bauhaus

Annual report 2021

BAUHAUS INTERNATIONAL (HOLDINGS) LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 483)

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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 2021.

Retailers across Hong Kong and other regions globally have experienced unprecedented difficulties in their operations in 2020, mainly resulting from the challenges brought by the COVID-19 pandemic. Either as a citizen or as a retailer, we all have to adapt to the "new normal" and to overcome the challenges. Even through the past year was very tough for the Group's retail operations, the Group has made certain important strategic moves, structurally enhanced its operating cost structure and eventually managed to resume profitability of the Group. During the year under review, the Group re-focused its resources on Hong Kong and Macau markets and determinedly closed all the offline stores elsewhere in non-Hong Kong & Macau regions. Instead of penetrating overseas markets through traditional offline retail network, the Group is revamping its business model and intends to use online channels to explore opportunities in overseas markets, which can offer a wider geographical coverage across target customers at a relatively lower cost.

In addition, the Group put much effort to lower its operating leverage and to minimise rigid cost commitment, particularly arisen from shop leases. The Group not only proactively strove for rent concessions, but also re-negotiated with landlords for more flexible lease terms or early surrendered certain leases. The Group adopts an on-going practice of strategically relocating, consolidating and converting its retail portfolio aiming to control the fixed lease costs at an acceptable level. Besides, the Group eliminated bureaucratic and unproductive management layers in order to let the top management reconnect efficiently with the business frontline, respond promptly to the market challenges and reduce effectively the administrative costs.

Looking forward, the Group still expects to encounter strong headwinds in the short-term and might require a prolonged path to thorough recovery. The Group will maintain a manageable scale of operations at a reasonable profitability level and does not intend to aggressively do fast and quantitative expansion in near future until having strong signs of sustainable economic recovery. Indeed, the Group will put more emphasis to foster qualitative growth of its retail business.

Besides, on 3 June 2021, the Group entered into a provisional sales and purchase agreement with an independent third party to sell and lease back a property situated in Hong Kong, which was previously being used as a warehouse by the Group, for an aggregate cash consideration of about HK$48.0 million (before any related expenses). The sale of property transaction is expected to be completed on or before 31 August 2021.

Based on a valuation performed by an independent professionally qualified valuer, the fair value of remaining unsold properties as at 31 March 2021 is about HK$263 million. With aims to improve the Group's asset returns and to realise the true value of its assets in general, the Group will do regularly review on its asset portfolio and seek opportunities to realise them where appropriate, in particular for certain idle or under-utilised properties.

As at 31 March 2021, the Group has cash and cash equivalents (including a pledged time deposit) of about HK$282.3 million (2020: HK$322.2 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 second special dividend of 6.0 HK cents and 40.5 HK cents per ordinary share, respectively, in respect of the year to shareholders on the register of members on Thursday, 26 August 2021.

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.

Dr. Wong Yui Lam
Chairman & Executive Director
Hong Kong, 28 June 2021

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 49 stores and counters in Hong Kong and Macau, 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 performances 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 2021. 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

While the Hong Kong region continues to account for the largest portion of the Group's turnover and is also where our head office is located, contribution from the Macau region has increased to a material level following the closure of the Group's offline-retail operations in the non-Hong Kong & Macau region. Accordingly, this ESG Report would cover the Group's business and operations in both Hong Kong and Macau since the year ended 31 March 2021. 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 all the 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, 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 fatalities. Child and forced labour, and employee turnover rates are of second priority.

- 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 alias, has become a priority global environmental protection issue. The Group strictly follows and complies with laws and regulations relating to environmental protection. We are trying every effort to minimise the emission of gases. 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 routes of transportation 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. Environmental-related KPIs vastly improved across the board year-on-year if not for the inclusion of the Macau region.

Emissions from Vehicles

KPI Description (Measured in Kilogram)	2020/21 (Hong Kong & Macau)	2019/20 (Hong Kong)
Nitrogen oxides (NO_x)	**125.67**	231.16
Sulphur oxides (SO_x)	**0.13**	0.25
Particulate matter (PM)	**12.46**	23.67

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) NOx, SOx 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 further significantly reduce our emissions across the board through our environmentally focused measures and reduction of stores. We continued to streamline our logistics arrangements and emissions of various gases from vehicles were reduced by around 48%. In light of COVID-19, global travel was halted to a standstill. Business trips were cancelled entirely and we relied on virtual conferences to conduct meetings. The GHG emissions due to fuel and electricity increased slightly by 5% due to inclusion of data from the Macau region.

