the environmental, social and governance (“**ESG**”) aspects, the Board hereby presents this Environmental, Social and Governance Report (the “**ESG Report**”) for the year ended 31 March 2020. The ESG Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

MATERIALITY ASSESSMENT

Since the Hong Kong region accounts for the largest portion of the Group’s turnovers and our head office is located here, this ESG Report would primarily focus on the Group’s business and operations in Hong Kong. Disclosures relating to the identified ESG aspects which are considered as material are included in this ESG Report.

STAKEHOLDER ENGAGEMENT

The Group formed a work team comprising different departments to discuss environmental, social and company issues of importance to investors and stakeholders that should be disclosed in this ESG Report. In addition, the views of the Group’s vendors and suppliers, online and offline customers, and employees were collected on the prioritisation of ESG issues for the preparation of the ESG report of next year. The survey results gave insight to the Group on the formulation of ESG policies and feasible remedial measures in the future that would help minimise the potential adversary effects on ESG aspects.

- Environmental aspects: the survey results demonstrated that most stakeholders regarded the use of packaging material, Greenhouse Gas emission, hazardous waste produced, and water consumption were of particular concern to the environment.
- Employment aspects: most stakeholders concern work injuries and employee turnover rates.
- Social aspects: product safety, consumer data protection and privacy, complaint handling and intellectual property protection are regarded as the most priority issue to be dealt with.

ENVIRONMENTAL PROTECTION

The reduction of gas emission, inter alia, has become a priority global environmental protection issue. The Group strictly follows and complies with laws and regulations relating to environmental protection. The air pollutants emitted by the Group were mainly generated from the fleet of vehicles hired to deliver products to and from our stores and warehouses. The Group closely monitors and keeps record of the use of fuel by the fleet. We keep track of the gas emissions and maintain them well within the limits permitted under laws and regulations. The Group constantly reviews and realigns the transportation routes to maximise the cost effectiveness while minimising fuel consumption and gas emissions. Contractors are reminded to keep regular maintenance of their vehicles, which are part of the terms and conditions for contract renewal.

Emissions from Vehicles

KPI Description (Measured in Kilogram)	2019/20	2018/19
Nitrogen oxides (NO _x)	231.16	320.98
Sulphur oxides (SO _x)	0.25	0.33
Particulate matter (PM)	23.67	31.79

Note: Emissions data are computed with reference to:

- (i) the "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong (2010 Edition)" issued by the Electrical and Mechanical Services Department and the Environmental Protection Department in Hong Kong;
- (ii) the "Carbon Audit Toolkit for Small and Medium Enterprises in Hong Kong (2010 Edition)" published by The University of Hong Kong;
- (iii) NO_x, SO_x and PM emissions calculated in accordance with the Appendix 2: Reporting Guidance in Environmental KPIs issued by HKEX.

Over the past year, we managed to significantly reduce our emissions across the board through our environmentally focused measures and reduction of stores. We continue to reduce the number of business trips and shortened the flight journeys and as a result, the Carbon Dioxide emission was reduced by about 33%. The GHG emissions due to fuel and electricity were reduced by about 3%.

In the year under review, there was a reduction in each category of GHG emissions with overall GHG emission falling about 16%. In terms of intensity per square foot of floor area, it was about 0.01 tonnes of GHG emission.

Greenhouse Gas Emissions (Total Carbon Dioxide Emission in Tonnes)

KPI	Description	2019/20	2018/19
Scope 1	GHG emissions from vehicles	41.06	54.13
Scope 2	GHG emissions from purchase electricity	1,410.90	1,435.70
Scope 3	Amount of paper waste generated	71.70	89.70
	Plastic/plastic-coated bags	101.40	345.10
	Business air travel	38.56	57.28
Scopes 1 & 2 & 3 combined		1,663.62	1,981.91
Intensity of GHG emissions (tonnes/sq. ft./year)		0.01	0.01

Note: Total weighted-average floor area used for computation of GHG emission is 213,043 sq. ft. (2019: 205,165 sq. ft.).

With 51 directly managed retail stores in Hong Kong, a collective saving in electricity consumption will definitely reduce gas emissions. The Group strives to make continuous improvement in enhancing energy efficiency. Our stores and offices use energy-saving LED lighting. We use temperature controllers and timers for air-conditioners as well as pre-set timers to turn off external lighting and billboards. The Group's head office is currently installed with a motion-sensor switch system to replace the traditional light switching system.

We continue to participate in the "Energy Saving Charter" scheme in some of the shopping malls to keep the air conditioning temperature between 24 and 26 degrees Celsius at our stores. We encourage our staff to adopt energy saving practices such as switching off computers and electrical appliances when not in use. We purchased energy-saving office equipment and electrical appliances.

We were awarded the 2019 Hong Kong Awards for Environmental Excellence and recognised as a Hong Kong Green Organisation (2018-2020) by the Environmental Campaign Committee and the Environmental Protection Department for our efforts in pursuing environmental initiatives and participation.

With the implementation of the above measures, the Group's electricity consumption was reduced by about 12%, and the intensity of electricity consumption for stores was reduced by about 20%.

Energy Consumption and Intensity

KPI Description	2019/20	2018/19
Diesel for vehicles (Litres/year)	15,670	20,659
Electricity purchased (kWh/year)		
Stores	1,552,681	1,619,518
Warehouse and office	797,692	1,036,325
Total (kWh/year)	2,350,373	2,655,843
Intensity of electricity consumption for stores (kWh/sq. ft./year)	16.60	20.84
Intensity of electricity consumption for office & warehouse (kWh/sq. ft./year)	6.67	8.13

Note: Total weighted-average floor area of stores: about 93,536 sq. ft. (2019: 77,698 sq. ft.) & total weighted-average floor area of office & warehouse: about 119,507 sq. ft. (2019: 127,467 sq. ft.).

The operations of Bauhaus are not water intensive. The water consumption is insignificant because we do not manufacture products, but we keep the data and review its consumption in due course. However, we constantly remind our staff of the importance of saving water. Sensor type taps to save water and hand dryers to save paper towels are installed in washrooms.

Use of Papers

The Group continues to reduce printing and copying by digitalisation of documents into image records for keeping. We increasingly use cloud storage for digital data to save physical storage spaces.

We encourage our staff to use recycled papers for printing, double-side printing and avoid colour printing. We set the default mode of the printers and computers to black and white printing. Our Marketing Department makes use of social media platforms and mobile apps for marketing promotion, reducing the use of paper leaflets, product catalogues and posters. Our stores use tablets and TV panels to reduce paper posters, POPs, and one-off signage. We reduced or re-used festive/promotional decorations.

Packaging

Since we are retailers, we are not involved in manufacture. We do not directly consume packaging material for finished goods. The packaging materials were mainly paper and plastic shopping bags. In the year under review, paper consumption and plastic bags were significantly reduced.

KPI (Measured in Tonnes)	2019/20	2018/19
Plastic/plastic-coated bags	16.22	55.21
Paper	14.95	18.70

Disposal of Hazardous and Non-hazardous Wastes

The Group pledges to minimise the wastes produced by our operation. Hazardous wastes such as those from computer tools and toner cartridges, which were collected for systematic disposal and recycle, were reduced by about 50% in the year under review. The increase of store renovations, relocations and closures resulted in an increase of its associated non-hazardous wastes by about 25% but other non-hazardous commercial waste such as paper, plastics and metal, were reduced by about 13%.

Waste Type	Treatment	Unit	2019/20	2018/19
Computer equipment at stores, office, warehouse	Sent to certified suppliers for recycling/disposal	Tonnes	0.27	0.54
Toner cartridge at stores, office, warehouse	Returned to suppliers for recycling	Tonnes	0.01	0.02
Plastics, paper, metal, glass	Separated and sent to the nearest collection points daily	Tonnes	11.99	13.84
Store closure and relocation waste	Recycle store furniture and lighting for reuse in our existing and new stores	Tonnes	178.50	143.10

EMPLOYMENT AND STAFF DEVELOPMENT

Employment and Labour Practices

The nature of retail business relies heavily on people. Our success hinges on talented people and a devoted work force. The Group adopts a fair recruitment policy to offer open and equal opportunities, free of gender, race, family status and age discrimination, with a view to recruiting the best talents. We offer competitive remuneration and fringe benefits.

Breast-feeding during office hours is supported. We provide spaces and allow time for breast-feeding in office and at stores. We implemented flexibility working hours for employees to choose from that could best suit their work-life balance. We limited the opening hours of the head office so as to encourage employees to go home early. A transparent performance evaluation system has been established to ensure equal chance of promotion. We monitor effectively our recruitment procedures to ensure proper compliance.

We believe that through these human resources practices, our employees could achieve a desirable work-life balance which would enhance their job satisfaction and performance.

As at 31 March 2020, we have 297 employees in Hong Kong, of which almost 75% are frontline retail staff. It is a young and energetic workforce with over 80% of our staff at the age of 40 or younger.

Employment (Measured in Number of Employees)

By Gender	2019/20	2018/19
Female	225	401
Male	72	142
Total	297	543

By Age Group	2019/20	2018/19
<20	4	47
21–40	242	419
41–60	48	72
> 60	3	5

By Employment Type	2019/20	2018/19
Full time	293	473
Part time	4	70

Staff Development and Training

As an employer, it is important to enable our employees to develop their strengths and skills and provide them with long-term career perspectives. In the year under review, we arranged our staff to attend a total of 4,182 hours (2019: 6,398 hours) of development and training courses.

Providing a safe working environment for our employees is a priority. Regular inspections for safety facilities are conducted onsite at stores and warehouses. For frontline staff at stores, we regularly remind them of the safety hazards when working in the storerooms.

In the year under review, 1 case of work injury was reported, compared with 3 cases in the previous year. The total number of accumulated lost days due to work injury is zero, compared with 10 last year.

Labour Standards

All employees are provided with handbooks detailing Group employment policies and benefits. The Group complies with all relevant legislations in Hong Kong including:

1. Employment Ordinance (Cap. 57)
2. Minimum Wage Ordinance (Cap. 608)
3. Mandatory Provident Fund Schemes Ordinance (Cap. 485)
4. Personal Data (Privacy) Ordinance (Cap. 486)
5. Sex Discrimination Ordinance (Cap. 480)
6. Disability Discrimination Ordinance (Cap. 487)
7. Family Status Discrimination Ordinance (Cap. 527); and
8. Race Discrimination Ordinance (Cap. 602).

No child labour or forced labour is allowed. During the year under review, the Group had no significant non-compliance cases in Hong Kong in relation to applicable laws and regulations on employment, health and safety as well as labour standards.

SOCIAL AND COMMUNITY**Customer Services**

Retail business is customer-oriented in nature. The Group keeps improving its services with a goal to provide a favourable and happy shopping environment and experience for our customers. We provide constant training to our new staff, senior sales staff and supervisors to improve their awareness of the ever-changing customer needs and to do our best to meet their expectations.

In the year under review, we received a total of 32 cases (2019: 170) of product and service-related complaints, largely from the online sector. We will continue to improve our customer service training to minimise the number of complaints and improve customer experience.

Data Privacy Policy

The Group places personal data privacy as a top priority and pledges to fully comply with the personal data privacy laws. The Group never sells, transfers or discloses any personal data to third parties unless with the consent from data owners. Sound security protection of the personal data is in place. The Group has implemented appropriate electronic and managerial measures in order to safeguard, protect and secure the personal data against unauthorised access and use.

Supply Chain Management and Product Responsibility

It is the Group's commitment to provide our customers with the best quality products with the highest safety standards while complying with environmental standards. The Group performs regular site visits and conducts annual reviews to ensure our suppliers abide by our requirements. The suppliers are clearly informed that any violations of such requirements may result in the cancellation of orders or renewal of their contracts. In addition, payments to suppliers are in strict accordance with the procurement management procedures.

We have established systematic inspection procedures to guarantee the product quality. We require the suppliers to conduct fabric inspections, and quality assurances in the production. We continue to communicate with the suppliers of international brands to ensure the quality and safety and environmental standards.

In promoting its products, the Group also strictly complies with the Competition Ordinance (Cap. 619) to ensure customers enjoy full freedom of choice in a competitive marketplace. We strive to maintain high accuracy in the forecasts of sales and procurement so as to keep our inventory at an appropriate level.

During the year under review, the Group was not aware of any significant non-compliance cases in its Hong Kong operations in relation to applicable laws and regulations on product responsibilities.

Anti-Corruption

Free and fair competition are the core values of Hong Kong and also the keys to success in business. It has always been the Group's goal to operate with the highest business ethics and integrity. We expected all of our business partners to adhere to the same as well.

In the selection of suppliers, we require them to respect the key values and principles of our code of practice. The Group disapproves of any corrupt practices, denounces and declines any monetary offers, gift and favours from suppliers in any business transactions.

To our existing and new suppliers and vendors, we conduct a review annually. We require them to sign a letter of commitment confirming that they have no conflict of interest with our staff, and will not offer or attempt to offer or accept bribes or any form of facilitation payments to or from Bauhaus staff.

To improve our governance, we issue an in-house journal regularly, informing our staff of the Group's latest policies, renewed code of practices and anti-graft reminders during festive seasons.

Meanwhile we maintain an independent feedback channel through which our staff are able to file their reports or complaints of any or suspected malpractices. The complaints, if any, will be handled directly by an independent non-executive director. No report was received in the year under review.

During the year under review, the Group was not aware of any significant non-compliance cases in its Hong Kong operations in relation to applicable laws and regulations on corruption, fraud and money laundering.

Social Responsibility and Community Involvement

In the year under review, the Group continued to be awarded "the Caring Company 15 Years Plus" presented by the Hong Kong Council of Social Service for our commitment to caring employees, community and environment.

Bauhaus staff donated blood in the year under review. We are happy to make it a regular event so as to appeal to more blood donors who may not just come from our own office but from offices in nearby buildings.

During the year, we collaborated with the Department of Information Systems at the City University of Hong Kong by providing non-personal data and information to develop and produce teaching materials for its students. All non-personal data and information were provided in accordance with applicable laws.

Listing information

Listing exchange : Main Board of The Stock Exchange of Hong Kong Limited
(the “**Stock Exchange**”)
Listing date : 12 May 2005
Stock code : 483

Share information

Board lot size : 2,000 shares
Par value : HK\$0.10

	As at 31 March 2020 No. of shares	As at 31 March 2019 No. of shares
Shares		
Authorised shares	: 2,000,000,000	2,000,000,000
Issued shares	: 367,380,000	367,380,000
	FY 2019/20 HK cents	FY 2018/19 HK cents
Basic loss per share	: 47.0	16.9
Diluted loss per share	: 47.0	16.9
Dividend per share		
Interim	: –	–
Proposed final	: 6.0	6.0
Proposed special	: 28.0	–
TOTAL	34.0	6.0

Key dates

2018/19 annual results announcement : 27 June 2019

Closure of Register of Members for
2018/19 annual general meeting : 22 August 2019 to 28 August 2019 (*both days inclusive*)

2018/19 annual general meeting : 28 August 2019

Closure of Register of Members for
2018/19 proposed final dividend : 6 September 2019 to 10 September 2019 (*both days inclusive*)

Payment of 2018/19 final dividend : 20 September 2019

2019/20 interim results announcement : 30 November 2019

2019/20 annual results announcement : 30 June 2020

Closure of Register of Members for
2019/20 annual general meeting : 14 August 2020 to 18 August 2020 (*both days inclusive*)

2019/20 annual general meeting : 18 August 2020

Closure of Register of Members for
2019/20 proposed final and special
dividend : 24 August 2020 to 25 August 2020 (*both days inclusive*)

Payable of 2019/20 proposed final and
special dividend : 4 September 2020

Official website : www.bauhaus.com.hk

Investor relation email : ir@bauhaus.com.hk

Financial year end : 31 March

Interim period end : 30 September

NAME OF THE COMPANY

Bauhaus International (Holdings) Limited
包浩斯國際 (控股) 有限公司

DIRECTORS OF THE COMPANY (THE "DIRECTORS")

Executive directors:

Mr. Wong Yui Lam (*Chairman*)
Madam Tong She Man, Winnie
(*Vice Chairlady and Chief Operating Officer*)
Mr. Yeung Yat Hang (*Chief Executive Officer*)
Madam Lee Yuk Ming

Independent non-executive directors:

Mr. Chu To Ki
Mr. Mak Wing Kit
Mr. Mak Siu Yan

AUTHORISED REPRESENTATIVES

Mr. Wong Yui Lam
Madam Lee Yuk Ming

COMPANY SECRETARY

Mr. Li Kin Cheong

QUALIFIED ACCOUNTANT

Mr. Li Kin Cheong

AUDIT COMMITTEE

Mr. Mak Wing Kit (*Chairman*)
Mr. Chu To Ki
Mr. Mak Siu Yan

REMUNERATION COMMITTEE

Mr. Mak Wing Kit (*Chairman*)
Mr. Chu To Ki
Mr. Mak Siu Yan

NOMINATION COMMITTEE

Mr. Mak Siu Yan (*Chairman*)
Mr. Chu To Ki
Mr. Mak Wing Kit

PRINCIPAL AUDITOR

Ernst & Young, *Certified Public Accountants*
22/F, CITIC Tower,
1 Tim Mei Avenue, Central
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
1 Queen's Road, Central
Hong Kong

Bank of China (Hong Kong) Limited
382-384 Prince Edward Road
Kowloon City
Kowloon
Hong Kong

REGISTERED OFFICE

Second Floor,
Century Yard,
Cricket Square, P.O. Box 902,
Grand Cayman, KY1-1103,
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 501, Sino Industrial Plaza
9 Kai Cheung Road
Kowloon Bay, Kowloon
Hong Kong

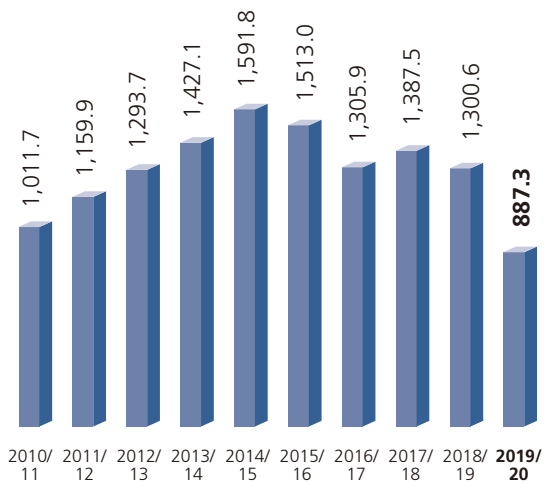
PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Services (Cayman Islands) Limited
Second Floor,
Century Yard,
Cricket Square, P.O. Box 902,
Grand Cayman, KY1-1103,
Cayman Islands