In the year under review, overall GHG emission fell 4% even after inclusion of data from the Macau region. In terms of intensity per square foot of floor area, it was 0.01 tonnes of GHG emission.

Greenhouse Gas Emissions (Total Carbon Dioxide Emission in Tonnes)

KPI	Description	2020/21 (Hong Kong & Macau)	2019/20 (Hong Kong)
Scope 1	GHG emissions from vehicles	**20.69**	41.06
Scope 2	GHG emissions from purchase electricity	**1,510.00**	1,410.90
Scope 3	Amount of paper waste generated	**49.70**	71.70
	Plastic/plastic-coated bags	**22.40**	101.40
	Business air travel	**0.00**	38.56
Scopes 1 & 2 & 3 combined		**1,602.79**	1,663.62
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 211,542 sq. ft. (2020: 213,043 sq. ft.).

With 49 directly managed retail stores in Hong Kong and Macau, a collective saving in electricity consumption will definitely reduce gas emission. 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, pre-set timers to turn off external lightings and billboards after the opening hours of stores. The Group's head office is currently installed with a motion-sensor switch system to replace the traditional light switching system.

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

With the implementation of the above measures, the Group's electricity consumption was reduced overall but increased 5% due to inclusion of data from the Macau region.

Energy Consumption and Intensity

KPI Description	**2020/21 (Hong Kong & Macau)**	2019/20 (Hong Kong)
Diesel for vehicles (Litres/year)	**7,897**	15,670
Electricity purchased (kWh/year)		
Stores	**1,822,582**	1,552,681
Warehouse and office	**655,450**	797,692
Total (kWh/year)	**2,478,032**	2,350,373
Intensity of electricity consumption for stores (kWh/sq. ft./year)	**16.63**	16.60
Intensity of electricity consumption for office & warehouse (kWh/sq. ft./year)	**6.43**	6.67

Note: Total weighted-average floor area of stores (Hong Kong & Macau): about 109,590 sq. ft. (2020 (Hong Kong): 93,536 sq. ft.) & total weighted-average floor area of office & warehouse: about 101,952 sq. ft. (2020: 119,507 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 Paper

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 the staff to use recycled papers, double-side printing and minimise 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 digital mediums for marketing promotion, reducing 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 manufacturing. 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)	**2020/21 (Hong Kong & Macau)**	2019/20 (Hong Kong)
Plastic/plastic-coated bags	**3.59**	16.22
Paper	**10.34**	14.95

Disposal of Hazardous and Non-hazardous Wastes

The Group pledges to minimise waste. The increase of store renovations, relocations and closures resulted in an increase of its associated non-hazardous wastes by 23% but other non-hazardous commercial waste such as paper, plastics and metal, were reduced by 7%.

Waste Type	Treatment	Unit	**2020/21 (Hong Kong & Macau)**	2019/20 (Hong Kong)
Computer equipment at stores, office, warehouse	Sent to certified suppliers for recycling/ disposal	Tonnes	**0.00**	0.27
Toner cartridge at stores, office, warehouse	Returned to suppliers for recycling	Tonnes	**0.01**	0.01
Plastics, paper, metal, glass	Separated and sent to the nearest collection points daily	Tonnes	**11.42**	11.99
Store closure and relocation waste	Recycle store furniture and lighting for reuse in our existing and new stores	Tonnes	**220.00**	178.50

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 flexible working hours for employees to choose from that could best suit their work-life balance. We implemented sparse seating arrangements in the head office to maintain social distancing during COVID-19. 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 2021, we have 259 employees in Hong Kong & Macau, 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	**2020/21 (Hong Kong & Macau)**	2019/20 (Hong Kong & Macau)
Female	**210**	269
Male	**49**	78
Total	**259**	347

By Age Group	**2020/21 (Hong Kong & Macau)**	2019/20 (Hong Kong & Macau)
<20	**1**	4
21–40	**209**	288
41–60	**45**	52
>60	**4**	3

By Employment Type	**2020/21 (Hong Kong & Macau)**	2019/20 (Hong Kong & Macau)
Full time	**257**	342
Part time	**2**	5

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, staff meetings and trainings were limited by COVID-19 restrictions but we arranged our staff to attend a total of 2,269 hours (Hong Kong & Macau) (2020 (Hong Kong only): 4,182 hours) of training and courses.