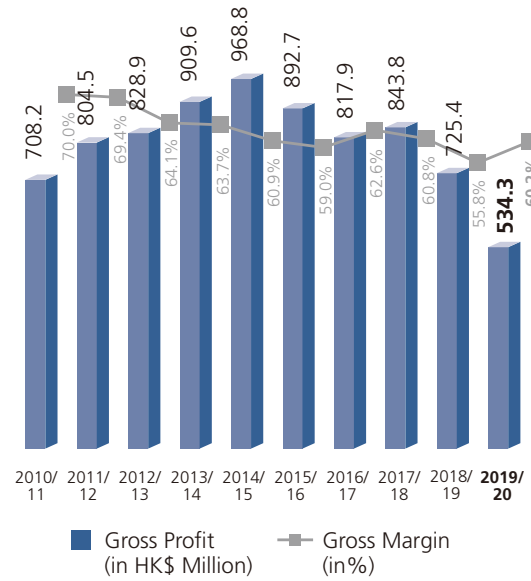
HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

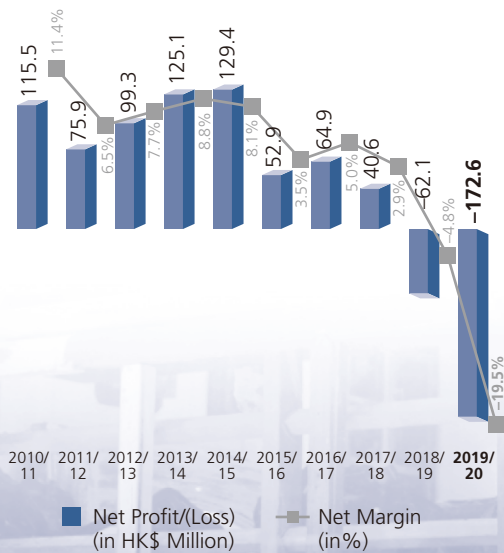
Sales (in HK\$ Million)



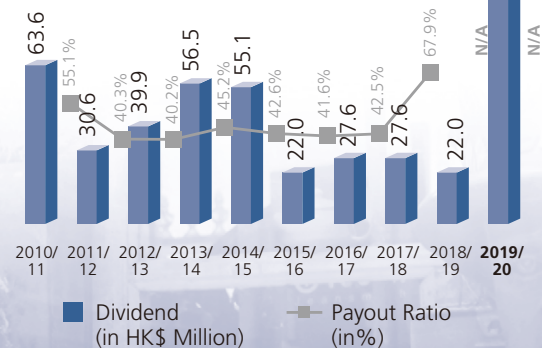
Gross Profit & Gross Margin



Net Profit/(Loss) & Net Margin



Dividend & Payout Ratio



SEGMENT TURNOVER

By Region	Turnover			Turnover Composition		
	FY 2019/20 HK\$ million	FY 2018/19 HK\$ million	Change %	FY 2019/20 %	FY 2018/19 %	Change % pts.
Hong Kong, Macau and Elsewhere	632.6	868.6	-27.2	71.3	66.8	+4.5
Taiwan	159.2	289.8	-45.1	17.9	22.3	-4.4
Mainland China	95.5	142.2	-32.8	10.8	10.9	-0.1
	887.3	1,300.6	-31.8	100.0	100.0	

SELF-MANAGED RETAIL NETWORK – OFFLINE

	No. of shops/counters/outlets			TOTAL
	Hong Kong and Macau	Taiwan	Mainland China	
As at 31 March 2020				
In-House Brand				
BAUHAUS	25	1	1	27
SALAD	19	3	1	23
TOUGH	2	12	–	14
Others	3	–	–	3
Licensed Brand				
SUPERDRY	16	19	–	35
TOTAL	65	35	2	102
Aggregate sales footage (in sq. feet)	126,274	42,365	1,953	170,592
As at 31 March 2019				
In-House Brand				
BAUHAUS	30	9	18	57
SALAD	22	7	25	54
TOUGH	2	17	2	21
Others	4	–	–	4
Licensed Brand				
SUPERDRY	19	36	1	56
Others	–	4	–	4
TOTAL	77	73	46	196
Aggregate sales footage (in sq. feet)	106,749	84,108	43,331	234,188

		Notes	FY 2019/20	FY 2018/19	Change
KEY FINANCIAL RATIOS					
Performance					
Gross Margin	(%)	1	60.2	55.8	+4.4% pts.
Net Profit Margin	(%)	2	-19.5	-4.8	-14.7% pts.
Return on Average Equity	(%)	3	-27.0	-7.9	-19.1% pts.
Return on Average Assets	(%)	4	-19.7	-6.8	-12.9% pts.
Operating					
Inventory Turnover Days		5	193	183	+10 days
Debtors' Turnover Days		6	11	15	-4 days
Creditors' Turnover Days		7	35	26	+9 days
Liquidity and Gearing					
Current Ratio		8	2.3	4.8	-52.1%
Quick Ratio		9	1.7	2.5	-32.0%
Gearing Ratio	(%)	10	-	-	-
PER SHARE DATA					
Book Value Per Share	(HK cents)	11	145.9	201.9	-27.7%
Basic Loss Per Share	(HK cents)	12	47.0	16.9	+178.1%
Diluted Loss Per Share	(HK cents)	13	47.0	16.9	+178.1%
Dividend Per Share					
Interim	(HK cents)		-	-	-
Proposed Final	(HK cents)		6.0	6.0	-
Proposed Special	(HK cents)		28.0	-	n/a
			34.0	6.0	+466.7%
Dividend Payout Ratio	(%)	14	n/a	n/a	n/a

Notes:

1	"Gross Margin" is based on gross profit divided by turnover for the year.	8	"Current Ratio" represents current assets divided by current liabilities.
2	"Net Profit Margin" is calculated as the profit/(loss) for the year attributable to equity holders of the parent divided by turnover for the year.	9	"Quick Ratio" represents current assets less inventories then divided by current liabilities.
3	"Return on Average Equity" represents the profit/(loss) for the year attributable to equity holders of the parent divided by average of opening and closing balance of shareholders' equity.	10	"Gearing Ratio" represents total interest-bearing bank borrowings divided by total assets.
4	"Return on Average Assets" represents the profit/(loss) for the year attributable to equity holders of the parent divided by average of opening and closing balance of total assets.	11	"Book Value Per Share" represents shareholders' equity divided by the total number of issued shares at the end of the reporting period of 367,380,000 (2019: 367,380,000).
5	"Inventory Turnover Days" is based on average of opening and closing balance of inventories divided by cost of sales and then multiplied by number of days during the year.	12	"Basic Loss Per Share" is calculated as the loss for the year attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the year under review of 367,380,000 (2019: 367,380,000).
6	"Debtors' Turnover Days" is based on average of opening and closing balance of trade receivables divided by turnover and then multiplied by number of days during the year.	13	"Diluted Loss Per Share" is calculated as the loss for the year attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the year under review and all dilutive potential ordinary shares of 367,380,000 (2019: 367,380,000) in aggregate.
7	"Creditors' Turnover Days" is based on average of opening and closing balance of trade payables divided by purchases and then multiplied by number of days during the year.	14	"Dividend Payout Ratio" represents the aggregate dividends declared and proposed for the year under review divided by the profit for the year attributable to equity holders of the parent.

DIRECTORS

Executive Directors

Mr. Wong Yui Lam, aged 62, is the Co-founder, the Chairman and the Authorised Representative of the Group. He is responsible for the overall management and strategic planning of the Group. Mr. Wong conceived the concept and brandname "TOUGH", the first in-house brand of the Group, and is responsible for overall development including design and direction of the brand. Mr. Wong has more than 25 years of experience in fashion industry. He was awarded the Teacher's Certificate by Sir Robert Black College of Education in 1981 and obtained an Executive Master Degree in Business Administration from the Chinese University of Hong Kong in 2014. In March 2015, Mr. Wong was awarded the Honorary Fellowship by The Hong Kong Institute of Education to salute his outstanding achievement and devotion. In addition, Mr. Wong has completed a doctoral program in July 2020 and will be awarded the degree of Doctor of Business Administration from the City University of Hong Kong. Mr. Wong is one of the directors of New Huge Treasure Investments Limited, which is a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Madam Tong She Man, Winnie, aged 61, is the Co-founder, the Vice Chairlady and the Chief Operating Officer of the Group. She was a former executive Director from October 2004 to March 2009. Madam Tong is responsible for retail operations, merchandising functions and cost-cutting measures of the Group. Madam Tong has extensive experience in the fashion industry. She conceived the concept and brand name "SALAD", the second in-house brand of the Group. Madam Tong was awarded the diploma by Hong Kong Shue Yan College (Department of Journalism) in 1983. Madam Tong is one of the directors of New Huge Treasure Investments Limited, which is a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Yeung Yat Hang, aged 42, is the Chief Executive Officer of the Group. Mr. Yeung is responsible for implementation of corporate strategies and managing the Group's business operations. He is also responsible for the Group's leasing affairs and executing various development projects. He oversaw the Mainland China's business operations and is responsible for handling business closure and lease termination affairs in Mainland China. Mr. Yeung has more than 20 years of experience in business negotiation, project management, shop decoration and retail operation. He joined the Group in May 1994.

Madam Lee Yuk Ming, aged 52, is the General Manager and the Authorised Representative of the Group. Madam Lee is responsible for administration, human resources, leasing affairs and financial management of the Group. She also oversees the Group's business operation in Taiwan. Madam Lee is an associate member of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. She obtained a Diploma in Management Studies from the Hong Kong Polytechnic University/Hong Kong Management Association in 1998. Madam Lee has more than 25 years of experience in different areas including accounting, finance and management. She joined the Group in April 2002.

Independent Non-Executive Directors

Mr. Chu To Ki, aged 54, was appointed as an Independent Non-Executive Director on 1 May 2005. Mr. Chu graduated from the University of Hong Kong in June 1998 with Postgraduate Certificate in Laws and obtained from Manchester Metropolitan University a Bachelor Degree in Laws in September 1999. Mr. Chu was admitted as a solicitor of the High Court of Hong Kong in March 2000. Mr. Chu has more than 25 years of experience in the legal field in Hong Kong. Mr. Chu is currently a principal of the solicitors firm TKC Lawyers.

Mr. Mak Wing Kit, aged 52, was appointed as an Independent Non-Executive Director on 1 May 2005. Mr. Mak graduated from the Boston University in United States in 1997 with a Master Degree of Science in Administrative Studies. Mr. Mak is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. Mr. Mak has more than 25 years of experience in auditing, accounting, company secretarial affairs and financial control in Hong Kong. Mr. Mak is currently the financial controller of a private company based in Hong Kong and People's Republic of China ("PRC").

Mr. Mak Siu Yan, aged 46, was appointed as an Independent Non-Executive Director on 4 July 2016. Mr. Mak has more than 20 years' experience in the electronic, electrical and information systems engineering industry. He is having a Chartered Engineer qualification from May 2018 and is currently serving Thales group from 2015. He previously served as managing director with Katze Engineering Company from 1996 to 1999, responsible for project management in various railway projects. He also served various positions such as analyst, project manager and internal test consultant in several companies, namely AIA Pension and Trustee Co. Ltd., CMG Pension and Retirement Co. Ltd., Xavor Corporation and EMC Computer Systems (Far East) Limited, in-between the period of 2000 and 2004, responsible for business analysis and software assurance. In addition, Mr. Mak was an account delivery manager in Hewlett Packard (HKSAR) Limited from 2007 to 2008, the general manager of Fuel Injection Technologies Limited from 2008 to 2009, and a factory manager of Dongguan Korex Machinery Co. Ltd. from 2004 to 2007 and from 2010 to 2014, respectively. Mr. Mak holds a Master Degree of Business Administration from University of Sunderland in 2014, a Postgraduate Diploma in Business Administration from the University of Leicester in 2006 and a Bachelor Degree of Engineering from the University of Sussex in 1995.

COMPANY SECRETARY

Mr. Li Kin Cheong, aged 44, is the Financial Controller, the Company Secretary and the Qualified Accountant of the Group. He is responsible for overseeing the Group's financial management, accounting and company secretarial affairs. Mr. Li is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. He holds a Master Degree in Business Administration from The Chinese University of Hong Kong and a Bachelor Degree in Accountancy from the Hong Kong Polytechnic University. He has more than 20 years of experience in accounting, auditing, corporate finance and company secretarial affairs. Prior to joining the Group in June 2005, he was a manager of an international accounting firm.

BUSINESS REVIEW

The Group is principally engaged in the design and retail of trendy apparel, bags and fashion accessories. It operates various retail channels (both online and offline) in Hong Kong, Macau, Taiwan and Mainland China. The Group's turnover is mostly contributed by its major in-house labels like "SALAD", "TOUGH" and "80/20" as well as some reputable licensed brands including "SUPERDRY".

The financial year ended 31 March 2020 was truly unprecedented time for the Group's operations in Hong Kong and its other operating regions. The intensifying China-US trade tensions, the civil unrest in Hong Kong since June 2019 and more unfortunately, followed by the coronavirus outbreak since January 2020 ("COVID-19") have not only severely hit local retail sectors, but also depressed many economic activities worldwide. As a regional retailer, the Group was unavoidably and adversely affected. The Group recorded a same-store-sales growth rate of about -28% (2019: -10%) for the year ended 31 March 2020. The overall turnover of the Group slumped by about 31.8% to approximately HK\$887.3 million (2019: HK\$1,300.6 million).

In view of the highly unfavourable business conditions, the Group has adopted a defensive business strategy and acted early in the year under review to focus on strengthening its cash and liquidity position and to reduce its inventory level, in particular the slow-moving items. Besides, the Group implemented a number of stringent cost-cutting measures since August 2019. In November 2019, the Group entered into a provisional sales and purchase agreement with an independent third party to sell a property situated in Hong Kong for an aggregate cash consideration of about HK\$45.0 million. The transaction has been completed in January 2020 and the Group recorded a gain on disposal of the property of about HK\$29.2 million during the year ended 31 March 2020.

In January 2020, the Group has decided to progressively terminate its offline retail business in Mainland China and downsize its operations in Taiwan in view of the prolonged unsatisfactory sales performance and results in recent years as well as highly difficult and uncertain operating prospects under the pandemic of COVID-19. The Group also scaled down its retail network in Hong Kong and determinedly closed a number of loss-making stores. As a result of the closure and downsizing measures and weak sales performance after the pandemic of COVID-19, the Group incurred a substantial non-cash write-off, loss on disposal and impairment loss provisions on its right-of-use assets and property, plant and equipment of about HK\$85.7 million in aggregate. Eventually, the Group's net loss substantially increased to about HK\$172.6 million (2019: HK\$62.1 million). If the gain on disposal of a property and the non-cash write-off, loss on disposal and impairment loss provisions were excluded, the net loss of the Group was about HK\$116.1 million.

Hong Kong, Macau and Elsewhere

The combined geographical unit, contributed almost all from Hong Kong and Macau retail operations, makes up the largest operating segment of the Group. For the year ended 31 March 2020, the segment accounted for about 71.3% (2019: 66.8%) of the Group's turnover. However, the Group recorded a negative same-store-sales growth of about 25% (2019: -6%). The turnover of the segment declined by about 27.2% to about HK\$632.6 million for the year under review (2019: HK\$868.6 million).

The social instability since June 2019 has heavily eroded the retail sentiment in Hong Kong and caused certain level of interruption in Hong Kong's retail operations. Unfortunately, the outbreak of COVID-19 since January 2020 has brought about an even worse situation for the entire retail sector. The global health emergency followed by worldwide travel restrictions led to plummeting customer traffic and nearly froze the consumption demand for the Group's apparel and fashion accessories in February and March 2020. Further, owing to hygiene measures taken by the Macau government and some major shopping malls in Macau, the Group had to temporarily suspend certain Macau stores' operation in February 2020. As a result, the operating segment turned loss for the year ended 31 March 2020 to about HK\$74.2 million (2019: profit of HK\$81.2 million).

In view of the adverse retail environment during the year under review, the Group not only suspended new development projects, but also took cost-cutting measures as the highest priority. The Group has been proactively negotiating rental concessions and restructuring lease arrangements with landlords for more flexible terms. In addition, the Group determinedly closed certain loss-making stores in Hong Kong to stop unproductive cash outflows and to preserve its financial resources. As at 31 March 2020, the Group operated 65 (2019: 77) self-managed retail shops in Hong Kong and Macau. Under the very sluggish sentiment during the year under review, the Group, instead, established many short-term, but large-scale bargain outlets in key shopping areas in Hong Kong like Mongkok, Tsimshatsui, Causeway Bay, etc. The mega outlets effectively helped to stimulate customer traffic, accelerate stock clearance and contribute positive cashflows.

BUSINESS REVIEW *(Continued)***Taiwan**

The Group regrets that the business performance in Taiwan continued to be disappointing during the year under review. The Group recorded a substantial negative year-on-year growth of about 43% (2019: –18%) in same-store-sales during the year under review. The prolonged weak retail climate in Taiwan has eroded the region's results for years and led to unhealthily high inventory level (as compared to its sales performance) in the region. Given the higher priority for stock clearance, in particular the aged and off-season products, the Group heavily cut the supply of new season products to Taiwan since the second quarter of 2019 and let the region to gradually digest its aged and slow-moving stocks and to restore its healthy liquidity position. A series of promotional activities and larger number of short-term bargain outlets had launched as well to speed up the stock clearance rate during the year under review. In January 2020, the Group further decided to substantially downsize more than half of its retail network in Taiwan and had rapidly eliminated significant loss-making stores to restore the region's profitability. At the end of the reporting period, there was a total of 35 stores/counters/outlets (2019: 73) in operation, present mainly in reputable department stores in major Taiwan cities.

Although the sales contribution from Taiwan segment dropped significantly by about 45.1% to about HK\$159.2 million (2019: HK\$289.8 million), the segmental loss was reduced to about HK\$7.5 million (2019: HK\$46.6 million) for the year ended 31 March 2020.

Mainland China

The Group's business performance in Mainland China was unsatisfactory and volatile in recent years. The Group recorded a same-store-sales growth of about –14% (2019: –12%) in its offline retail business during the year ended 31 March 2020. With intensifying Sino-US trade tensions and the pandemic of COVID-19 worldwide, the adverse impact on the China's economy as well as domestic consumption became unavoidable and also imposed unacceptable risks and challenges to the Group's retail business in the region. In January 2020, the Group has decided to gradually terminate its offline retail business in Mainland China and to re-focus the Group's resources on other core markets. By the year ended 31 March 2020, the Group has closed almost all of its offline retail stores. As at 31 March 2020, the Group operated only 2 (2019: 46) self-managed retail shops in Mainland China, which was terminated in April 2020.