Providing a safe working environment for our employees is a priority We also equip proper tools such as ladders and trolleys. 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, no cases of work injury were reported, compared with 1 case in the previous year. The total number of accumulated lost days due to work injury is zero, compared with zero 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 & Macau.

No child labour or forced labour is allowed. During the year under review, the Group had no significant non-compliance cases in Hong Kong & Macau 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 an aim to provide a favourable and happy shopping environment for our customers. We provide constant training to our new staff, senior sales staff and supervisors to make them aware 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 19 cases (2020: 32) 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 and safest products which need to meet the environmental standards. The Group performs regular site visits and conducts annual reviews to ensure that all of them abide by our requirements that no toxic material is used for product safety, no child and forced labour is employed, no workplace is unsafe for workers, no toxic waste is inappropriately disposed of, and no toxic gas is allowed to be emitted. 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.

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 try our best effort to maintain a high accuracy in the forecasts of sales and procurement so as to keep an inventory at safety 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 achieve the highest business ethics and integrity. It requests all its 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. All business partners, including suppliers, contractors, franchisees, and wholesale partners must agree with our business philosophy. The Group disapproves of any corruptive 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 in 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

During the year, we collaborated with the Department of Information Systems at the City University of Hong Kong to co-develop an e-learning initiative in the form of an innovative student group project to identify real business problems with big data mining techniques and propose potential improvement of e-Business opportunities. The submission was chosen as a winner of the Innovative CityU-Learning Awards Semester A 2020/21. 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

Shares		**As at 31 March 2021 No. of shares**	As at 31 March 2020 No. of shares
Authorised shares	:	**2,000,000,000**	2,000,000,000
Issued shares	:	**367,380,000**	367,380,000

		FY 2020/21 HK cents	FY 2019/20 HK cents
Basic earnings/(loss) per share	:	**27.1**	(47.0)
Diluted earnings/(loss) per share	:	**27.1**	(47.0)
Dividend per share			
Interim	:	**2.5**	–
Special	:	**12.0**	–
Proposed final	:	**6.0**	6.0
Proposed second special/Proposed special	:	**40.5**	28.0
TOTAL		**61.0**	34.0

Key dates

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)*
Payment of 2019/20 final and special dividend	:	4 September 2020
Board meeting for approval of 2020/21 special dividend	:	23 November 2020
2020/21 interim results announcement	:	27 November 2020
Closure of Register of Members for 2020/21 special dividend	:	8 December 2020 to 10 December 2020 *(both days inclusive)*
Closure of Register of Members for 2020/21 interim dividend	:	16 December 2020 to 18 December 2020 *(both days inclusive)*
Payment of 2020/21 special dividend	:	18 December 2020
Payment of 2020/21 interim dividend	:	29 December 2020
2020/21 annual results announcement	:	28 June 2021
Closure of Register of Members for 2020/21 annual general meeting	:	13 August 2021 to 18 August 2021 *(both days inclusive)*
2020/21 annual general meeting	:	18 August 2021
Closure of Register of Members for 2020/21 proposed final and second special dividend	:	24 August 2021 to 26 August 2021 *(both days inclusive)*
Payable of 2020/21 proposed final and special second dividend	:	3 September 2021
Official website	:	www.bauhaus.com.hk
Investor relation	:	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:
Dr. 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
(retired as a Director on 18 August 2020)

Independent non-executive directors:
Mr. Chu To Ki
Mr. Mak Wing Kit
Mr. Wong Man Tai *(appointed on 29 December 2020)*
Mr. Mak Siu Yan *(resigned on 29 December 2020)*

AUTHORISED REPRESENTATIVES
Dr. Wong Yui Lam
Madam Tong She Man, Winnie
(appointed on 18 August 2020)
Madam Lee Yuk Ming *(resigned on 18 August 2020)*

COMPANY SECRETARY
Mr. Li Kin Cheong

QUALIFIED ACCOUNTANT
Mr. Li Kin Cheong

AUDIT COMMITTEE
Mr. Mak Wing Kit *(Chairman)*
Mr. Chu To Ki
Mr. Wong Man Tai *(appointed on 29 December 2020)*
Mr. Mak Siu Yan *(resigned on 29 December 2020)*

REMUNERATION COMMITTEE
Mr. Mak Wing Kit *(Chairman)*
Mr. Chu To Ki
Mr. Wong Man Tai *(appointed on 29 December 2020)*
Mr. Mak Siu Yan *(resigned on 29 December 2020)*

NOMINATION COMMITTEE
Mr. Wong Man Tai
(Chairman, appointed on 29 December 2020)
Mr. Mak Siu Yan
(Chairman, resigned on 29 December 2020)
Mr. Chu To Ki
Mr. Mak Wing Kit

PRINCIPAL AUDITOR
Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12, 28 Hennessy Road
Wanchai, 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

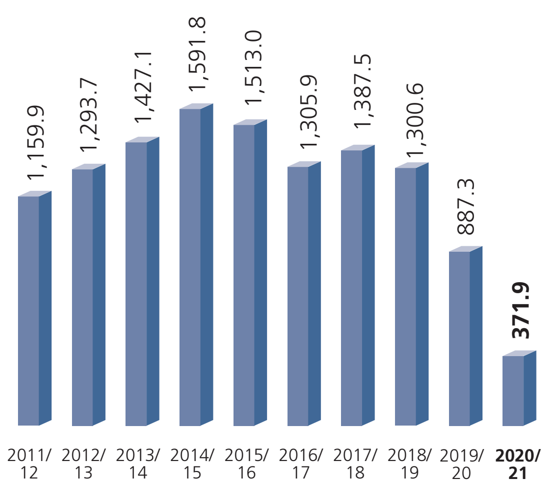
REGISTERED OFFICE
Second Floor,
Century Yard,
Cricket Square, P.O. Box 902,
Grand Cayman, KY1-1103,
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Room 501, Sino Industrial Plaza
9 Kai Cheung Road
Kowloon Bay, Kowloon
Hong Kong

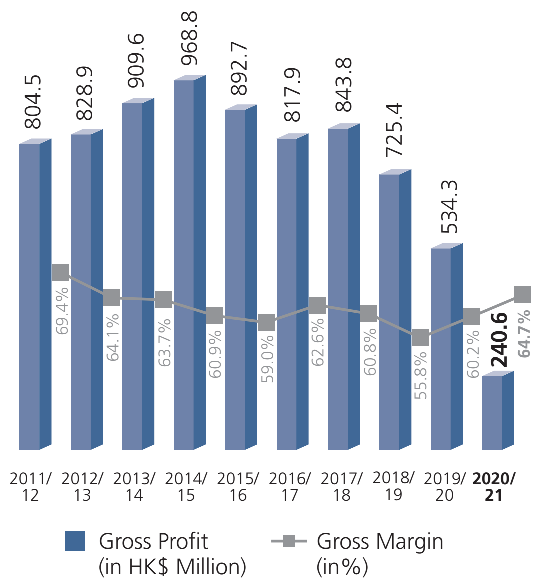
PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Services (Cayman Islands) Limited
Second Floor,
Century Yard,
Cricket Square, P.O. Box 902,
Grand Cayman, KY1-1103,
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

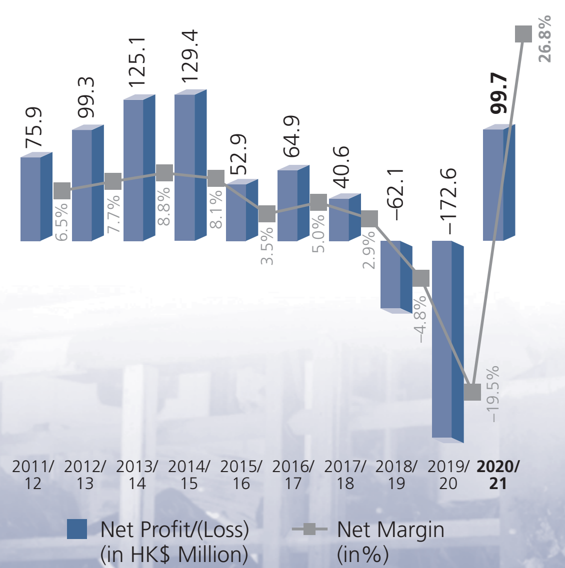
Sales (in HK$ Million)