As a result of the closure, the turnover from Mainland China segment declined drastically to about HK\$95.5 million (2019: HK\$142.2 million). Together with certain one-off write-offs, loss on disposal and impairment loss provisions of about HK\$20.9 million in aggregate, the segment recorded a loss of about HK\$61.2 million (2019: HK\$31.8 million).

FINANCIAL REVIEW

Turnover and Segment Information

Turnover of the Group declined by about 31.8% to approximately HK\$887.3 million (2019: HK\$1,300.6 million) for the year ended 31 March 2020. The Group's same-store-sales growth also deteriorated to about -28% (2019: -10%) for the year under review. Hong Kong, Macau and Elsewhere remains the key operating segment of the Group's retail business, accounting for approximately 71.3% (2019: 66.8%) of the Group's turnover, while resulting from the adverse impact from the social events as well as the outbreak of coronavirus, performed poorly with a negative growth in same-store-sales of about 25% (2019: -6%). Details of the Group's segmental turnover and results are shown in Note 4 to the financial statements.

Gross Profit and Gross Margin

The Group's gross profit was reduced by about 26.3% to approximately HK\$534.3 million (2019: HK\$725.4 million) for the year ended 31 March 2020 while the gross margin increased to about 60.2% (2019: 55.8%). Because of substantial reduction in inventory level and effective clearance of many aged and slow-moving inventories during the year under review, the Group recorded a net reversal of provision for inventories of about HK\$57.1 million (2019: net provision of HK\$20.4 million).

Operating Expenses and Cost Control

The Group was cautious with managing expenses during the year ended 31 March 2020 and its overall operating expenses decreased to approximately HK\$706.3 million (2019: HK\$786.4 million) during the year under review.

Reducing rental costs, a major component of its operating expenses, is the top priority. The Group has been proactively negotiating rental concessions and restructuring lease arrangements with landlords for more flexible terms during the year under review. Also, the Group regularly reviewed the performance on each retail store and promptly eliminated loss-making or under-performing shops. At the same time, the Group was cautious in identifying appropriate locations for new stores and re-allocated certain shops to less costly locations to strike a balance between prospective sales opportunities and cost efficiency. Lease expenses (including rental expenses, depreciation of right-of-use assets and related interest on lease liabilities) for the year ended 31 March 2020 were reduced by about 12.3% to about HK\$268.3 million (2019: HK\$306.1 million), which accounted for about 38.0% (2019: 38.9%) of the Group's total operating expenses. To attain a lower cost structure, the Group has adopted an on-going practice of strategically relocating, consolidating and converting its retail portfolio.

Efforts to control costs in other areas are also important. Regular review on work procedures and performance is in place to raise effectiveness and to enhance efficiency. Resulting from the closure and downsizing of the Group's retail networks in many operating regions and a series of cost-saving schemes implemented since August 2019, the total number of staff has been reduced substantially by 57.1% to 543 (2019: 1,268) and the staff cost was then slimmed to approximately HK\$184.3 million (2019: HK\$237.6 million) during the year under review.

Depreciation charges of property, plant and equipment declined to approximately HK\$39.1 million (2019: HK\$47.9 million) for the year under review. Marketing and advertising expenses were cut substantially by about 41.3% to about HK\$20.5 million (2019: HK\$34.9 million), representing about 2.3% (2019: 2.7%) of the Group's turnover. The Group spent wisely on key brands and products to capture optimum promotional benefits.

The Group's finance costs for the year ended 31 March 2020 mainly consisted of (1) interest on lease liabilities of about HK\$18.0 million (2019: Nil); and (2) interest expenses paid for short-term bank borrowings to support seasonal liquidity shortfall of about HK\$0.5 million (2019: HK\$0.6 million).

FINANCIAL REVIEW (Continued)**Gain on disposal of a property situated in Hong Kong**

In November 2019, the Group entered into a provisional sales and purchase agreement with an independent third party to sell a property situated in Hong Kong for an aggregate cash consideration of about HK\$45.0 million. The transaction was completed in January 2020 and the Group recorded a gain on disposal of the property of about HK\$29.2 million during the year ended 31 March 2020.

Non-cash write-off, loss on disposal and impairment loss provisions

As a result of the closure and downsizing measures during the year ended 31 March 2020 and weak sales performance following the pandemic of COVID-19, the Group incurred the following significant non-cash accounting losses:

	HK\$ million
Write-off of right-of-use assets, net	21.0
Loss on disposal of property, plant and equipment (excluding the gain on disposal of a property as mentioned above)	22.3
Impairment of items of property, plant and equipment	5.8
Impairment of right-of-use assets	36.6
	85.7

Net Loss

The Group recorded a net loss for the year ended 31 March 2020 of about HK\$172.6 million (2019: HK\$62.1 million). The unfavourable results were primarily caused by adverse impact attributable to the social unrest in Hong Kong and the pandemic of COVID-19 as well as the closure and downsizing of the Group's Mainland China, Taiwan and Hong Kong retail business during the year under review.

SEASONALITY

Seasonality has heavy bearing on the sales and results of the Group as its track record shows. The first half of each financial year has historically been less important than the second half. In general, more than 50% of the Group's annual sales and most of its net profit are derived in the second half of the financial year, within which the holiday seasons of Christmas, New Year and the Lunar New Year fall.

CAPITAL STRUCTURE

As at 31 March 2020, the Group had net assets of approximately HK\$536.0 million (2019: HK\$741.7 million), comprising non-current assets of approximately HK\$418.8 million (2019: HK\$319.0 million), net current assets of approximately HK\$264.6 million (2019: HK\$429.1 million) and non-current liabilities of approximately HK\$147.4 million (2019: HK\$6.4 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2020, the Group had cash and cash equivalents of about HK\$322.2 million (2019: HK\$198.7 million). At the end of the reporting period, the Group had aggregate banking facilities of about HK\$54.0 million (2019: HK\$174.7 million) comprising interest-bearing bank overdraft, revolving loans, rental and utility guarantees as well as import facilities, of which about HK\$49.3 million had not been utilised (2019: HK\$170.4 million). The Group had no borrowings as at 31 March 2019 and 31 March 2020. The Group's gearing ratio at the end of the reporting period, representing a percentage of total interest-bearing bank borrowing to total assets, was zero (2019: zero).

CASH FLOWS

For the year ended 31 March 2020, net cash flows from operating activities increased significantly by about 306.8% to approximately HK\$293.7 million (2019: HK\$72.2 million), which was mainly attributable to a substantial reduction in inventories, in particular, the slow-moving items. Net cash flows from investing activities was about HK\$20.9 million (2019: net cash flows used in investing activities of HK\$61.4 million). The positive cash inflows during the year under review was mainly resulted from a proceed of about HK\$45.0 million received from the disposal of a property situated in Hong Kong. Net cash flows used in financing activities drastically increased to about HK\$187.1 million (2019: HK\$27.6 million) which was mainly due to the inclusion of principal portion of lease payments of about HK\$165.0 million in financing activities upon adoption of HKFRS 16.

SECURITY

As at 31 March 2020, the Group's general banking facilities were secured by certain of its property, plant and equipment, right-of-use assets and an investment property (2019: Land and buildings) situated in Hong Kong, which had aggregate carrying values of approximately HK\$3.4 million, HK\$1.6 million and HK\$17.9 million, respectively (2019: HK\$42.6 million).

CAPITAL COMMITMENT

The Group had no material capital commitment contracted, but not provided for as at 31 March 2020 (2019: Nil).

CONTINGENT LIABILITIES

As at 31 March 2020, the Group had contingent liabilities in respect of guarantees given in lieu of utility and property rental deposits amounting to approximately HK\$3.9 million (2019: HK\$5.0 million).

In addition, the Group early terminated certain leases for properties in current and prior years. Pursuant to the respective lease agreements, the Group might be required to compensate for losses or damages to the respective landlords subject to various conditions. As at the end of the reporting period, it was not practicable to estimate the related losses or damages as the outcome which could determine the compensation is not wholly within the control of the Group. In the opinion of the Directors, the likelihood of an outflow of resources embodying economic benefits by the Group is uncertain.

HUMAN RESOURCES

Including the Directors, the Group had 543 (2019: 1,268) employees as at 31 March 2020. To attract and retain high quality staff, the Group provided competitive remuneration packages with performance bonuses, mandatory provident fund, insurance and medical coverage as well as entitlements to share options to be granted under a share option scheme based on employees' performance, experience and the prevailing market rate. Remuneration packages were reviewed regularly. Regarding staff development, the Group provided regular in-house training to retail staff and subsidised external training programmes for their professional development.

FOREIGN EXCHANGE RISK MANAGEMENT

The Group's sales and purchases during the year have been mostly denominated in Hong Kong dollars, New Taiwan dollars, Renminbi and Pounds Sterling. The Group has been exposed to certain foreign currency exchange risks but it does not anticipate future currency fluctuations to cause material operational difficulties or liquidity problems. However, the Group continuously monitors its foreign exchange position and, when necessary, will hedge foreign exchange exposure arising from contractual commitments in sourcing apparel from overseas suppliers. The Group's objective and policies in foreign exchange risk management and other major financial risk management are set out in Note 35 to the financial statements.

The Company and its subsidiaries (the “**Group**”) are committed to maintaining a high standard of corporate governance which serves as a vital element throughout the development of the Group. The board of directors (the “**Board**”) of the Company emphasises on maintaining and conducting sound and effective corporate governance structure and practices. Throughout the year ended 31 March 2020, the Company has complied with the applicable code provision of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) of the Stock Exchange except for the deviation from CG Code provision A.2.1 in respect of the roles of chairman (the “**Chairman**”) and chief executive officer (the “**CEO**”) of the Company. Explanations for such non-compliance are discussed later in the section of “The Chairman and the Chief Executive Officer” in this Corporate Governance Report.

BOARD OF DIRECTORS

The Board is collectively responsible for the management of the Group, and is charged with a mission of promoting success and providing effective leadership to the Group. All directors of the Company (the “**Directors**”) are aware of their collective and individual responsibilities to the shareholders, the duties to act honestly and in good faith in the interest of the Company and its shareholders as a whole and to avoid conflict of interests.

The Board is responsible for formulating corporate strategies of the Group, setting goals and objectives for the management as well as monitoring and controlling the performance of the management. The management of the Group implements the strategic plans and deals with day-to-day operational matters of the Group under the delegation and authority of the Board.

As at 31 March 2020, the Board comprised seven members, including four executive Directors and three independent non-executive Directors, as shown below:

Executive Directors

Mr. Wong Yui Lam (*Chairman*)

(resigned as the Chief Executive Officer on 7 May 2020)

Madam Tong She Man, Winnie (*Vice Chairlady and Chief Operating Officer*)

(appointed as an executive Director, the Vice Chairlady and the Chief Operating Officer on 12 September 2019)

Mr. Yeung Yat Hang (*Chief Executive Officer*)

(appointed as the Chief Executive Officer on 7 May 2020)

Madam Lee Yuk Ming

Independent Non-Executive Directors

Mr. Chu To Ki

Mr. Mak Wing Kit

Mr. Mak Siu Yan

The biographical details of the Directors and the relationship among the members of the Board, if any, are set out in the section of “Directors and Company Secretary” on page 13 of this Annual Report.

The composition of the Board is well balanced with each Director having sound industry knowledge, extensive strategic planning and execution experience and/or expertise relevant to the business of the Group.

In compliance with Rule 3.10(1) and (2) and 3.10A of the Listing Rules, the Company has appointed three independent non-executive Directors, who have represented at least one-third of the Board. The Board considers that all the independent non-executive Directors have appropriate and sufficient business, legal and/or finance experience and qualifications to carry out their duties so as to protect the interests of the shareholders of the Company.

The Company has received from each of the independent non-executive Directors an annual confirmation of their independence as required under Rule 3.13 of the Listing Rules. The Company considered all the independent non-executive Directors to be independent. The independent non-executive Directors are explicitly identified in all corporate communications.

BOARD OF DIRECTORS *(Continued)*

Each of the independent non-executive Directors has taken up the role as an independent non-executive Director for an initial term of one year and is subject to retirement and re-election in accordance with the articles of association of the Company.

Mr. Mak Wing Kit (“**Mr. Mak**”) and Mr. Chu To Ki (“**Mr. Chu**”) have served as independent non-executive Directors for more than nine years. Pursuant to provision A.4.3 of the CG Code, their further appointment shall be subject to a separate resolution to be approved by shareholders. The Board considered that Mr. Mak and Mr. Chu have exercised judgments in the best interest of the Company when discharging their duties as independent non-executive Directors. Despite their length of service, there are no evidence that the independence of Mr. Mak and Mr. Chu, especially in terms of exercising independent judgments and objective challenges to the management, have been or will be in any way compromised or affected. Mr. Mak and Mr. Chu have also provided annual confirmations of independence pursuant to Rule 3.13 of the Listing Rules. The Board is therefore satisfied that Mr. Mak and Mr. Chu meet the independence guidelines set out in Rule 3.13 of the Listing Rules and continues to be independent.

If a Director has conflict of interest in a transaction or proposal to be considered by the Board and which the Board has determined to be material, the individual Director concerned declares his/her interest and is required to abstain from voting. The matter is considered at a Board meeting with the presence of the independent non-executive Directors who have no material interest in the proposed transaction.

According to the articles of association of the Company, the Directors for the time being of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty in their respective offices. The Company has maintained appropriate director liability insurance in respect of legal action against the Directors from their liabilities arising out of corporate activities. The insurance coverage will be reviewed regularly to ensure its effectiveness and sufficiency.

Pursuant to CG Code provision A.6.5, the Directors are required to participate in continuous professional development so as to ensure that their contribution to the Board remains informed and relevant. Accordingly, the Group also adopted a corporate governance policy requiring every newly appointed Director should receive a comprehensive, formal and tailored induction on appointment of at least 15 hours from the Chairman, other senior Directors and/or external professional bodies, as appropriate, so as to ensure that they have appropriate understanding of the business and operations of the Group and that they are fully aware of their responsibilities and obligations under the Listing Rules and relevant regulatory requirements. In addition, all the Directors are required to participate in at least 15 hours of continuous professional development in each financial year to develop and refresh their knowledge and skills, either through in-house training or external professional resources. All the Directors have complied with the requirements during the year ended 31 March 2020.

BOARD OF DIRECTORS (Continued)

A summary of training received by the Directors during the year under review is as follows:

	Type of training
Executive Directors	
Mr. Wong Yui Lam	A, B, C, D
Madam Tong She Man, Winnie	A, B
Mr. Yeung Yat Hang	A, B
Madam Lee Yuk Ming	A, B
Independent Non-Executive Directors	
Mr. Chu To Ki	A, B
Mr. Mak Wing Kit	A, B
Mr. Mak Siu Yan	A, B

- A: reading newspaper/journals and updates relating to retail industry, corporate governance and/or director's responsibilities
 B: attending technical seminars/conferences/workshops/forums
 C: giving talks at classes/seminars/forums
 D: attending postgraduate studies organised by a tertiary educational institution

During the year ended 31 March 2020, Mr. Li Kin Cheong, the company secretary of the Company (the "**Company Secretary**"), has also undertaken no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

CG Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. However, the roles of the Chairman and the CEO were not separated and were performed by the same person. Mr. Wong Yui Lam ("**Mr. Wong**") held both positions during the year ended 31 March 2020. As the founder of the Group, Mr. Wong has substantial experience in fashion industry and retail operations. The Board considers that the structure provided the Group with strong and consistent leadership which facilitated the development of the Group's business strategies and execution of its business plans in the most efficient and effective manner. The Board believes that it was in the best interest of the Company and its shareholders as a whole.

In order to further enhance the corporate governance standard of the Group and fully comply with code provision A.2.1 of the CG Code, Mr. Wong has ceased the position of the CEO with effect from 7 May 2020. After that, Mr. Wong continues to be the Chairman and an executive Director. Meanwhile, Mr. Yeung Yat Hang, a current executive Director, has been appointed as the CEO with effect from 7 May 2020.

BOARD MEETINGS

Board meetings are held regularly and at least four times a year at approximately quarterly intervals. For regular Board meetings, notices of at least 14 days together with respective agendas are given to facilitate maximum attendance of the Directors. At the meeting, the Directors are provided with the relevant documents to be considered and approved. Draft minutes of Board meeting are circulated to all the Directors for comments. Minutes of Board meetings are taken by the Company Secretary or a duly appointed secretary of the Board meeting and are open for inspection by any Director.

The table below sets out the attendance of each Director at the annual general meeting (the “AGM”) and the meetings of the Board and other Board committees held during the year under review:

	AGM	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors					
Mr. Wong Yui Lam	1/1	8/8	n/a	n/a	n/a
Madam Tong She Man, Winnie (appointed on 12 September 2019)	1/1*	5/5	n/a	n/a	n/a
Mr. Yeung Yat Hang	1/1	8/8	n/a	n/a	n/a
Madam Lee Yuk Ming	1/1	8/8	n/a	n/a	n/a
Independent Non-Executive Directors					
Mr. Chu To Ki	1/1	8/8	3/3	1/1	1/1
Mr. Mak Wing Kit	1/1	8/8	3/3	1/1	1/1
Mr. Mak Siu Yan	1/1	8/8	3/3	1/1	1/1

* Attended AGM held on 28 August 2019 in a capacity of a shareholder.

BOARD COMMITTEES

The Board established three committees, namely the audit committee, the remuneration committee and the nomination committee, on 22 April 2005 with written terms of references in compliance with the CG Code. As at 31 March 2020, all those committees comprise three independent non-executive Directors, namely, Mr. Mak Wing Kit, Mr. Chu To Ki and Mr. Mak Siu Yan, who have appropriate professional qualifications and experiences in accounting, legal affairs, financial, information technology and/or business management. Mr. Mak Wing Kit is the chairman of the audit committee and the remuneration committee and Mr. Mak Siu Yan is the chairman of the nomination committee. The committee members may call any meetings at any time when necessary or desirable.

Audit Committee

The primary duties of audit committee are to make recommendations to the Board on the appointment, re-appointment and removal of external auditor, to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; to review and monitor the integrity of the Group's financial information (including, but not limited to, the Group's consolidated financial statements, interim report and annual report, etc.); to oversee the Group's financial reporting system, risk management and internal control systems; and to develop, review and monitor the Group's corporate governance functions delegated by the Board.

During the year under review, the audit committee reviewed the Group's consolidated financial statements, interim and annual reports, the accounting principles and practices adopted, risk management, internal control and financial reporting systems, and also plans and findings of audit from both internal and external auditors. In addition, the audit committee also reviewed the external auditor's independence, approved the external auditor's remuneration and terms of engagement and recommended the Board for re-appointment of the external auditor. For corporate governance, the audit committee reviewed the Group's compliance with the CG Code, including respective policies and practices, and disclosures in this Corporate Governance Report.

BOARD COMMITTEES *(Continued)***Remuneration Committee**

The primary duties of remuneration committee are to make recommendations to the Board on the Group's policy and structure for Directors' remuneration and on the establishment of a formal and transparent procedure for developing such remuneration policy; to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives; and to make recommendations to the Board on the remuneration packages of executive Directors.

The primary goal of the remuneration policy with regard to the remuneration packages to the Directors and other employees of the Group is to enable the Group to retain and motivate them to meet corporate goals and to support continuous development of the Group by linking their remuneration with performance as measured against corporate objectives achieved. The remuneration package is determined by reference to individual's duties and responsibilities, experiences, qualifications, prevailing market conditions and both corporate and individual performance. Subject to the Group's profitability, the Group may also grant discretionary bonus and share options of the Company to its employees as an incentive for their contribution to the Group.

During the year under review, the remuneration committee reviewed and evaluated the Group's remuneration policy and structure for the executive Directors, their performance against corporate objectives and results achieved and terms of their service contracts. In addition, the remuneration committee has reviewed the remuneration packages of executive Directors and recommended the Board for approval. No Director was involved in deciding his/her own remuneration during the year under review.

The remuneration for the year ended 31 March 2020 to the Directors fell within the following bands:

	Number of individuals
HK\$1,000,000 or below	4
HK\$1,000,001 – HK\$1,500,000	1
HK\$1,500,001 – HK\$2,000,000	2

Further details of the remuneration to the Directors for the year under review are set out in the Note 8 to the financial statements on pages 70 to 71 of this Annual Report.

Nomination Committee

The primary duties of nomination committee are to review the structure, size and composition of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Group's corporate strategy and on the selection of individuals nominated for directorships as well as appointment or re-appointment of the Directors. The nomination committee is also responsible for making succession planning for the Directors, in particular the Chairman and the chief executive of the Company.

Board Diversity Policy

The Board has adopted a board diversity policy on 30 August 2013. The Company recognises and embraces the benefit of having a diverse Board to enhance the quality of its performance. With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. When determining the composition of the Board, board diversity will be considered from a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of services. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

BOARD COMMITTEES *(Continued)*

Nomination Policy

The board has adopted a nomination policy on 28 November 2018 (the “**Nomination Policy**”), which sets out the criteria and process in the nomination and appointment of Directors, with the objective to ensure the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company and/or the Group’s business.

(1) Selection Criteria

The factors listed below will be used as reference by the nomination committee in assessing the suitability of a proposed candidate:

- Reputation for integrity;
- Accomplishment and experience;
- Qualifications;
- Compliance with legal and regulatory requirements;
- Commitment in respect of available time and relevant interest;
- Independence: in case of nomination or re-appointment of independent non-executive Directors, the requirements and guidelines on independence of a candidate in accordance with Rule 3.13 of the Listing Rules; and
- Diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of services.

These factors are for reference only, and not meant to be exhaustive and decisive. The nomination committee has the discretion to nominate any person, as it considers appropriate.

(2) Nomination Procedures for a New Director

The secretary of the nomination committee shall call a meeting of the nomination committee, and invite nominations of candidates from Board members if any, for consideration by the nomination committee prior to its meeting. The nomination committee may also put forward candidates who are not nominated by Board members.

The nomination committee shall evaluate such candidate with reference to the criteria as set out above to determine whether such candidate is appropriate for the Company’s directorship. If he or she is considered appropriate, the nomination committee shall make recommendations for the Board’s consideration and approval in case for filling a casual vacancy. For proposing candidates to stand for election at a general meeting, the nomination committee shall then make nominations to the Board for its consideration and recommendation. A candidate is allowed to withdraw his/her candidature at any time before the general meeting by serving a notice in writing to the Company Secretary. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

BOARD COMMITTEES (Continued)**Nomination Policy** (Continued)**(3) Re-election of Director at General Meeting**

Retiring Directors are eligible for nomination by the Board to stand for re-election at a general meeting. The nomination committee and/or the Board should review the overall contribution and service to the Company of the retiring Director and his/her level of participation and performance on the Board.

If an independent non-executive Director is subject to the re-election, the nomination committee and/or the Board will also assess and consider whether the independent non-executive Director will continue to satisfy the independence requirements as set out in the Listing Rules.

The nomination committee and/or the Board should then make recommendation to shareholders of the Company in respect of the proposed re-election of Director at the general meeting.

During the year ended 31 March 2020, the nomination committee reviewed the present structure, size and composition of the Board, the board diversity policy as well as the Nomination Policy adopted.

Besides, according to the articles of association of the Company, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years.

Madam Tong She Man, Winnie, Mr. Yeung Yat Hang and Madam Lee Yuk Ming will retire by rotation at the forthcoming AGM. Except for Madam Lee Yuk Ming who does not offer herself for re-election and will retire from office upon the conclusion of the forthcoming AGM, Madam Tong She Man, Winnie and Mr. Yeung Yat Hang, both being eligible, will offer themselves for re-election at the forthcoming AGM. The nomination committee has reviewed the performance of Madam Tong She Man, Winnie and Mr. Yeung Yat Hang and recommended them to the Board for the re-election.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The Company appointed Ernst & Young as the Group's principal auditor. The acknowledgement of their responsibilities on the consolidated financial statements are set out in the section of "Independent Auditor's Report" on pages 37 to 40 of this Annual Report.

The fees paid or payable to Ernst & Young, and its affiliated firms, for services rendered are as follows:

	Year ended 31 March 2020 HK\$'000	Year ended 31 March 2019 HK\$'000
Audit services	1,905	1,926
Tax services	–	384
Other non-audit services	100	126
Total	2,005	2,436

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibilities for the preparation of the financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and the Group and of the results and cash flows of the Group for that year and in compliance with relevant law and disclosure provisions of the Listing Rules. In preparing the financial statements for the year ended 31 March 2020, the Board has selected appropriate accounting policies and applied them consistently, made judgments and estimates that are prudent and reasonable, and have prepared the financial statements on a going concern basis. The Board is responsible for keeping proper accounting records which disclose the financial position of the Group with reasonable accuracy at any time.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibilities for the Group's risk management and internal control systems (the "Systems") and reviewing their effectiveness. Such Systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable, but not absolute, assurance against material misstatement or loss. The Board has delegated its responsibilities to the Group's audit committee (the "Audit Committee") to oversee the Systems on an ongoing basis and to conduct a review of the effectiveness of the Systems at least annually.

Main features of the Systems

The Group maintains a structure with defined lines of responsibility and appropriate delegation of duty and authority. The major components of the control structure are summarised as follows:

(a) The Board

- To evaluate and determine the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives;
- To oversee management, with the assistance of the Audit Committee, in the design, implementation and monitoring of the Systems on an ongoing basis;
- To define management structure with clear lines of responsibility and delegation of authority;
- To ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions;
- To ensure that a review of effectiveness of the Systems has been conducted at least annually.

(b) The Audit Committee

- To oversee the Systems on an ongoing basis through the Group's internal audit functions;
- To conduct a review on the effectiveness of the Systems at least annually through the Group's internal audit functions and/or external professional parties and such review should cover all material controls, including financial, operational and compliance controls;
- To coordinate, review and approve audit scope and plans proposed by both the Group's internal and external auditors;
- To consider major investigation findings and evaluate significant issues on risk management and internal control matters and make recommendations to the Board;
- To develop, review and monitor the Group's policies and practices on corporate governance and compliance with relevant CG Code, legal and other regulatory requirements and make recommendations to the Board.

(c) Executive Directors

- To identify and evaluate the risks that may significantly impact the Group's major operations;
- To design, implement and maintain appropriate and effective Systems;
- To monitor and manage risks in day-to-day operations through appropriate risk mitigation measures;
- To provide confirmation to the Board and the Audit Committee on the effectiveness of the Systems.

(d) Internal Audit Functions

- To formulate appropriate risk-based audit plans and undertake risk reviews;
- To carry out the analysis and independent appraisal of adequacy and effectiveness of the Systems;
- To systematically document and evaluate any issues that may significantly affect the effectiveness of the Systems and/or operations of the Group;
- To report findings and results of the independent assessment and make recommendations to the Audit Committee and/or management to solve and improve system deficiencies or control weaknesses.

RISK MANAGEMENT AND INTERNAL CONTROL *(Continued)*

Risk Management Framework

The Group adopts a “top-down” approach in the Group’s risk management framework which the Board, the Audit Committee and the executive Directors of the Group exercise strong oversight on the establishment and maintenance of the risk management policy. Besides, the Group performs independent appraisal through its internal audit functions and/or other external professional parties and undergoes a sound evaluation mechanism for continuous improvement.

The Group’s risk management process comprises four core stages:

(a) Risk identification

The executive Directors of the Group is responsible for assessing the market, competition environment and the daily operations to identify potential risks relating to its business processes that may materially affect the Group.

The details of the risk identified are then collected through the internal audit functions and recorded in a centralised risk register, which summarises the risks of the Group as a whole by five categories, namely reporting, operational, strategic, compliance, information technology (“IT”) and cybersecurity risks. The risk register is submitted to the Audit Committee for review and independent evaluation. The identification process is performed from time to time to respond to the changing business environment and to determine whether adjustment is required for the risk identification result.

(b) Risk Assessment and Prioritisation

Risk assessment involves the evaluation of the associated likelihood of occurrence and impact of risk identified. The executive Directors is required to estimate likelihood of occurrence and assign the ratings on the impact and the vulnerability of the risks. Risks are prioritised and the design of risk mitigation plan is then based on the risk prioritisation. The assessment criteria is determined by the executive Directors and approved by the Board.

(c) Risk Response

The following table summarises the types of the risk responses and the circumstances to be adopted:

<u>Types of Risk Responses</u>	<u>Circumstances to be adopted</u>
Acceptance	Risks are considered as immaterial and it is within the risk acceptable level.
Reduction	Risks are considered as material, and controls are available to reduce the risks to an acceptable level.
Transfer	Risks are considered as material, and the Group is not able to reduce the risks to an acceptable level solely. The portion of risks has to be transferred to or shared with other parties.
Avoidance	Risks are considered as material, and the risks cannot be reduced to an acceptable level by all means, or it requires unreasonably high cost to reduce the risks to an acceptable level.

(d) Risk Monitoring

The executive Directors is responsible to implement and monitor the risk mitigation plan, and review its effectiveness since implementation. Through the internal audit functions and effective communication with the executive Directors, the Audit Committee evaluates the results on risk mitigation measures, ensures any outstanding items in the action plan have been followed up appropriately and confirms whether any material changes in the risk assessment as well as the respective risk responses.

RISK MANAGEMENT AND INTERNAL CONTROL *(Continued)*

Review of the Systems

The Group carries out review and analysis, which cover all material controls on financial, operational and compliance aspects, from time to time through its internal audit functions to ensure that the Group's Systems are able to meet and deal with the dynamic and ever changing business environment. Any significant risks, system deficiencies and control weaknesses identified are timely reported to appropriate management and the Audit Committee for corrective actions.

During the year under review, the Audit Committee has reviewed the Group's risk assessment and management practice. All findings have been addressed and recommendations are made to the Board for consideration. The Audit Committee has also assisted the Board to review the resources, staff qualification and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions and were of the view that they were adequate.

The Board and the Audit Committee have reviewed and confirmed that the Systems were effective and adequate for the year ended 31 March 2020.

Inside Information Policy

The Group adopts an inside information policy to regulate the handling and dissemination of inside information, in particular for which may be potentially price sensitive. Procedures and guidelines are in place to ensure inside information is kept strictly confidential. If the inside information has to be disseminated to public, it should be done in equal and timely manner in accordance with the applicable laws and regulations.

The Board identifies a list of designated officers of the Group, including all the Directors and certain employees, who substantially involve in the management of the Group's operations and/or may be in possession of inside information. These officers not only have to comply with specific procedures in handling inside information, but also need to make appropriate declaration to a designated Director or Company Secretary and comply with restrictions and blackout period in respect of dealing with securities of the Company. The list of the officers is reviewed and updated from time to time by the Board.

Whistleblowing Policy

The Group has also adopted a whistleblowing policy with a set of procedures in place whereby employees can report any actual or suspected occurrence of improper conduct involving the Group, and for such matters to be investigated and dealt with effectively in an appropriate and transparent manner. The Audit Committee has been designated to receive and consider any such cases reported with appropriate evidences, to obtain information and explanation from the executive Directors, to perform necessary investigations through the internal audit functions and/or external professional parties, and make recommendations to the Board to address issues and correct irregularities.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct for dealing in securities by the Directors of the Company. Based on specific enquiry with the Directors, all the Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the year under review.

COMMUNICATION WITH INVESTORS AND SHAREHOLDERS

To enhance transparency and effectively communicate with the investment community, the executive Directors maintain regular communications with various shareholders, potential investors, research analysts, fund managers and media.

The Board also welcomes the views of shareholders on matters affecting the Company and encourages them to attend shareholders' general meeting to communicate directly with the Board. External auditor and the chairman of each of the Board committees attend the general meeting and are available to answer shareholders enquiries. The important details and dates for shareholders during the year under review and in the coming financial year are set out in the section of "Information for Investors" on page 8 of this Annual Report.

In addition, annual/interim reports, announcements and press releases, if any, are posted on the website of the Stock Exchange at www.hkexnews.hk and/or the Company's official website at www.bauhaus.com.hk, which are constantly being updated in a timely manner and so contain additional information on the Group's business.

DIVIDEND POLICY

With the goal of achieving sustainable development of the Group's business and delivering favourable returns to shareholders of the Company in long term, the Board adopted a dividend policy (the "**Dividend Policy**") to provide guidance on dividend distribution, as follows:

Declaration of dividend is subject to the discretion of the Board, taking into consideration of, among others, the following factors in relation to the Company and the Group as a whole:

- (i) operations and earnings;
- (ii) business development;
- (iii) capital requirements and surplus;
- (iv) general financial conditions;
- (v) contractual restrictions (if any); and
- (vi) any other factors that the Board considers appropriate.

The Company may from time to time declare dividends in any currency to be paid to the members of the Company but no dividend shall be declared in excess of the amount recommended by the Board. However, any payment of the dividend by the Company is also subject to any restrictions under the Companies Law of the Cayman Islands, the Company's articles of association and all applicable laws, rules and regulations.

The Board will review the Dividend Policy from time to time and may exercise its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time as the Board thinks fit and necessary. There is no assurance that dividends will be paid in any particular amount for any given period. The Dividend Policy shall in no way constitute a legally binding commitment by the Company that any dividend will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING (THE “EGM”)

The following procedures are subject to the memorandum and articles of association of the Company (as amended from time to time), and the applicable legislation and regulation, in particular the Listing Rules (as amended from time to time).

- Any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the “**Eligible Shareholder(s)**”) shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition.
- Eligible Shareholders who wish to convene an EGM must deposit a written requisition (the “**Requisition**”) signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong at Room 501, Sino Industrial Plaza, 9 Kai Cheung Road, Kowloon Bay, Kowloon, Hong Kong, for the attention of the Company Secretary.
- The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding(s), the reason(s) to convene an EGM and the details of the business(es) proposed to be transacted in the EGM, and must be signed by the Eligible Shareholder(s) concerned.
- The Requisition will be verified with the Company’s branch share registrar and upon their confirmation that the Requisition is proper and in order, the Board will convene an EGM by serving sufficient notice in accordance with the requirements under the articles of association of the Company to all the registered shareholders of the Company. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM.
- If within 21 days of the deposit of the Requisition, the Board fails to proceed to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT SHAREHOLDERS’ MEETINGS

There are no provisions allowing Shareholders to move new resolutions at the general meetings under the Cayman Islands Companies Law. However, pursuant to the articles of association of the Company, shareholders who wish to move a resolution may by means of requisition convene an EGM following the procedures set out above.

PROCEDURES FOR SENDING ENQUIRIES TO THE BOARD

Shareholders may send their enquiries and concerns in writing to the Board of the Company by addressing them to the principal place of business of the Company in Hong Kong at Room 501, Sino Industrial Plaza, 9 Kai Cheung Road, Kowloon Bay, Kowloon, Hong Kong by post for the attention of the Company Secretary.

Upon receipt of the enquiries, the Company Secretary will forward:

1. communications relating to matters within the Board’s purview to the executive Directors;
2. communications relating to matters within a Board committee’s area of responsibility to the chairman of the appropriate committee of the Company; and
3. communications relating to ordinary business matters, such as suggestions, inquiries and consumer complaints, to the appropriate management of the Group.

The directors present their report and the audited financial statements for the year ended 31 March 2020.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and management of the Group's operations. There were no significant changes in the nature of the Group's principal activities during the year. The principal activities of its principal subsidiaries are design and retail of trendy apparel, bags and fashion accessories, property holding and provision of management services.

BUSINESS REVIEW

The business review of the Group for the year ended 31 March 2020 is set out under sections headed "Chairman's Statement" on page 1 and "Management Discussion and Analysis" on pages 14 to 18 of this Annual Report. An analysis of the Group's performance for the year ended 31 March 2020 by key financial performance indicators is set out under section headed "Financial Highlights" on pages 10 to 12 of this Annual Report. Those discussions form part of this Report of the Directors.

The Group has complied with the relevant laws and regulations that have significant impact on the operations of the Group for the year ended 31 March 2020.

Environmental Policies and Performance

The Group recognises the importance of environmental protection and sustainable business operations. The Group is dedicated to complying with the relevant environmental laws, standards and policies prevailing in the countries or jurisdictions in which the Group principally operates. The Group also advocates a number of environment-friendly measures in its operations and workplaces including but not limited to paperless documentation, electronic communication, energy saving and materials recycling.

Relationships with Employees, Customers and Suppliers

The Group considers that employees, customers and suppliers are key elements to the success of the Group's retail business. The Group provides competitive remuneration package to motivate and retain quality staff and is committed to providing a safe and healthy working environment for its staff. In particular, the Group regularly organises in-house training, team building and networking activities for retail sales staff to promote team spirit and to enhance skills.

As a leading retailer in the fashion industry, the Group not only sells products to customers, but also is committed to providing quality services and great shopping experience to them either in the Group's retail shops or via online platforms. The Group regularly interacts with customers and always welcomes to gain valuable market insights and feedback from end consumers.

On procurement side, the Group maintains a well-diversified sourcing base and has established long standing cooperation relationship with many suppliers. In addition, the Group has established anti-bribery policies, which are required to be observed by all parties, and regularly performs quality assurance review and on-site check to ensure the merchandises produced or supplied by vendors meet required standards and at reasonable market price.

Further elaboration on the Group's environmental policies and relationships with different stakeholders of the Group and the community is set out under section headed "Environmental, Social and Governance Report" on pages 2 to 7 of this Annual Report.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2020 and the Group's financial position at that date are set out in the financial statements on pages 41 to 95 of this Annual Report.