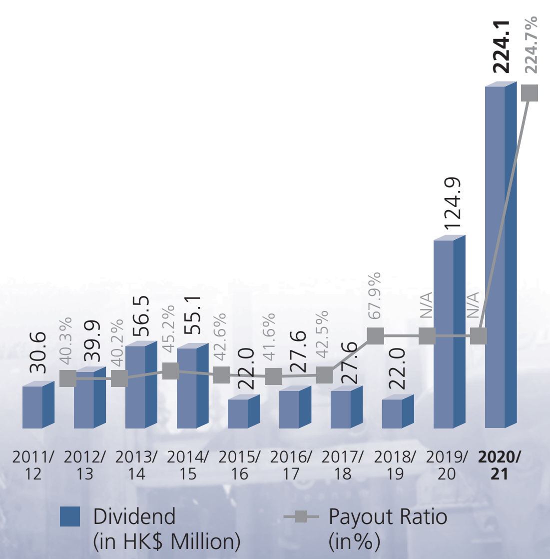
Gross Profit & Gross Margin



Net Profit/(Loss) & Net Margin



Dividend & Payout Ratio



SEGMENT TURNOVER

By Region	Turnover FY 2020/21 HK$ million	Turnover FY 2019/20 HK$ million	Turnover Change %	Turnover Composition FY 2020/21 %	Turnover Composition FY 2019/20 %	Turnover Composition Change % pts.
Hong Kong & Macau	**343.9**	632.5	-45.6	**92.5**	71.3	+21.2
Non-Hong Kong & Macau	**28.0**	254.8	-89.0	**7.5**	28.7	-21.2
	371.9	887.3	-58.1	**100.0**	100.0	

SELF-MANAGED RETAIL NETWORK – OFFLINE

		No. of shops/counters/outlets Hong Kong & Macau	No. of shops/counters/outlets Non-Hong Kong & Macau	TOTAL
As at 31 March 2021				
In-House Brand	**BAUHAUS**	**21**	**–**	**21**
	SALAD	**15**	**–**	**15**
	TOUGH	**2**	**–**	**2**
	Others	**3**	**–**	**3**
Licensed Brand	**SUPERDRY**	**8**	**–**	**8**
TOTAL		**49**	**–**	**49**
Aggregate sales footage (in sq. feet)		**92,907**	**–**	**92,907**
As at 31 March 2020				
In-House Brand	BAUHAUS	25	2	27
	SALAD	19	4	23
	TOUGH	2	12	14
	Others	3	–	3
Licensed Brand	SUPERDRY	16	19	35
TOTAL		65	37	102
Aggregate sales footage (in sq. feet)		126,274	44,318	170,592

		Notes	FY 2020/21	FY 2019/20	Change
KEY FINANCIAL RATIOS					
Performance					
Gross Margin	(%)	1	**64.7**	60.2	+4.5 pts.
Net Profit Margin	(%)	2	**26.8**	-19.5	+46.3 pts.
Return on Average Equity	(%)	3	**20.3**	-27.0	+47.3 pts.
Return on Average Assets	(%)	4	**13.4**	-19.7	+33.1 pts.
Operating					
Inventory Turnover Days		5	**255**	193	+62 days
Debtors' Turnover Days		6	**7**	11	-4 days
Creditors' Turnover Days		7	**11**	35	-24 days
Liquidity and Gearing					
Current Ratio		8	**3.7**	2.3	+60.9%
Quick Ratio		9	**3.0**	1.7	+76.5%
Gearing Ratio	(%)	10	**–**	–	n/a
PER SHARE DATA					
Book Value Per Share	(HK cents)	11	**121.9**	145.9	-16.4%
Basic Earnings/(Loss) Per Share	(HK cents)	12	**27.1**	(47.0)	-157.7%
Diluted Earnings/(Loss) Per Share	(HK cents)	13	**27.1**	(47.0)	-157.7%
Dividend Per Share					
Interim	(HK cents)		**2.5**	–	
Special	(HK cents)		**12.0**	–	
Proposed Final	(HK cents)		**6.0**	6.0	
Proposed Second Special/ Proposed Special	(HK cents)		**40.5**	28.0	
			61.0	34.0	+79.4%
Dividend Payout Ratio	(%)	14	**224.7**	n/a	n/a

Notes:

1 "Gross Margin" is based on gross profit divided by turnover for the year.