The directors recommend the payment of a final dividend and a special dividend of 6.0 HK cents and 28.0 HK cents per ordinary share, respectively, in respect of the year to shareholders on the register of members on Tuesday, 25 August 2020. Subject to the approval of shareholders at the forthcoming annual general meeting of the Company (the "AGM"), the proposed final dividend and the proposed special dividend will be payable on or before Friday, 4 September 2020.

CLOSURE OF REGISTER OF MEMBERS

The AGM is scheduled on Tuesday, 18 August 2020. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 14 August 2020 to Tuesday, 18 August 2020, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 13 August 2020.

The proposed final dividend and the proposed special dividend are subject to the passing of respective ordinary resolution by the shareholders at the AGM. The record date for entitlement to the proposed final dividend and the proposed special dividend is scheduled on Tuesday, 25 August 2020. For determining the entitlement to the proposed final dividend and the proposed special dividend, the register of members of the Company will be closed from Monday, 24 August 2020 to Tuesday, 25 August 2020, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend and the proposed special dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, for registration not later than 4:30 p.m. on Friday, 21 August 2020.

SUMMARY OF FINANCIAL INFORMATION

A summary of the consolidated results and assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements is set out on page 96 of this Annual Report. This summary does not form part of the audited financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's issued share capital and share options during the year are set out in Note 25 and Note 26 to the financial statements, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the Companies Law of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

DISTRIBUTABLE RESERVES

At 31 March 2020, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Law of the Cayman Islands, amounted to HK\$393,655,000 of which an aggregate of HK\$124,909,000 has been proposed as final and special dividends for the year. In addition, the amount of HK\$105,566,000 previously included in the Company's share premium account may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$818,000.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2020, sales to the Group's five largest customers accounted for less than 30% of the total sales of the Group for the year. Purchases from the Group's largest supplier and five largest suppliers accounted for approximately 25% and 53%, respectively, of the Group's total purchases for the year. None of the directors or any of their close associates or any shareholder of the Company (which to the knowledge of the directors own more than 5% of the Company's share capital) had beneficial interests in the Group's five largest customers or suppliers referred to above.

DIRECTORS

The directors of the Company were:

Executive directors:

Mr. Wong Yui Lam (*Chairman*)

(*resigned as the Chief Executive Officer on 7 May 2020*)

Madam Tong She Man, Winnie (*Vice Chairlady and Chief Operating Officer*)

(*appointed as an executive Director, the Vice Chairlady and the Chief Operating Officer on 12 September 2019*)

Mr. Yeung Yat Hang (*Chief Executive Officer*)

(*appointed as the Chief Executive Officer on 7 May 2020*)

Madam Lee Yuk Ming

Independent non-executive directors:

Mr. Chu To Ki

Mr. Mak Wing Kit

Mr. Mak Siu Yan

In accordance with article 87 of the Company's articles of association, Madam Tong She Man, Winnie, Mr. Yeung Yat Hang and Madam Lee Yuk Ming will retire by rotation at the AGM. Except for Madam Lee Yuk Ming who does not offer herself for re-election and will retire from office upon the conclusion of the AGM, Madam Tong She Man, Winnie and Mr. Yeung Yat Hang, both being eligible, will offer themselves for re-election at the AGM.

The Company has received annual confirmations of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") from each of the independent non-executive directors and still considers them to be independent.

DIRECTORS' AND COMPANY SECRETARY'S BIOGRAPHIES

Biographical details of the directors and company secretary of the Company are set out on page 13 of this Annual Report.

MANAGEMENT CONTRACTS

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

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has renewed his/her service contract with the Company for a term of three years commencing from 1 May 2020. The service contracts will continue thereafter until terminated by not less than six months' notice in writing served by either party on the other without payment of compensation. Under the service contracts, after each completed year of service, the remuneration payable to each of them may, subject to the discretion of the board of directors, be adjusted and they will each be entitled to a discretionary bonus provided that the total amount of bonuses payable to all the directors for such year shall not exceed HK\$5 million. Each of the executive directors will be entitled to all the reasonable out-of-pocket expenses and medical expenses, housing benefits and reimbursements, the use of a car and the fuel and maintenance (including insurance) expenses in respect of the car used by him/her.

Apart from the foregoing, no director proposed for re-election at the AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' remuneration is recommended by the remuneration committee and is subject to approval by the board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No director nor a connected entity of a director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the holding company of the Company, or any of the Company's subsidiaries was a party during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2020, the interests and short positions of the directors of the Company in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

(a) Long positions in ordinary shares of the Company

Name of director	Number of shares held, capacity and nature of interest				Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Through a discretionary trust/as beneficiary and founder of trust	Total number of ordinary shares held	
Mr. Wong Yui Lam ("Mr. Wong") (note 1)	2,200,000	29,900,000	180,000,000	212,100,000	57.73%
Madam Tong She Man, Winnie ("Madam Tong") (note 2)	–	34,068,000	180,000,000	214,068,000	58.27%
Mr. Yeung Yat Hang	4,730,000	–	–	4,730,000	1.29%
Madam Lee Yuk Ming	250,000	–	–	250,000	0.07%

Notes:

- The 29,900,000 shares are held by Wonder View Limited ("Wonder View"), the entire issued share capital of which is beneficially owned by Mr. Wong, an executive director of the Company. The 180,000,000 shares are held by New Huge Treasure Investments Limited ("Huge Treasure"), which is held by Yate Enterprises Limited as to 100%. Yate Enterprises Limited is in turn held by East Asia International Trustees Limited ("EAIT") as to 100% as trustee of The Tong & Wong Family Trust, a discretionary trust established by Mr. Wong, an executive director of the Company and Madam Tong, an executive director of the Company. Mr. Wong is also one of the beneficiaries of The Tong & Wong Family Trust.
- The 34,068,000 shares are held by Great Elite Corporation ("Great Elite"), the entire issued share capital of which is beneficially owned by Madam Tong, an executive director of the Company. The 180,000,000 shares are held by Huge Treasure, which is held by Yate Enterprises Limited as to 100%. Yate Enterprises Limited is in turn held by EAIT as to 100% as trustee of The Tong & Wong Family Trust, a discretionary trust established by Mr. Wong, an executive director of the Company and Madam Tong, an executive director of the Company. Madam Tong is also one of the beneficiaries of The Tong & Wong Family Trust.

(b) Long positions in shares of associated corporations

Name of associated corporation	Name of director	Capacity	Number of shares held	Percentage of the associated corporation's issued share capital
Tough Jeans Limited	Mr. Wong	Beneficial owner (note)	3 non-voting deferred shares of HK\$1 each	60% of the issued non-voting deferred shares
Tough Jeans Limited	Madam Tong	Beneficial owner (note)	2 non-voting deferred shares of HK\$1 each	40% of the issued non-voting deferred shares
Bauhaus Holdings Limited	Mr. Wong	Beneficial owner (note)	1 non-voting deferred share of HK\$1	50% of the issued non-voting deferred shares
Bauhaus Holdings Limited	Madam Tong	Beneficial owner (note)	1 non-voting deferred share of HK\$1	50% of the issued non-voting deferred shares

Note: Mr. Wong and Madam Tong are non-voting shareholders of these companies. The holders of these non-voting deferred shares are not entitled to any dividends and have no voting rights.

Save as disclosed above, as at 31 March 2020, none of the directors had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 March 2020, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Name	Position	Number of shares held, capacity and nature of interest			Total number of ordinary shares held	Percentage of the Company's issued share capital
		Directly beneficially owned	Through controlled corporation	Through discretionary trust/as beneficiary, founder or trustee of trust		
Huge Treasure	Long position	180,000,000	–	–	180,000,000	49.00%
Yate Enterprises Limited (note 1)	Long position	–	180,000,000	–	180,000,000	49.00%
EAIT (note 2)	Long position	–	–	180,000,000	180,000,000	49.00%
Wonder View (note 3)	Long position	29,900,000	–	–	29,900,000	8.14%
Great Elite (note 4)	Long position	34,068,000	–	–	34,068,000	9.27%
David Michael Webb (note 5)	Long position	11,836,336	21,247,664	–	33,084,000	9.01%

Notes:

1. Yate Enterprises Limited holds 100% shareholding interest in Huge Treasure. Therefore, Yate Enterprises Limited is deemed to be interested in the shares in the Company held by Huge Treasure by virtue of the SFO.
2. EAIT holds 100% shareholding interest in Yate Enterprises Limited as trustee of The Tong & Wong Family Trust. Therefore, EAIT is deemed to be interested in the shares in the Company by virtue of the SFO.
3. Wonder View is a company incorporated in the British Virgin Islands, the entire issued share capital of which is owned by Mr. Wong.
4. Great Elite is a company incorporated in the British Virgin Islands, the entire issued share capital of which is owned by Madam Tong.
5. The 21,247,664 shares are held by Preferable Situation Assets Limited, which is incorporated in the British Virgin Islands, the entire issued share capital of which is owned by Mr. David Michael Webb.

Save as disclosed above, as at 31 March 2020, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" on page 34, has an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

The share option scheme of the Company was adopted on 27 August 2015 (the “**Scheme**”). The Company operates the Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Further details of the Scheme are disclosed in Note 26 to the financial statements.

No share option was granted since its adoption and during the year ended 31 March 2020. There was no outstanding share option as at 31 March 2020. As at the date of this report, the total number of securities available for issue under the Scheme was 36,738,000, representing 10% of the issued shares of the Company.

Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group during the year are set out in Note 31 to the financial statements. These related party transactions also constituted continuing connected transactions exempt from the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. The Company confirmed that it has complied with the applicable disclosure requirements of Chapter 14A of the Listing Rules.

DIRECTORS’ INDEMNITY

According to the articles of association of the Company, the Directors for the time being of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty in their respective offices. The Company has maintained appropriate director liability insurance in respect of legal action against the Directors during the year ended 31 March 2020 in respect of legal action against the Directors from their liabilities arising out of corporate activities.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company’s total number of issued shares were held by the public as at the date of this report.

AUDITORS

Ernst & Young will retire and a resolution for their reappointment as auditors of the Company will be proposed at the AGM.

ON BEHALF OF THE BOARD

Wong Yui Lam
Chairman & Executive Director
Hong Kong, 30 June 2020



Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

To the shareholders of Bauhaus International (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Bauhaus International (Holdings) Limited (the “**Company**”) and its subsidiaries (the “**Group**”) set out on pages 41 to 95, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of 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 those 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (Continued)**Key audit matter****How our audit addressed the key audit matter****Impairment assessment of property, plant and equipment and right-of-use assets**

As at 31 March 2020, the Group had property, plant and equipment of HK\$61,613,000 and right-of-use assets of HK\$286,972,000, which represented approximately 6.9% and 32.3% of the Group's total assets, respectively. Impairment assessment was conducted for property, plant and equipment and right-of-use assets of loss-making retail shops, for which HK\$5,827,000 and HK\$36,556,000 were provided during the year, respectively. The management considers each retail shop as an individual cash-generating unit as each shop generates independent cash flows, which are largely independent of the cash flows generated by other assets. The Group determines impairment provision based on the cashflow forecasts of loss-making retail shops. The evaluation process is inherently subjective, and dependent on a number of estimates, including the length of time the impact of COVID-19 may continue and the speed of its recovery.

Relevant disclosures of property, plant and equipment and right-of-use assets are set out in Notes 2.4, 3, 13 and 15 to the consolidated financial statements.

Inventory provision

As at 31 March 2020, the Group had inventories of HK\$113,592,000 (net of provision of HK\$36,227,000), which represented 12.8% of the Group's total assets. The Group is principally engaged in the design and retail of trendy fashion of apparels, bags and accessories. The fast changing fashion trend is highly correlated to seasonal factors and affects the amount of inventory provision to be provided. Inventory provision is made for obsolete, damaged, slow-moving, excess and other inventory items whose costs may not be fully recoverable. Such inventory provision is estimated by management through the application of judgement and use of subjective assumptions. In the current year, the retail operation has been affected by the outbreak of COVID-19 since late January 2020, and judgement is required for assessing the appropriate level of inventory provision in light of the challenging retail environment.

The accounting policies and disclosures are included in Notes 2.4 and 3 to the consolidated financial statements.

Recognition of deferred tax assets

As at the end of the reporting period, the Group had tax losses arising in Hong Kong of HK\$58,565,000 that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also had tax losses arising in Mainland China of HK\$79,926,000 that will expire in one to five years and losses arising in Taiwan of HK\$131,212,000 that will expire in three to ten years for offsetting future taxable profits, respectively. The tax impact of unrecognised tax losses in Hong Kong, Mainland China and Taiwan at applicable tax rates at 31 March 2020 were approximately HK\$9,129,000, HK\$19,982,000 and HK\$26,242,000, respectively.

Significant management judgement is involved to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits generated by the Group.

The accounting policies and disclosures are included in Notes 2.4, 3, 10 and 18 to the consolidated financial statements.

Our audit procedures in relation to management's impairment assessment included, amongst others, an evaluation of the reasonableness of the bases and assumptions adopted in the valuation for estimating the value in use of the cashflow forecasts of loss-making retail shops. We challenged the assumptions about sales growth rate, discount rate, the timing of the forecasted recovery of overall market and economic conditions (such as the length of time the impact of COVID-19 may continue and the speed of its recovery) and the respective effect to the Group's retail shops. Also, we checked, on a sample basis, the accuracy and relevance of the input data used.

Our audit procedures included reviewing the Group's procedures over identifying and valuing obsolete, damaged, slow-moving, excess and other inventory items whose costs may not be fully recoverable; evaluating the methodologies, inputs and assumptions used by the Group in calculating the net realisable values; and assessing the net realisable value by reviewing sales record throughout the year as well as subsequent sales after the year end. This included considering whether there was any indication of management bias such as manual overrides to the established methodology; whether the percentage used for provision is appropriate comparing to the historical consumption; and how management has assessed the length of time under which the negative impact of COVID-19 would last when evaluating the future estimated sales.

Our audit procedures included reviewing profit forecasts and the Group's latest tax strategies and strategic business plan to assess if sufficient taxable profits could be generated in the future to utilise the tax losses. We evaluated the amount of deferred tax assets recognised in light of future projected profitability of the relevant subsidiaries, by assessing the profit forecasts against past results and the expectations of future trading performance. We also discussed and challenged the profit forecasts and the business plan to determine if the tax losses could be utilised within the statutory limited timeframe in the countries in which the tax losses have arisen. In addition, we performed procedures on, among others, the completeness and accuracy of the tax losses of the relevant subsidiaries, the settlement terms in the various tax jurisdictions and the disclosures in the financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than 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 THE DIRECTORS 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 disclosure requirements of 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities 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. Our report is made solely to you, as a body, 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 HKSAAs 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 HKSAAs, we exercise professional judgement and maintain professional scepticism 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- 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 the Audit Committee 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 the Audit Committee 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 the Audit Committee, 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 this independent auditor's report is Ms. Chau Suet Fung.

Ernst & Young
Certified Public Accountants
Hong Kong, 30 June 2020

41 Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
REVENUE	5	887,317	1,300,583
Cost of sales		(352,999)	(575,231)
GROSS PROFIT		534,318	725,352
Other income and gains	5	10,825	5,675
Selling and distribution expenses		(511,450)	(660,467)
Administrative expenses		(92,459)	(118,986)
Other expenses		(84,454)	(6,922)
Finance costs	7	(18,453)	(614)
LOSS BEFORE TAX	6	(161,673)	(55,962)
Income tax expense	10	(10,928)	(6,141)
LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		(172,601)	(62,103)
Other comprehensive income/(loss)			
Item that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(5,142)	(3,516)
Item that will not be reclassified to profit or loss in subsequent periods:			
Changes in fair value of equity investments at fair value through other comprehensive income		(6,000)	3,030
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		(11,142)	(486)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		(183,743)	(62,589)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	12		
Basic and diluted		47.0 HK cents	16.9 HK cents

31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	61,613	197,152
Investment property	14	17,900	19,400
Right-of-use assets	15	286,972	–
Intangible assets	16	307	431
Equity investments at fair value through other comprehensive income	17	–	6,000
Rental, utility and other non-current deposits	21	51,341	80,846
Deferred tax assets	18	650	15,212
Total non-current assets		418,783	319,041
CURRENT ASSETS			
Inventories	19	113,592	258,397
Trade receivables	20	11,631	42,828
Prepayments, deposits and other receivables	21	19,711	39,630
Tax recoverable		2,846	3,517
Cash and cash equivalents	22	322,159	198,744
Total current assets		469,939	543,116
CURRENT LIABILITIES			
Trade payables	23	4,051	36,611
Other payables and accruals	24	33,408	74,312
Lease liabilities	15	166,885	–
Tax payable		991	3,089
Total current liabilities		205,335	114,012
NET CURRENT ASSETS		264,604	429,104
TOTAL ASSETS LESS CURRENT LIABILITIES		683,387	748,145
NON-CURRENT LIABILITIES			
Lease liabilities	15	145,108	–
Deferred tax liabilities	18	2,320	6,400
Total non-current liabilities		147,428	6,400
NET ASSETS		535,959	741,745
EQUITY			
Equity attributable to equity holders of the parent			
Share capital	25	36,738	36,738
Reserves	27	499,221	705,007
TOTAL EQUITY		535,959	741,745

Wong Yui Lam
Chairman & Executive Director

Lee Yuk Ming
Executive Director

43 Consolidated Statement of Changes in Equity

Year ended 31 March 2020

Notes	Share capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000 (Note 27)	Exchange fluctuation reserve HK\$'000	Reserve funds HK\$'000 (Note 27)	Asset revaluation reserve HK\$'000 (Note 27)	Fair value reserve of financial assets at fair value	Retained profits HK\$'000	Total equity HK\$'000
							through other comprehensive income HK\$'000		
At 1 April 2018	36,738	105,566	744	14,639	8,249	14,633	-	651,319	831,888
Final 2018 dividend declared	-	-	-	-	-	-	-	(27,554)	(27,554)
Loss for the year	-	-	-	-	-	-	-	(62,103)	(62,103)
Other comprehensive income/(loss) for the year:									
Exchange differences on translation of foreign operations	-	-	-	(3,516)	-	-	-	-	(3,516)
Changes in fair value of equity investments at fair value through other comprehensive income	-	-	-	-	-	-	3,030	-	3,030
Total comprehensive income/(loss) for the year	-	-	-	(3,516)	-	-	3,030	(62,103)	(62,589)
Transfer to reserve funds	-	-	-	-	8	-	-	(8)	-
At 31 March 2019	36,738	105,566*	744*	11,123*	8,257*	14,633*	3,030*	561,654*	741,745
At 1 April 2019	36,738	105,566*	744*	11,123*	8,257*	14,633*	3,030*	561,654*	741,745
Final 2019 dividend declared	11	-	-	-	-	-	-	(22,043)	(22,043)
Loss for the year	-	-	-	-	-	-	-	(172,601)	(172,601)
Other comprehensive loss for the year:									
Exchange differences on translation of foreign operations	-	-	-	(5,142)	-	-	-	-	(5,142)
Changes in fair value of equity investments at fair value through other comprehensive income	17	-	-	-	-	-	(6,000)	-	(6,000)
Total comprehensive loss for the year	-	-	-	(5,142)	-	-	(6,000)	(172,601)	(183,743)
Transfer from reserve funds	-	-	-	-	(48)	-	-	48	-
At 31 March 2020	36,738	105,566*	744*	5,981*	8,209*	14,633*	(2,970)*	367,058*	535,959

* These reserve accounts comprise the consolidated reserves of HK\$499,221,000 (2019: HK\$705,007,000) in the consolidated statement of financial position.

44 Consolidated Statement of Cash Flows

Year ended 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(161,673)	(55,962)
Adjustments for:			
Finance costs	7	18,453	614
Bank interest income	5	(496)	(96)
Depreciation of property, plant and equipment	6	39,131	47,886
Depreciation of right-of-use assets	6	209,664	–
Loss/(gain) on disposal of items of property, plant and equipment and a right-of-use asset, net	5,6	(6,937)	2,855
Write-back of provision	5,6	(1,680)	–
Write-off of rental deposits	6	17,920	–
Write-off of right-of-use assets, net	6	20,986	–
Loss on disposal of trademarks	6	–	1
Amortisation of intangible assets	6	124	137
Provision/(reversal of provision) for inventories, net	6	(57,101)	20,410
Fair value loss/(gain) on an investment property	5, 6	1,500	(400)
Impairment of items of property, plant and equipment	6	5,827	3,868
Impairment of right-of-use assets	6	36,556	–
		122,274	19,313
Decrease in rental, utility and other non-current deposits		11,585	4,921
Decrease in inventories		201,906	40,072
Decrease in trade receivables		31,197	19,080
Decrease in prepayments, deposits and other receivables		19,919	14,491
Increase/(decrease) in trade payables		(32,560)	1,150
Decrease in other payables and accruals		(40,771)	(15,907)
Cash generated from operations		313,550	83,120
Interest received		496	96
Interest paid		(18,453)	(614)
Hong Kong profits tax paid		(216)	(6,312)
Overseas taxes paid		(1,657)	(4,087)
Net cash flows from operating activities		293,720	72,203
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	13	(24,529)	(61,352)
Proceeds from disposal of items of property, plant and equipment and a right-of-use asset		45,461	–
Additions to intangible assets	16	–	(20)
Net cash flows from/(used in) investing activities		20,932	(61,372)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loan		30,000	50,000
Repayment of bank loan		(30,000)	(50,000)
Principal portion of lease payments	32(b)	(165,038)	–
Dividends paid	11	(22,043)	(27,554)
Net cash flows used in financing activities		(187,081)	(27,554)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		198,744	217,878
Effect of foreign exchange rate changes, net		(4,156)	(2,411)
CASH AND CASH EQUIVALENTS AT END OF YEAR		322,159	198,744
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	178,203	198,744
Time deposits	22	143,956	–
		322,159	198,744

1. CORPORATE AND GROUP INFORMATION

Bauhaus International (Holdings) Limited is a limited liability company incorporated in the Cayman Islands. The principal place of business of the Company is located at Room 501, Sino Industrial Plaza, 9 Kai Cheung Road, Kowloon Bay, Kowloon, Hong Kong. During the year, the Group was principally engaged in the design and retail of trendy apparel, bags and fashion accessories. It operates various retail channels (both online and offline) in Hong Kong, Macau, Taiwan and Mainland China. The Group's turnover is mostly contributed by its major in-house labels like "SALAD", "TOUGH" and "80/20" as well as some reputable licensed brands including "SUPERDRY".

The Company is a subsidiary of New Huge Treasure Investments Limited, a company incorporated in the British Virgin Islands. In the opinion of the directors, the ultimate holding company of the Company is Yate Enterprises Limited, which was incorporated in the British Virgin Islands and is beneficially and wholly-owned by a discretionary trust.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/registration and business	Issued ordinary/registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Bauhaus Investments (BVI) Limited*	British Virgin Islands	Ordinary US\$1,000	100	–	Investment holding
Bauhaus Holdings Limited	Hong Kong	Non-voting deferred HK\$2 and ordinary HK\$2	–	100	Trading of garments and accessories
Bauhaus Asia-Pacific Limited	Hong Kong	Ordinary HK\$2	–	100	Trading of garments and accessories
Tough Jeans Limited	Hong Kong	Non-voting deferred HK\$5 and ordinary HK\$2	–	100	Trading of garments and accessories
Wide World Development Limited	Hong Kong	Ordinary HK\$1	–	100	Trading of garments and accessories
Bauhaus (China) Limited	Hong Kong	Ordinary HK\$1	–	100	Investment holding and trading of garments and accessories
Bauhaus Property Limited	Hong Kong	Ordinary HK\$2	–	100	Property holding
Sky Top Investment (Group) Limited	Hong Kong	Ordinary HK\$1	–	100	Property holding
Eighty Twenty Products Limited*	Hong Kong	Ordinary HK\$1	–	100	Property holding
Bauhaus Management Limited	Hong Kong	Ordinary HK\$1,000,000	–	100	Provision of management services
Bauhaus Retail (Macau) Limited*	Macau	Ordinary MOP25,000	–	100	Trading of garments and accessories
Supermax Retail (Macau) Limited*	Macau	Ordinary MOP25,000	–	100	Trading of garments and accessories
包豪氏企業有限公司	Taiwan	NT\$500,000	–	100	Trading of garments and accessories

* The statutory financial statements of these subsidiaries were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for an investment property and equity investments which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
HKFRS 16	<i>Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements 2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16, the adoption of the above new and revised HKFRSs has had no significant financial effect on these financial statements.

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 April 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 April 2019, and the comparative information for 2019 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various buildings and items of equipment. As a lessee, the Group previously classified leases as operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("**short-term leases**") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 April 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)**Impact on transition**

Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019 and included in lease liabilities. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 April 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 April 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 April 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

Financial impact at 1 April 2019

The impact arising from the adoption of HKFRS 16 at 1 April 2019 was as follows:

	Increase/ (decrease) HK\$'000
Assets	
Increase in right-of-use assets	473,806
Decrease in property, plant and equipment	(86,605)
Decrease in prepayments, other receivables and other assets	(3,283)
Increase in total assets	383,918
Liabilities	
Increase in lease liabilities	391,209
Decrease in other payables and accruals	(7,291)
Increase in total liabilities	383,918
The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 are as follows:	
	HK\$'000
Operating lease commitments as at 31 March 2019	440,324
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 March 2020	(20,799)
Weighted average incremental borrowing rate as at 1 April 2019	4.93%
Lease liabilities as at 1 April 2019	391,209

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i> ¹
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i> ¹
Amendment to HKFRS 16	<i>COVID-19-Related Rent Concession</i> ²
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
HKFRS 17	<i>Insurance Contracts</i> ³
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i> ¹

¹ Effective for the Group for annual periods beginning on or after 1 April 2020

² Effective for the Group for annual periods beginning on or after 1 June 2020

³ Effective for the Group for annual periods beginning on or after 1 April 2021

⁴ No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 April 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 April 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 April 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

The Group measures its investment property and equity investments at fair value at the end of each reporting period. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Related parties**

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the lease terms
Buildings	2%
Leasehold improvements	2 to 5 years
Computer equipment	20% to 30%
Furniture, fixtures and equipment	18% to 25%
Motor vehicles	30%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset (2019: leasehold property under an operating lease) which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as an asset revaluation reserve. On disposal of such property, the relevant portion of the asset revaluation reserve realised in respect of the change in use is transferred to retained profits as a movement in reserves.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Trademarks with definite useful lives are stated at cost less any impairment losses and are amortised on the straightline basis over their estimated useful lives of 5 to 20 years.

Leases (applicable from 1 April 2019)

The Group assesses at contract inception whether a contract is, or contains, 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.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	50 years
Buildings	over the lease terms
Equipment	over the lease terms

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (applicable from 1 April 2019) (Continued)

Group as a lessee (Continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. 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, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of buildings and items of equipment (that is those leases 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 leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

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

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases.

Leases (applicable before 1 April 2019)

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, 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 and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or as loans and borrowings, payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables and other payables.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance cost in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Sale of garment products and accessories

Revenue from the sale of garment products and accessories is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the garment products and accessories.

Other income

Rental income is recognised on a time proportion basis over the lease terms.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes-Merton pricing model.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension schemes and other retirement benefits

The Group's subsidiaries incorporated in Hong Kong operate defined contribution Mandatory Provident Fund retirement benefit schemes (the "**MPF Schemes**") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Schemes. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Schemes. The assets of the MPF Schemes are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Schemes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other employee benefits (Continued)

Pension schemes and other retirement benefits (Continued)

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

According to the existing relevant regulations in Taiwan, a subsidiary of the Group incorporated in Taiwan is required to participate in the retirement plan or scheme operated by the government of Taiwan (the "Taiwan Scheme") for the provision of pension benefits to its employees. This Taiwan subsidiary is required to contribute a certain percentage of its payroll costs to the Taiwan Scheme to fund the benefits. Contributions under the Taiwan Scheme are charged to profit or loss as they become payable in accordance with the rules of the Taiwan Scheme, and the outstanding payment of the contribution is reflected on the statement of financial position.

The subsidiaries of the Group incorporated in Macau make monthly contributions to the social security fund managed by the relevant authority of the local government, which undertakes the retirement obligations of the Group's employees. The Group has no obligation for payment of retirement benefits beyond the monthly contributions. The contribution payable is charged as an expense to profit or loss as and when incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when 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 capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on retranslation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which have significant effect on the amounts recognised in the financial statements.

Property lease classification – Group as lessor

The Group has entered into industrial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the industrial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the industrial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

Significant judgement in determining the lease term of contracts with renewal options

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Judgements *(Continued)*

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

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

Impairment test of items of property, plant and equipment and right-of-use assets

Management estimates the recoverable amount of items of property, plant and equipment and right-of-use assets when an indication of impairment exists. This requires an estimation of the value in use of the cash-generating units. Estimating the value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test. The carrying values of property, plant and equipment and right-of-use assets at 31 March 2020 were HK\$61,613,000 (2019: HK\$197,152,000) and HK\$286,972,000 (2019: Nil), respectively. Further details are included in Notes 13 and 15 to the financial statements.

Estimation of fair value of investment property

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

- (a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences; and
- (b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

The carrying amount of investment property at 31 March 2020 was HK\$17,900,000 (2019: HK\$19,400,000). Further details, including the key assumptions used for fair value measurement, are given in Note 14 to the financial statements.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 March 2020 was HK\$534,000 (2019: HK\$3,915,000). The amount of unrecognised tax losses at 31 March 2020 was HK\$266,465,000 (2019: HK\$119,889,000). Further details are included in Note 18 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Provision for inventories

Management reviews the ageing analysis of the Group's inventories at the end of each reporting period, and makes provision for obsolete items when events or change in circumstances show that the balance of inventories may not be realisable or are no longer suitable for production use. The assessment of the provision amount involves management judgements and estimates by considering historical consumption. Where the actual outcome is different from the original estimate, such differences will have an impact on the carrying value of the inventories and provision charge/write-back in the period in which such estimate has been changed. The carrying value of inventories at 31 March 2020 was HK\$113,592,000 (2019: HK\$258,397,000). Further details of which are included in Note 19 to the financial statements.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the design and retail of trendy apparel, bags and fashion accessories. For management purposes, the Group is organised into business units that offer products to customers located in different geographical areas. In determining the Group's reportable operating segments, revenues, results, assets and liabilities attributable to the segments are based on the locations of the customers.

The Group has three reporting segments as follows:

- (a) Hong Kong, Macau and Elsewhere
- (b) Taiwan
- (c) Mainland China

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that interest income, non-lease-related finance costs, a fair value gain/loss on an investment property and unallocated expenses are excluded from this measurement.

Segment assets exclude an investment property, equity investments at fair value through other comprehensive income, deferred tax assets, tax recoverable and other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities, tax payable and other unallocated corporate liabilities as these liabilities are managed on a group basis.

Segment non-current assets exclude an investment property, equity investments at fair value through other comprehensive income, deferred tax assets and other unallocated corporate non-current assets as these assets are managed on a group basis.

Intersegment sales are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Information about major customers

Since there was no customer to which the Group's sales amounted to 10% or more of the Group's revenue during the year, no major customer information is presented.

31 March 2020

4. OPERATING SEGMENT INFORMATION (Continued)

	Hong Kong, Macau and Elsewhere HK\$'000	Taiwan HK\$'000	Mainland China HK\$'000	Total HK\$'000
Year ended 31 March 2020				
Segment revenue:				
Sales to external customers	632,607	159,236	95,474	887,317
Intersegment sales	33,308	15,430	2,733	51,471
	665,915	174,666	98,207	938,788
<i>Reconciliation:</i>				
Elimination of intersegment sales				(51,471)
Revenue				887,317
Segment results:				
	(74,189)	(7,465)	(61,161)	(142,815)
<i>Reconciliation:</i>				
Interest income				496
Write-back of provision				1,680
Finance costs (other than interest on lease liabilities)				(480)
Fair value loss on an investment property				(1,500)
Unallocated expenses, net				(19,054)
Loss before tax				(161,673)
Segment assets:				
	600,223	80,718	23,393	704,334
<i>Reconciliation:</i>				
Investment property				17,900
Deferred tax assets				650
Tax recoverable				2,846
Unallocated assets				162,992
Total assets				888,722
Segment liabilities:				
	322,625	6,574	12,713	341,912
<i>Reconciliation:</i>				
Deferred tax liabilities				2,320
Tax payable				991
Unallocated liabilities				7,540
Total liabilities				352,763

The Group has subsequently terminated the Mainland China operation after the end of the reporting period. Accordingly, the geographical segment is not expected to generate further revenue after April 2020.

4. OPERATING SEGMENT INFORMATION (Continued)

	Hong Kong, Macau and Elsewhere HK\$'000	Taiwan HK\$'000	Mainland China HK\$'000	Total HK\$'000
Other segment information:				
Capital expenditure*	14,198	1,387	3,023	18,608
Unallocated capital expenditure*				5,921
				<u>24,529</u>
Depreciation of property, plant and equipment	18,343	9,018	7,378	34,739
Unallocated depreciation				4,392
				<u>39,131</u>
Depreciation of right-of-use assets	176,764	5,972	24,598	207,334
Unallocated depreciation				2,330
				<u>209,664</u>
Amortisation of intangible assets	80	13	31	124
Loss on disposal of items of property, plant and equipment, net	5,752	2,753	12,074	20,579
Unallocated gains on disposal of items of property, plant and equipment and a right-of-use asset, net				(27,516)
				<u>(6,937)</u>
Write-off/(write-back) of right-of-use assets	15,853	(566)	5,699	20,986
Impairment of items of property, plant and equipment	5,094	26	707	5,827
Impairment of right-of-use assets	30,040	2,360	2,438	34,838
Unallocated impairment				1,718
				<u>36,556</u>
Segment non-current assets:	292,756	406	252	293,414
<i>Reconciliation:</i>				
Investment property				17,900
Deferred tax assets				650
Unallocated non-current assets				106,819
Total non-current assets				<u>418,783</u>

* Capital expenditure consists of additions to property, plant and equipment.

31 March 2020

4. OPERATING SEGMENT INFORMATION (Continued)

	Hong Kong, Macau and Elsewhere HK\$'000	Taiwan HK\$'000	Mainland China HK\$'000	Total HK\$'000
Year ended 31 March 2019				
Segment revenue:				
Sales to external customers	868,552	289,813	142,218	1,300,583
Intersegment sales	6,723	95,832	12,517	115,072
	875,275	385,645	154,735	1,415,655
<i>Reconciliation:</i>				
Elimination of intersegment sales				(115,072)
Revenue				1,300,583
Segment results:				
	81,201	(46,624)	(31,815)	2,762
<i>Reconciliation:</i>				
Interest income				96
Finance costs				(614)
Fair value gain on an investment property				400
Unallocated expenses, net				(58,606)
Loss before tax				(55,962)
Segment assets:				
	334,215	123,931	143,536	601,682
<i>Reconciliation:</i>				
Investment property				19,400
Equity investments at fair value through other comprehensive income				6,000
Deferred tax assets				15,212
Tax recoverable				3,517
Unallocated assets				216,346
Total assets				862,157
Segment liabilities:				
	61,298	6,843	32,246	100,387
<i>Reconciliation:</i>				
Deferred tax liabilities				6,400
Tax payable				3,089
Unallocated liabilities				10,536
Total liabilities				120,412
Other segment information:				
Capital expenditure*	28,917	9,945	20,339	59,201
Unallocated capital expenditure*				2,171
				61,372
Depreciation of property, plant and equipment	21,836	13,035	7,025	41,896
Unallocated depreciation				5,990
				47,886
Amortisation of intangible assets	83	21	33	137
Loss on disposal of items of property, plant and equipment, net	1,566	148	451	2,165
Unallocated loss on disposal of items of property, plant and equipment, net				690
				2,855
Impairment of items of property, plant and equipment	1,314	2,161	393	3,868
Segment non-current assets:				
	106,873	12,242	30,936	150,051
<i>Reconciliation:</i>				
Investment property				19,400
Equity investments at fair value through other comprehensive income				6,000
Deferred tax assets				15,212
Unallocated non-current assets				128,378
Total non-current assets				319,041

* Capital expenditure consists of additions to property, plant and equipment and intangible assets.

31 March 2020

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

	2020 HK\$'000	2019 HK\$'000
Revenue		
Sale of garment products and accessories transferred at a point in time	887,317	1,300,583
Disaggregated revenue information		
Segments		
Geographical markets		
Hong Kong, Macau and Elsewhere	632,607	868,552
Taiwan	159,236	289,813
Mainland China	95,474	142,218
Total revenue from contracts with customers	887,317	1,300,583

The following table shows the amounts of revenue recognised that were included in the contract liabilities at the beginning of the years:

	2020 HK\$'000	2019 HK\$'000
Revenue recognised that was included in contract liabilities at 1 April – Sale of garment products and accessories	10,620	–

Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of garment products and accessories

The Group sells garment products and accessories directly to retail customers via retail stores, department stores and internet. The performance obligation is satisfied when the product is transferred to the customers upon delivery of goods. Payment of the transaction price is due immediately when the customers purchase the goods. The payment is usually settled in cash or using credit cards.

The Group also sells goods to wholesalers. The performance obligation is satisfied when control of the products has been transferred, being when the products are delivered to the wholesalers and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. The payment is generally due within one to two months from delivery, except for certain wholesalers, where payment in advance is normally required.