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.

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.

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.

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.

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.

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.

8 "Current Ratio" represents current assets divided by current liabilities.

9 "Quick Ratio" represents current assets less inventories then divided by current liabilities.

10 "Gearing Ratio" represents total interest-bearing bank borrowings divided by 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 (2020: 367,380,000).

12 "Basic Earnings/(Loss) Per Share" is calculated as the profit/(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 (2020: 367,380,000).

13 "Diluted Earnings/(Loss) Per Share" is calculated as the profit/(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 (2020: 367,380,000) in aggregate.

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

Dr. Wong Yui Lam, aged 63, 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. Dr. Wong conceived the concept and brand name "TOUGH", the first in-house brand of the Group, and is responsible for overall development including design and direction of the brand. Dr. 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, Dr. Wong was awarded the Honorary Fellowship by The Hong Kong Institute of Education to salute his outstanding achievement and devotion. In addition, Dr. Wong has awarded the degree of Doctor of Business Administration from the City University of Hong Kong in February 2021. Dr. 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 62, is the Co-founder, the Vice-Chairlady, the Chief Operating Officer and the Authorised Representative 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 43, 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 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.

Independent Non-Executive Directors

Mr. Chu To Ki, aged 55, 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 53, 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.

Mr. Wong Man Tai, aged 47, is a qualified accountant with more than 20 years of working experience in the financial service industry, including experience in mergers and acquisition transactions and business management. He has more than 10 years of management experience in financial and investment groups in Hong Kong SAR and Mainland China, and has, in the past, held senior executive positions in a number of financial institution groups and has taken key roles to manage investment transactions, business strategy and corporate restructuring. He holds a finance degree from The City University of Hong Kong and an Executive MBA from The Chinese University of Hong Kong. He also holds professional certifications including Fellow Certified Public Accountant (FCPA) from The Hong Kong Institute of Certified Public Accountants.

COMPANY SECRETARY

Mr. Li Kin Cheong, aged 45, 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) primarily in Hong Kong and Macau. The Group's turnover is mostly contributed by its major in-house labels like "SALAD", "TOUGH", "80/20"and some seasonal in-house design brands as well as certain reputable licensed brands including "SUPERDRY".

The novel coronavirus outbreak in 2020 (the "**COVID-19**") has severely hit not only local retail sectors, but also depressed many economic activities worldwide. The Group continuously experienced severe impact on its sales during the year ended 31 March 2021. The same-store-sales growth rate of the Group plummeted to about –40% (2020: –28%) for the year under review. In addition, to confront with ongoing challenges brought by COVID-19, the Group made essential strategic moves to re-focus resources on its familiar markets, including Hong Kong and Macau, and to re-build a lean and flexible operating cost structure. In line with the strategies, the Group proactively and thoroughly restructured its retail portfolio in each of the operating regions. A lot of loss-making and inefficient physical stores were trimmed during the year under review. As a result, the Group's turnover declined significantly by about 58.1% to approximately HK$371.9 million (2020: HK$887.3 million).

Although the financial year ended 31 March 2021 was tough for the Group's retail operations elsewhere, the Group has successfully lightened its operating leverage and substantially reduced its core operating costs (excluding non-cash write-off, loss on disposal and impairment loss) by about 59.3% to about HK$261.7 million (2020: HK$643.4 million). The Group then becomes more competitive and able to operate in a more cost-efficient way. Together with positive effects from (i) the net gain on disposal of properties of about HK$47.4 million (2020: HK$29.2 million); and (ii) the receipt of pandemic relief and subsidies from The Government of Hong Kong Special Administrative Region and The Government of Macau Special Administrative Region aggregately of about HK$20.6 million (2020: Nil), the Group recorded a net profit of about HK$99.7 million (2020: net loss of HK$172.6 million) for the year ended 31 March 2021.

Hong Kong & Macau

The Hong Kong and Macau retail operations make up the largest operating segment of the Group. For the year ended 31 March 2021, the segment accounted for about 92.5% (2020: 71.3%) of the Group's turnover. Resulting from the adverse impact of the COVID-19 pandemic, the Group recorded a substantial negative same-store-sales growth of about –39% (2020: –25%). Also, because of the closure of loss-making stores and consolidated retail network in the regions, the turnover of the segment shrank by about 45.6% to about HK$343.9 million (2020: HK$632.5 million) for the year under review. As at 31 March 2021, the Group operated 49 (2020: 65) self-managed offline retail shops in Hong Kong and Macau.

The pandemic of COVID-19 has seriously eroded the retail sentiment in Hong Kong and Macau. In Hong Kong, the health emergency triggered the government to impose a series of social-distancing measures and travel restrictions, which unavoidably stifled customer traffic and dampened retail spending. Even though the local economic outlook was clouded by the ongoing pandemic, every cloud has a silver lining. The launch of vaccination and improving outbreak controls gradually minimised local COVID-19 confirmed cases and equipped the city with a better foundation for economic recovery. The Group recorded a same-store-sales growth of about –43% in Hong Kong for the first-half of the financial year while the decline was stabilising slowly since the third-quarter of the financial year of about –34% to about –29% in the fourth-quarter.

In Macau, the sales performance of the Group was also gradually improved upon re-open of this tourist city in the second-half of the financial year. The coronavirus pandemic was less severe in Macau as compared to many regions. However, the strict travel restrictions, border controls and quarantine arrangement among countries and regions had seriously affected the city and in turn, resulted in negligible inbound travels to the city and plummet in customer traffic for shopping and leisure in the first-half of the financial year. The Group recorded a drastic drop of about 57% in Macau's same-store-sales for the six months ended 30 September 2020. Upon progressively relaxing the restrictions for Mainland China travelers to Macau, the Group's same-store-sales growth gradually improved from about –41% in the third-quarter of the financial year to about –20% in the fourth-quarter.

BUSINESS REVIEW *(Continued)*

Hong Kong & Macau *(Continued)*

In addition to the stabilising of the Group's sales performance, the Group continued to take cost-cutting measures in the top priority and streamlined its administrative layers to keep a lean management and operating team. The Group proactively negotiated rental concessions and restructured lease arrangements with landlords for more flexible terms. During the year ended 31 March 2021, the Group was granted with rent concessions related to COVID-19 of about HK$49.2 million (2020: Nil) and as a result of the lease modification and the liquidation of certain subsidiaries, the Group recorded a net write-back of lease liabilities of about HK$49.0 million (2020: net write-off of right-of-use assets of HK$15.9 million) for the operating segment. In view of the sluggish retail atmospheres, the Group greatly cut seasonal merchandise procurement and continued to operate short-term mega outlets in key shopping areas in Hong Kong to accelerate stock clearance and to maintain strong operating cash inflows. As a result, the segment resumed its profitability and recorded a segmental profit of about HK$74.5 million (2020: segmental loss of HK$74.1 million) despite the plummet in sales.

Non-Hong Kong & Macau

The combined geographical unit was mostly contributed by the Group's retail operations in Taiwan and Mainland China during the year under review. The Group regrets that the business performance by the traditional offline retail network under the pandemic environment was disappointing in the year under review. The Group recorded a substantial negative year-on-year growth of about –42% (2020: –36%) in same-store-sales during the year under review. The segmental sales dropped significantly by about 89.0% to about HK$28.0 million (2020: HK$254.8 million). In line with the Group's re-focus strategies on Hong Kong and Macau markets and leveraging risks for overseas markets under the ongoing pandemic, the Group progressively closed all of the offline retail stores in the regions during the year under review. Instead, the Group is revamping its business model and fostering new online channels to capture opportunities in overseas markets. Primarily resulting from the reduction in operating loss from offline retail business and significant exchange gains arisen from the appreciation of New Taiwan Dollar, the segment recorded a segmental profit of about HK$11.5 million (2020: segmental loss of HK$68.7 million).