As a practical expedient, the transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March 2020 were not disclosed in the notes to the financial statements because all the remaining performance obligations in relation to the sale of garment products and accessories were a part of contracts that have an original expected duration of one year or less.

5. REVENUE, OTHER INCOME AND GAINS (Continued)

	2020 HK\$'000	2019 HK\$'000
Other income		
Bank interest income	496	96
Rental income	674	596
Others	1,038	2,575
	2,208	3,267
Gains		
Foreign exchange differences, net	–	2,008
Gain on disposal of items of property, plant and equipment and a right-of-use asset, net	6,937	–
Write-back of provision	1,680	–
Fair value gain on an investment property (Note 14)	–	400
	8,617	2,408
	10,825	5,675

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Notes	2020 HK\$'000	2019 HK\$'000
Cost of inventories sold*		410,100	554,821
Depreciation of property, plant and equipment	13	39,131	47,886
Depreciation of right-of-use assets	15	209,664	–
Provision/(reversal of provision) for inventories, net*		(57,101)	20,410
Minimum lease payments under operating leases		–	244,506
Lease payments for short term leases and contingent rents not included in the measurement of lease liabilities		40,622	61,582
Auditor's remuneration		2,213	2,263
Employee benefit expenses (including directors' remuneration (Note 8)):			
Wages, salaries and other benefits		175,492	225,180
Pension scheme contributions**		8,842	12,427
		184,334	237,607
Loss/(gain) on disposal of items of property, plant and equipment and a right-of-use asset, net		(6,937)	2,855
Write-back of provision		(1,680)	–
Amortisation of intangible assets	16	124	137
Write-off of rental deposits		17,920	–
Write-off of right-of-use assets, net		20,986	–
Loss on disposal of trademarks	16	–	1
Fair value loss/(gain) on an investment property	14	1,500	(400)
Impairment of items of property, plant and equipment	13	5,827	3,868
Impairment of right-of-use assets	15	36,556	–
Foreign exchange losses/(gains), net		1,531	(2,008)
Direct operating expenses (including repairs and maintenance) arising from a rental-earning investment property		141	129

* Included in "cost of sales" on the face of the consolidated statement of profit or loss and other comprehensive income.

** At the end of the reporting period, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2019: Nil).

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 HK\$'000	2019 HK\$'000
Interest on bank loans	480	614
Interest on lease liabilities (Notes 15(b), 15(c))	17,973	–
	18,453	614

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of information about Benefits of Directors) Regulation, is as follows:

	2020 HK\$'000	2019 HK\$'000
Fees	492	492
Other emoluments:		
Salaries, allowances and benefits in kind	5,045	4,190
Performance-related bonuses*	586	1,041
Pension scheme contributions	64	54
	5,695	5,285
	6,187	5,777

* Certain executive directors of the Company are entitled to bonus payments which are determined based on the operating results of the Group.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year are as follows:

	2020 HK\$'000	2019 HK\$'000
Mr. Chu To Ki	164	164
Mr. Mak Wing Kit	164	164
Mr. Mak Siu Yan	164	164
	492	492

There were no other emoluments payable to the independent non-executive directors during the year (2019: Nil).

31 March 2020

8. DIRECTORS' REMUNERATION (Continued)

(b) Executive directors

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Performance- related bonuses HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
2020					
Mr. Wong Yui Lam	–	1,484	186	18	1,688
Madam Tong She Man, Winnie	–	371	400	10	781
Mr. Yeung Yat Hang	–	1,290	–	18	1,308
Madam Lee Yuk Ming	–	1,900	–	18	1,918
	–	5,045	586	64	5,695
2019					
Mr. Wong Yui Lam	–	1,469	226	18	1,713
Mr. Yeung Yat Hang	–	1,274	147	18	1,439
Madam Lee Yuk Ming	–	1,447	668	18	2,133
	–	4,190	1,041	54	5,285

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2019: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2019: three) executive directors, details of whose remuneration are set out in Note 8 above. Details of the remuneration of the remaining two (2019: two) non-director, highest paid employees for the year are as follows:

	2020 HK\$'000	2019 HK\$'000
Salaries, allowances and benefits in kind	2,048	1,950
Performance-related bonuses	182	680
Pension scheme contributions	36	36
	2,266	2,666

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2020	2019
HK\$1,000,001 to HK\$1,500,000	2	2

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere had been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates. The PRC corporate income tax ("CIT") is applicable to subsidiaries located in Mainland China. All of these subsidiaries were subject to the applicable CIT rate of 25% (2019: 25%) during the year ended 31 March 2020. The Taiwan subsidiary was subject to the applicable tax rate of 20% (2019: 20%) during the year ended 31 March 2020. For the subsidiaries in Macau, none of them (2019: one) was incorporated under the Macau Offshore Business Law and exempted from the Macau complementary tax pursuant to the Macau Special Administrative Region's offshore law.

	2020 HK\$'000	2019 HK\$'000
Current tax – Hong Kong		
Provision for the year	560	1,703
Overprovision in prior years	(39)	(123)
Current tax – PRC		
Provision for the year	82	102
Overprovision in prior years	(300)	(134)
Current tax – Elsewhere		
Provision for the year	1,010	1,634
Overprovision in prior years	(607)	–
Deferred tax charge (Note 18)	10,222	2,959
Total tax charge for the year	10,928	6,141

A reconciliation of the tax expense/(credit) applicable to loss before tax using the applicable rates for the countries/jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

2020	HK\$'000	%
Loss before tax	(161,673)	
Tax at the statutory tax rates	(32,938)	20.4
Adjustments in respect of current tax of previous periods	(946)	0.6
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	(4,100)	2.5
Income not subject to tax	(6,457)	4.0
Expenses not deductible for tax	2,874	(1.8)
Temporary differences not recognised	4,261	(2.6)
Tax losses not recognised	48,234	(29.8)
	10,928	(6.8)

10. INCOME TAX (Continued)

2019	HK\$'000	%
Loss before tax	(55,962)	
Tax at the statutory tax rate	(12,794)	22.9
Adjustments in respect of current tax of previous periods	(257)	0.5
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	(500)	0.9
Income not subject to tax	(695)	1.2
Expenses not deductible for tax	1,591	(2.9)
Temporary differences not recognised	6,801	(12.2)
Tax losses not recognised	11,995	(21.4)
	6,141	(11.0)

11. DIVIDENDS

	2020 HK\$'000	2019 HK\$'000
Proposed final – 6.0 HK cents (2019: HK6.0 cents) per ordinary share	22,043	22,043
Proposed special – 28.0 HK cents (2019: Nil) per ordinary share	102,866	–
	124,909	22,043

The proposed final and special dividends for the year are subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share is based on the loss for the year attributable to equity holders of the parent of HK\$172,601,000 (2019: HK\$62,103,000) and the weighted average number of ordinary shares of 367,380,000 (2019: 367,380,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2020 and 2019.

The calculation of the basic loss per share is based on:

	2020 HK\$'000	2019 HK\$'000
Loss		
Loss attributable to equity holders of the parent, used in the basic loss per share calculation	172,601	62,103
	Number of shares	
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	367,380,000	367,380,000

31 March 2020

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Computer equipment HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
31 March 2020						
At 31 March 2019:						
Cost	136,941	188,610	32,067	36,606	4,539	398,763
Accumulated depreciation and impairment	(19,860)	(132,977)	(19,898)	(25,315)	(3,561)	(201,611)
Net carrying amount	117,081	55,633	12,169	11,291	978	197,152
At 31 March 2019, net of accumulated depreciation and impairment	117,081	55,633	12,169	11,291	978	197,152
Effect of adoption of HKFRS 16 (Note 2.2)	(82,723)	(3,882)	-	-	-	(86,605)
At 1 April 2019 (restated)	34,358	51,751	12,169	11,291	978	110,547
Additions	-	22,072	932	1,525	-	24,529
Depreciation provided during the year	(838)	(29,551)	(4,087)	(4,087)	(568)	(39,131)
Disposals	(3,965)	(16,266)	(4,854)	(2,295)	(219)	(27,599)
Impairment	-	(4,601)	(860)	(366)	-	(5,827)
Exchange realignment	-	(878)	(11)	(17)	-	(906)
At 31 March 2020, net of accumulated depreciation and impairment	29,555	22,527	3,289	6,051	191	61,613
At 31 March 2020:						
Cost	37,817	124,568	17,981	27,786	1,834	209,986
Accumulated depreciation and impairment	(8,262)	(102,041)	(14,692)	(21,735)	(1,643)	(148,373)
Net carrying amount	29,555	22,527	3,289	6,051	191	61,613

31 March 2020

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Computer equipment HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
31 March 2019						
At 1 April 2018:						
Cost	136,941	161,225	29,111	40,115	4,539	371,931
Accumulated depreciation and impairment	(17,121)	(115,148)	(17,044)	(28,120)	(2,984)	(180,417)
Net carrying amount	119,820	46,077	12,067	11,995	1,555	191,514
At 1 April 2018, net of accumulated depreciation and impairment	119,820	46,077	12,067	11,995	1,555	191,514
Additions	-	51,435	5,204	4,713	-	61,352
Depreciation provided during the year	(2,739)	(35,535)	(4,473)	(4,562)	(577)	(47,886)
Disposals	-	(1,498)	(573)	(784)	-	(2,855)
Impairment	-	(3,868)	-	-	-	(3,868)
Exchange realignment	-	(978)	(56)	(71)	-	(1,105)
At 31 March 2019, net of accumulated depreciation and impairment	117,081	55,633	12,169	11,291	978	197,152
At 31 March 2019:						
Cost	136,941	188,610	32,067	36,606	4,539	398,763
Accumulated depreciation and impairment	(19,860)	(132,977)	(19,898)	(25,315)	(3,561)	(201,611)
Net carrying amount	117,081	55,633	12,169	11,291	978	197,152

At 31 March 2020, the Group's buildings (2019: land and buildings) with an aggregate net book value of approximately HK\$3,407,000 (2019: HK\$42,549,000) held in Hong Kong was pledged to secure general banking facilities granted to the Group.

The directors considered that certain property, plant and equipment of the Group were subject to impairment loss because cash-generating units of these property, plant and equipment were non-performing and suffered from substantial losses for the year. An impairment provision of HK\$5,827,000 (2019: HK\$3,868,000) was recognised in profit or loss to write down the carrying amounts of these items of property, plant and equipment to their recoverable amount of nil as at 31 March 2020 (2019: Nil).

14. INVESTMENT PROPERTY

	2020 HK\$'000	2019 HK\$'000
Carrying amount at beginning of year	19,400	19,000
Gain/(loss) from a fair value adjustment	(1,500)	400
Carrying amount at end of year	17,900	19,400

The Group's investment property is an industrial property in Hong Kong. The directors of the Company have determined the class of asset (i.e., industrial) based on the nature, characteristics and risks of the property. The Group's investment property was revalued on 31 March 2020 based on a valuation performed by RHL Appraisal Limited, an independent professionally qualified valuer, at HK\$17,900,000 (2019: HK\$19,400,000), resulting in a fair value loss of HK\$1,500,000 (2019: gain of HK\$400,000) which was recorded in the profit or loss for the year. Each year, the Group's directors decide to appoint which external valuer to be responsible for the external valuation of the Group's property. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's directors have discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for financial reporting purpose.

The investment property was leased to a third party under an operating lease, further summary details of which are included in Note 15 to the financial statements.

At 31 March 2020, the Group's investment property with a carrying value of HK\$17,900,000 (2019: Nil) was pledged to secure general banking facilities granted to the Group.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment property:

	Fair value measurement as at 31 March 2020 using			Total HK\$'000		
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000			
	Industrial property	–	–		17,900	17,900

	Fair value measurement as at 31 March 2019 using			Total HK\$'000		
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000			
	Industrial property	–	–		19,400	19,400

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2019: Nil).

The fair value of the investment property was determined using the comparison approach based on market comparables of similar properties and with adjustments made on factors such as location, size, age, condition and aspects of the properties. The weighted average range of the adjusted price per square feet is HK\$4,000 to HK\$5,000 (2019: HK\$5,500 to HK\$6,700).

A significant increase/decrease in the adjusted price per square feet would result in a significant increase/decrease in the fair value of the investment property.

15. LEASES**The Group as a lessee**

The Group has lease contracts for various buildings and items of equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of equipment generally have lease terms of 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Land and Buildings HK\$'000	Equipment HK\$'000	Total HK\$'000
As at 1 April 2019	471,404	2,402	473,806
Additions	173,600	261	173,861
Depreciation (Note 6)	(209,113)	(551)	(209,664)
Lease modification	(22,900)	–	(22,900)
Write-off	(76,665)	(124)	(76,789)
Disposal	(10,925)	–	(10,925)
Impairment (Note 6)	(34,608)	(1,948)	(36,556)
Exchange realignment	(3,862)	1	(3,861)
As at 31 March 2020	286,931	41	286,972

At 31 March 2020, the Group's land with an aggregate net book value of approximately HK\$1,576,000 (2019: Nil) held in Hong Kong was pledged to secure general banking facilities granted to the Group.

As at 31 March 2020, the Group's management identified certain retail shops which continued to underperform and estimated the corresponding recoverable amounts of their right-of-use assets. Based on these estimates, an impairment loss of HK\$36,556,000 was recognised to write down the carrying amounts of these items of right-of-use assets to their recoverable amount of nil as at 31 March 2020. The recoverable amount of the items of right-of-use assets is determined based on a value in use calculation using cash flow projections based on financial budgets covering a period of the remaining lease terms. The pre-tax discount rate applied for the cash flow projection was 13%.

The Group early terminated certain leases for buildings in the current and prior years. A write-off of HK\$76,789,000 was recognised to write off the cost of the corresponding items of right-of-use assets to their recoverable amount of nil as at 31 March 2020.

31 March 2020

15. LEASES (Continued)**The Group as a lessee** (Continued)**(b) Lease liabilities**

The carrying amounts of the Group's lease liabilities and the movements during the year are as follows:

	HK\$'000
As at 1 April 2019	391,209
New leases	168,306
Lease modification	(78,703)
Accretion of interest recognised during the year (Note 7)	17,973
Payments	(183,011)
Exchange realignment	(3,781)
As at 31 March 2020	311,993
Analysed into:	
Current portion	166,885
Non-current portion	145,108

A write-off of lease liabilities of HK\$55,803,000 was included in the lease modification, as the Group had obtained surrender agreements with landlords for certain early terminated leases for buildings.

The maturity analysis of lease liabilities is disclosed in Note 35 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2020 HK\$'000
Interest on lease liabilities (Note 7)	17,973
Depreciation of right-of-use assets (Note 6)	209,664
Write-off of right-of-use assets, net (Note 6)	20,986
Impairment of right-of-use assets (Note 6)	36,556
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 March 2020 (included in selling and distribution expenses and administrative expenses)	19,943
Variable lease payments not included in the measurement of lease liabilities (included in selling and distribution expenses)	20,679
Total amount recognised in profit or loss	325,801

31 March 2020

15. LEASES (Continued)**The Group as a lessor**

The Group leases its investment property (Note 14) which is an industrial property in Hong Kong under an operating lease arrangement. The terms of the lease require the tenant to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was HK\$674,000 (2019: HK\$596,000), details of which are included in Note 5 to the financial statements.

At 31 March 2020, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenant are as follows:

	2020 HK\$'000	2019 HK\$'000
Within one year	634	672
After one year but within two years	56	728
	690	1,400

16. INTANGIBLE ASSETS**Trademarks**

	2020 HK\$'000	2019 HK\$'000
At beginning of year:		
Cost	3,483	3,652
Accumulated amortisation and impairment	(3,052)	(3,103)
Net carrying amount	431	549
Cost at beginning of year, net of accumulated amortisation and impairment	431	549
Additions	–	20
Amortisation provided during the year (Note 6)	(124)	(137)
Disposal of trademarks (Note 6)	–	(1)
At end of year	307	431
At end of year:		
Cost	3,401	3,483
Accumulated amortisation and impairment	(3,094)	(3,052)
Net carrying amount	307	431

17. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 HK\$'000	2019 HK\$'000
Equity investments at fair value through other comprehensive income		
Unlisted equity investments, at fair value	–	6,000

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature, and the fair value loss of HK\$6,000,000 (2019: gain of HK\$3,030,000) was recognised in other comprehensive income during the year.

18. DEFERRED TAX

Deferred tax assets

	Decelerated tax depreciation HK\$'000	Losses available for offsetting against future taxable profits HK\$'000	Provision for unrealised profit on inventories HK\$'000	Other provisions HK\$'000	Total HK\$'000
At 1 April 2018	4,415	3,025	6,705	5,060	19,205
Deferred tax credited/(charged) to profit or loss during the year*	(750)	890	(3,095)	(754)	(3,709)
Exchange realignment	–	–	–	(284)	(284)
At 31 March 2019 and 1 April 2019	3,665	3,915	3,610	4,022	15,212
Deferred tax charged to profit or loss during the year*	(3,549)	(3,381)	(3,610)	(3,762)	(14,302)
Exchange realignment	–	–	–	(260)	(260)
At 31 March 2020	116	534	–	–	650

31 March 2020

18. DEFERRED TAX (Continued)**Deferred tax liabilities**

	Accelerated tax depreciation HK\$'000	Losses available for offsetting against future taxable profits HK\$'000	Withholding taxes HK\$'000	Total HK\$'000
At 1 April 2018	1,420	(570)	6,300	7,150
Deferred tax charged/(credited) to profit or loss during the year*	(820)	570	(500)	(750)
At 31 March 2019 and 1 April 2019	600	–	5,800	6,400
Deferred tax charged/(credited) to profit or loss during the year*	20	–	(4,100)	(4,080)
At 31 March 2020	620	–	1,700	2,320

* The total deferred tax charged to profit or loss during the year amounted to HK\$10,222,000 (2019: HK\$2,959,000) (Note 10).

At the end of the reporting period, the Group had tax losses arising in Hong Kong of HK\$58,565,000 (2019: HK\$29,371,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also had tax losses arising in Mainland China of HK\$79,926,000 (2019: HK\$34,590,000) that will expire in one to five years and losses arising in Taiwan of HK\$131,212,000 (2019: HK\$79,655,000) that will expire in three to ten years for offsetting against future taxable profits, respectively. Deferred tax assets have been recognised for tax losses arising in Hong Kong of approximately HK\$3,238,000 (2019: HK\$23,727,000). Deferred tax assets have not been recognised in respect of the remaining tax losses, as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings generated after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 March 2020, deferred tax liabilities have not been provided in respect of certain of the unremitted retained earnings of the Group's subsidiaries after 1 January 2008 amounting to HK\$61,996,000 (2019: HK\$66,750,000) as the payment of dividend is not considered probable.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

31 March 2020

19. INVENTORIES

	2020 HK\$'000	2019 HK\$'000
Raw materials	–	1,124
Finished goods	113,592	257,273
	113,592	258,397

20. TRADE RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Trade receivables	11,631	42,849
Impairment	–	(21)
	11,631	42,828

Sales (both online and offline) are made on cash terms or with short credit terms, except for certain well-established customers with a long business relationship with the Group, where the general credit terms are ranging from 30 days to 60 days. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing.

The ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2020 HK\$'000	2019 HK\$'000
Within 90 days	11,171	42,298
91 to 180 days	414	6
181 to 365 days	46	3
Over 365 days	–	521
	11,631	42,828

The movement in the loss allowance for impairment of trade receivables is as follows:

	2020 HK\$'000	2019 HK\$'000
At the beginning of year	21	21
Amount written off as uncollectable	(21)	–
At the end of year	–	21

31 March 2020

20. TRADE RECEIVABLES (Continued)

The ageing analysis of the trade receivables, net of loss allowance, as at the end of the reporting period that were not considered to be impaired was as follows:

	2020 HK\$'000	2019 HK\$'000
Neither past due nor impaired	11,171	42,293
Less than 3 months past due	414	13
3 to less than 12 months past due	46	522
	11,631	42,828

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type and customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than two years and are not subject to enforcement activity. As at 31 March 2020 and 2019, the Group assessed the loss allowance and the expected credit loss rate under the application of HKFRS 9 were insignificant.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Prepayments	8,430	23,888
Deposits and other receivables	62,622	96,588
	71,052	120,476
Portion classified as non-current assets	(51,341)	(80,846)
	19,711	39,630

Deposits and other receivables mainly represent rental deposits and deposits with suppliers. Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default of comparable companies with published credit ratings. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 March 2020 and 2019, the loss allowance was assessed to be minimal.

22. CASH AND CASH EQUIVALENTS

	2020 HK\$'000	2019 HK\$'000
Cash and bank balances	178,203	198,744
Time deposits	143,956	–
Cash and cash equivalents	322,159	198,744

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi (“RMB”) amounted to approximately HK\$11,472,000 (2019: HK\$11,510,000). The RMB is not freely convertible into other currencies, however, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between two weeks and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

23. TRADE PAYABLES

The ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2020 HK\$'000	2019 HK\$'000
Within 90 days	3,846	26,915
91 to 180 days	178	9,017
181 to 365 days	–	374
Over 365 days	27	305
	4,051	36,611

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 60 days.

24. OTHER PAYABLES AND ACCRUALS

	Notes	2020 HK\$'000	2019 HK\$'000
Other payables	(a)	24,015	43,241
Accruals	(b)	9,333	20,451
Contract liabilities	(c)	60	10,620
		33,408	74,312

Notes:

- (a) The other payables are non-interest-bearing and are normally settled on terms of 30 to 90 days.
- (b) As a result of the initial application of HKFRS 16, accrued lease payments of HK\$7,291,000 previously included in “other payables and accruals” were adjusted to the right-of-use assets recognised at 1 April 2019 (refer to note 2.2 to the financial statements for further details).
- (c) Contract liabilities include deferred revenue arising from the VIP programme. The decrease in contract liabilities in 2020 was mainly due to the decrease in deferred revenue arising from the VIP programme of the Group.

25. SHARE CAPITAL**Shares**

	Company	
	2020	2019
	HK\$'000	HK\$'000
Issued and fully paid:		
367,380,000 ordinary shares of HK\$0.1 each	36,738	36,738

Details of the Company's share option scheme and the share options issued under the scheme are included in Note 26 to the financial statements.

26. SHARE OPTION SCHEME

On 27 August 2015, the Company adopted a share option scheme (the "**Scheme**") to provide the Company with the flexibility of granting share options to eligible participants as incentives or rewards for their contribution or potential contribution to the Group. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, any advisers, consultants, suppliers and customers of the Group and such other persons who, in the sole opinion of the board of directors of the Company, will contribute or have contributed to the Group. The Scheme will remain in force for 10 years from the effective date of 28 August 2015.

The number of shares in respect of which options may be granted under the Scheme shall not exceed 10% of the total number of shares of the Company in issue as at the date of passing of the shareholders' resolution for adoption of the Scheme. The aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share options schemes of the Company shall not exceed 30% of the issued share capital of the Company from time to time.

The major terms of the Scheme are set out below:

The acceptance of an offer of the grant of the respective share options must be made within 28 days from the date of offer with a non-refundable payment of HK\$1.00 from each grantee. An option may be exercised at any time during a period to be determined by the board of directors of the Company, which shall not in any event exceed ten years from the date of grant. The scheme does not specify any minimum holding period but the board of directors of the Company has the authority to determine the minimum period for which a share option in respect of some or all of the shares forming the subject of the share options must be held before it can be exercised.

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue. Where any further grant of options to a participant would result in the total number of shares issued and to be issued upon exercise of all the options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the total number of shares in issue, such further grant must be separately approved by the shareholders in general meeting with such participant and his/her close associates (or his/her associates if the participant is a connected person) abstaining from voting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors (excluding any independent non-executive director who is the proposed grantee). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK\$5 million within any 12-month period are subject to shareholders' approval in advance in a general meeting.

26. SHARE OPTION SCHEME *(Continued)*

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the nominal value of a share; (ii) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (iii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

No share option was granted under the Scheme since its adoption and during the year ended 31 March 2020. Hence, no share option expense was recognised by the Group during the year ended 31 March 2020.

27. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 43 of this Annual Report.

Contributed surplus

The Group's contributed surplus as at 31 March 2020 and 2019 comprised (i) the waiver of an amount due to a company owned by the Group's controlling shareholder; (ii) a transfer from the share premium account; and (iii) a special interim dividend in a prior year after adjusting for the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the group reorganisation over the nominal value of the shares of the Company issued in exchange therefor.

Reserve funds

In accordance with the relevant regulations applicable to wholly-foreign-owned enterprises in Mainland China and entities incorporated in Macau, a portion of the profits of the Company's subsidiaries which are registered in the PRC and Macau has been transferred to the reserve funds which are restricted to use.

Asset revaluation reserve

The asset revaluation reserve of HK\$14,633,000 relates to an owner-occupied property of the Group transferred to an investment property carried at fair value before 1 April 2017.

28. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	2020 HK\$'000	2019 HK\$'000
Guarantees given in lieu of utility and property rental deposits	3,887	5,014

In addition, the Group early terminated certain leases for properties in current and prior years. Pursuant to the respective lease agreements, the Group might be required to compensate for losses or damages to the respective landlords subject to various conditions. As at the end of the reporting period, it was not practicable to estimate the related losses or damages as the outcome which could determine the compensation was not wholly within the control of the Group. In the opinion of the Directors, the likelihood of an outflow of resources embodying economic benefits by the Group is uncertain.

29. PLEDGE OF ASSETS

The Group's general banking facilities were secured by its property, plant and equipment, right-of-use assets and an investment property (2019: land and buildings) situated in Hong Kong, which had aggregate carrying values at the end of the reporting period of approximately HK\$3,407,000, HK\$1,576,000 and HK\$17,900,000, respectively (2019: HK\$42,549,000).

30. COMMITMENTS

(a) The Group had no material capital commitment contracted but not provided for as at 31 March 2020 (2019: Nil).

(b) Operating lease commitments as at 31 March 2019

The Group, as lessee, leased its retail shops and certain of its offices and warehouses under operating lease arrangements with lease terms ranging from one to six years. At 31 March 2019, the Group had total future minimum lease payments payable under non-cancellable operating leases falling due as follows:

	2019
Within one year	217,659
In the second to fifth years, inclusive	222,314
Over five years	351
	440,324

The operating lease rentals of certain retail shops are based on the higher of a fixed rental and contingent rent based on the sales of the retail shops pursuant to the terms and conditions set out in the respective rental agreements. As the future sales of these retail shops could not be estimated reliably, the relevant contingent rent had not been included above and only the minimum lease commitment had been included in the above table.

31. RELATED PARTY TRANSACTIONS

(a) During the year, the Group had the following transactions with related companies controlled by a close family member of a director of the Group:

	Notes	2020 HK\$'000	2019 HK\$'000
Rental income	(i)	18	–
Computer system maintenance charges	(ii)	858	661

Notes:

- (i) The rental income received from a related company was determined at terms and conditions mutually agreed between the relevant parties.
- (ii) The computer system maintenance charges paid to related companies were determined between the parties with reference to the actual staff costs incurred.

(b) All compensation of key management personnel of the Group is included in the remuneration of directors and the five highest paid employees as set out respectively in Notes 8 and 9 to the financial statements.

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS**(a) Major non-cash transactions**

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK\$173,861,000 and HK\$168,306,000, respectively, in respect of lease recognition and lease arrangements for building and equipment (2019: Nil) (Notes 15(a) and (b)).

(b) Changes in liabilities arising from financing activities

	Lease liabilities HK\$'000	Bank loan HK\$'000
2020		
At 31 March 2019	–	–
Effect of adoption of HKFRS 16 (Note 2.2)	391,209	–
At 1 April 2019 (restated)	391,209	–
Changes from financing cash flows	(165,038)	–
New bank loan	–	30,000
Repayment of bank loan	–	(30,000)
New leases (Note 15(b))	168,306	–
Lease modification	(78,703)	–
Foreign exchange movement	(3,781)	–
Interest expense (Note 7)	17,973	–
Interest paid classified as operating cash flows	(17,973)	–
At 31 March 2020	311,993	–
		Bank loan HK\$'000
2019		
At 1 April 2018		–
New bank loan		50,000
Repayment of bank loan		(50,000)
At 31 March 2019		–

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2020 HK\$'000
Within operating activities	58,595
Within financing activities	165,038
	223,633

31 March 2020

33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	Financial assets at fair value through other comprehensive income			Financial assets at fair value through other comprehensive income		
	Financial assets at amortised cost	Financial assets at amortised cost	Total	Financial assets at amortised cost	Financial assets at amortised cost	Total
	2020 HK\$'000	2020 HK\$'000	2020 HK\$'000	2019 HK\$'000	2019 HK\$'000	2019 HK\$'000
Equity investments at fair value through other comprehensive income	-	-	-	-	6,000	6,000
Trade receivables	11,631	-	11,631	42,828	-	42,828
Financial assets included in prepayments, deposits and other receivables	62,622	-	62,622	93,262	-	93,262
Cash and cash equivalents	322,159	-	322,159	198,744	-	198,744
	396,412	-	396,412	334,834	6,000	340,834

Financial liabilities

	Financial liabilities at amortised cost	
	2020 HK\$'000	2019 HK\$'000
Trade payables	4,051	36,611
Lease liabilities	311,993	-
Financial liabilities included in other payables and accruals (Note 24)	24,015	43,241
	340,059	79,852

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of trade receivables, financial assets included in prepayments, deposits and other receivables, cash and bank balances, trade payables and other payables approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

Management of the Group has estimated the fair values of unlisted equity investments at fair value through other comprehensive income with reference to recent transaction prices of the investment or using an asset-based approach based on assumption that are not supported by observable market prices or rates. The directors believe that the estimated fair values based on the above valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair value, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

An increase/decrease in the issued prices of recent transactions by 10% would result in an increase/decrease in the fair value of the unlisted equity investment by 10%.

31 March 2020

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)
Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 March 2020

	Quoted prices in active markets (Level 1) HK\$'000	Fair value measurement using		Total HK\$'000
		Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Equity investments at fair value through other comprehensive income	–	–	–	–

As at 31 March 2019

	Quoted prices in active markets (Level 1) HK\$'000	Fair value measurement using		Total HK\$'000
		Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Equity investments at fair value through other comprehensive income	–	–	6,000	6,000

The movement in fair value measurements within Level 3 during the year is as follows:

	2020 HK\$'000	2019 HK\$'000
Equity investments at fair value through other comprehensive income – unlisted:		
At the beginning of year	6,000	2,970
Fair value gain/(loss) recognised in other comprehensive income	(6,000)	3,030
At the end of year	–	6,000

Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value as at 31 March 2020 and 2019.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2019: Nil).

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash at banks. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments and other financial assets and liabilities are foreign currency risk, credit risk and liquidity risk. The Group does not have any written financial risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group introduces conservative strategies on its financial risk management. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives or other financial instruments for hedging purposes. The directors review and agree policies for managing each of these risks and they are summarised as follows:

Foreign currency risk

The Group has transactional currency exposures. These exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. As transactions denominated in currencies other than the Group's functional currency are well-diversified, the exposure to foreign currency risk is not considered significant.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the foreign currency exchange rate, with all other variables held constant, of the Group's loss before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) %	Increase/ (decrease) in loss before tax HK\$'000	Increase/ (decrease) in equity* HK\$'000
2020			
If Hong Kong dollar weakens against New Taiwan Dollar ("NT\$")	(1)	(537)	–
If Hong Kong dollar strengthens against NT\$	1	537	–
2019			
If Hong Kong dollar weakens against NT\$	(1)	(1,313)	–
If Hong Kong dollar strengthens against NT\$	1	1,313	–

* Excluding retained profits

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

31 March 2020

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**Maximum exposure and year-end staging**

The tables below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 March. The amounts presented are net carrying amounts for financial assets.

	12-month ECLs		Lifetime ECLs		Simplified approach HK\$'000	HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000			
As at 31 March 2020						
Trade receivables*	–	–	–		11,631	11,631
Financial assets included in prepayments, deposits and other receivables						
– Normal**	62,622	–	–		–	62,622
Cash and cash equivalents						
– Not yet past due	322,159	–	–		–	322,159
	384,781	–	–		11,631	396,412
As at 31 March 2019						
Trade receivables*	–	–	–		42,848	42,848
Financial assets included in prepayments, deposits and other receivables						
– Normal**	93,262	–	–		–	93,262
Cash and cash equivalents						
– Not yet past due	198,744	–	–		–	198,744
	292,006	–	–		42,848	334,854

* For trade receivables to which the Group applies the simplified approach for impairment, information is disclosed in Note 20 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in Note 20 to the financial statements.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of banking credit facilities. The Group's policy is to minimise unnecessary borrowings.

31 March 2020

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**Liquidity risk** (Continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2020				Total HK\$'000
	On demand HK\$'000	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	More than 12 months HK\$'000	
Lease liabilities	20,325	36,288	110,925	151,401	318,939
Trade payables	1,411	2,640	–	–	4,051
Other payables	9,090	13,439	1,316	170	24,015
Guarantees given in lieu of utility and property rental deposits (Note 28)	3,887	–	–	–	3,887
	34,713	52,367	112,241	151,571	350,892
	2019				Total HK\$'000
	On demand HK\$'000	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	More than 12 months HK\$'000	
Trade payables	5,510	31,101	–	–	36,611
Other payables	13,407	26,795	3,039	–	43,241
Guarantees given in lieu of utility and property rental deposits (Note 28)	5,014	–	–	–	5,014
	23,931	57,896	3,039	–	84,866

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise the shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2020 and 31 March 2019.

The Group monitors capital using a current ratio, which is total current assets divided by total current liabilities. The Group's policy is to keep the current ratio above 1. The current ratios as at the end of the reporting periods were as follows:

	31 March 2020 HK\$'000	1 April 2019 HK\$'000 (Note)	31 March 2019 HK\$'000
Total current assets	469,939	539,833	543,116
Total current liabilities	205,335	294,169	114,012
Current ratio	2.3	1.8	4.8

Note: The Group has adopted the HKFRS 16 using the modified retrospective approach and the effect of the initial adoption is adjusted against the opening balances as at 1 April 2019 with no adjustments to the comparative amounts as at 31 March 2019. This resulted in a decrease in the Group's total current assets and an increase in the Group's total current liabilities and hence the Group's current ratio decreased from 4.8 to 1.8 on 1 April 2019 when compared with the position as at 31 March 2019.

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2020 HK\$'000	2019 HK\$'000
NON-CURRENT ASSETS		
Investment in a subsidiary	108,144	156,702
CURRENT ASSETS		
Due from a subsidiary	427,312	409,440
Cash and bank balances	529	25
Total current assets	427,841	409,465
CURRENT LIABILITIES		
Other payables	26	25
NET CURRENT ASSETS	427,815	409,440
NET ASSETS	535,959	566,142
EQUITY		
Share capital	36,738	36,738
Reserves (note)	499,221	529,404
TOTAL EQUITY	535,959	566,142

Wong Yui Lam
Chairman & Executive Director

Lee Yuk Ming
Executive Director

31 March 2020

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK\$'000	Contributed surplus* HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2018	105,566	136,518	304,750	546,834
Final 2018 dividend declared	–	–	(27,554)	(27,554)
Total comprehensive income for the year	–	–	10,124	10,124
At 31 March 2019 and 1 April 2019	105,566	136,518	287,320	529,404
Final 2019 dividend declared	–	–	(22,043)	(22,043)
Total comprehensive loss for the year	–	–	(8,140)	(8,140)
At 31 March 2020	105,566	136,518	257,137	499,221

* The Company's contributed surplus comprises the excess of the fair value of the shares of the subsidiaries acquired pursuant to the group reorganisation over the nominal value of the Company's shares issued in exchange therefor; and the net-off with a special interim dividend distributed in a prior year.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 June 2020.

A summary of the consolidated results and assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements, is set out below.

	Year ended 31 March				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
RESULTS					
REVENUE	887,317	1,300,583	1,387,524	1,305,880	1,512,996
Cost of sales	(352,999)	(575,231)	(543,716)	(488,005)	(620,330)
GROSS PROFIT	534,318	725,352	843,808	817,875	892,666
Other income and gains	10,825	5,675	3,231	10,913	4,500
Gain on deregistration of subsidiaries	–	–	–	8,111	–
Selling and distribution expenses	(511,450)	(660,467)	(667,702)	(645,646)	(714,514)
Administrative expenses	(92,459)	(118,986)	(116,797)	(105,643)	(110,242)
Other expenses	(84,454)	(6,922)	(5,293)	(11,274)	(9,757)
Finance costs	(18,453)	(614)	(437)	(226)	(796)
PROFIT/(LOSS) BEFORE TAX	(161,673)	(55,962)	56,810	74,110	61,857
Income tax expense	(10,928)	(6,141)	(16,207)	(9,233)	(8,908)
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	(172,601)	(62,103)	40,603	64,877	52,949
DIVIDENDS	124,909	22,043	27,554	27,554	22,066

	As at 31 March				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
ASSETS AND LIABILITIES					
TOTAL ASSETS	888,722	862,157	972,605	945,143	896,034
TOTAL LIABILITIES	(352,763)	(120,412)	(140,717)	(134,546)	(126,583)
	535,959	741,745	831,888	810,597	769,451