FINANCIAL REVIEW

Turnover and Segment Information

Turnover of the Group slumped by about 58.1% to approximately HK$371.9 million (2020: HK$887.3 million) for the year ended 31 March 2021. The Group's same-store-sales growth also deteriorated to about –40% (2020: –28%) for the year under review. The unfavourable performance in sales was mainly attributable to the adverse impact from the COVID-19 and strategically consolidation of retail network in various operating regions to eliminate substantial loss-making stores. Details of the Group's segmental turnover and results are shown in Note 4 to the consolidated financial statements.

Gross Profit and Gross Margin

The Group's gross profit reduced by about 55.0% to approximately HK$240.6 million (2020: HK$534.3 million) for the year ended 31 March 2021 while the gross margin improved to about 64.7% (2020: 60.2%). In view of lesser inventory pressure, the Group refined its marketing strategies by adopting more non-price promotions and bundle sales instead of offering deep discounts, which helped to improve the gross margin generally during the year under review. In addition, with progressive clearance of aged and slow-moving inventories, the Group recorded a net reversal of provision for inventories of about HK$9.9 million (2020: HK$57.1 million).

FINANCIAL REVIEW *(Continued)*

Operating Expenses and Cost Control

The Group managed operating expenses very cautiously during the year ended 31 March 2021 and its core operating expenses (excluding non-cash write-off, loss on disposal and impairment loss) were cut by about 59.3% to approximately HK$261.7 million (2020: HK$643.4 million) for the year under review.

Rental cost reduction is the top priority. The Group has proactively striven for rent concessions and restructured certain lease arrangements with landlords for more flexible terms. Also, the Group regularly reviewed the performance on each retail store and promptly revamped or eliminated any loss-making stores. At the same time, the Group was cautious in identifying appropriate locations to relocate certain shops to less costly locations to strike a balance between prospective sales opportunities and cost efficiency. Lease expenses (including depreciation of right-of-use assets, lease payment for short term leases and contingent rents, COVID-19-Related rent concessions, as well as interest on lease liabilities) for the year ended 31 March 2021 were sacked by about 66.7% to about HK$89.3 million (2020: HK$268.3 million), which accounted for about 34.1% (2020: 41.7%) of the Group's core operating expenses. To maintain competitive, the Group adopts an on-going practice of strategically relocating, consolidating and converting its retail portfolio.

Efforts to control costs in other areas are also essential. Regular review on work procedures and performance is in place to enhance efficiency. Resulting from the closure of the Group's loss-making retail stores and a series of cost-saving measures, the total number of staff reduced to 262 (2020: 543). The staff cost was trimmed by about 54.1% to approximately HK$84.6 million (2020: HK$184.3 million) during the year under review.

Depreciation of property, plant and equipment declined to approximately HK$14.3 million (2020: HK$39.1 million) for the year under review. As the Group spent wisely on key brands and products to capture optimum promotional benefits, marketing and advertising expenses were further reduced by about 74.6% to about HK$5.2 million (2020: HK$20.5 million), representing about 1.4% (2020: 2.3%) of the Group's turnover.

The Group's finance costs for the year ended 31 March 2021 mostly consisted of interest on lease liabilities of about HK$9.3 million (2020: HK$18.0 million).

Gain on disposal of properties situated in Hong Kong

To confront with uncertain business environments, the Group regularly reviews its asset portfolio with aims to improve its asset returns in general and to realise certain idle or under-utilised properties.

On 18 September 2020, the Group entered into provisional sales and purchase agreements with an independent third party to sell certain properties situated in Hong Kong for an aggregate cash consideration of about HK$68.5 million. The transactions had been completed on 20 November 2020 and the Group recorded a net gain on disposal of the properties (including a gain on disposal of items of property, plant and equipment and right-of-use assets and a loss on disposal an investment property) of about HK$47.4 million during the year ended 31 March 2021.

Event after the reporting period

Subsequent to year ended 31 March 2021, the Group entered into a provisional sales and purchase agreement with another independent third party on 3 June 2021 to sell and lease back a property situated in Hong Kong, which was being used as a warehouse by the Group previously, for an aggregate cash consideration of about HK$48.0 million. The sale of property transaction is expected to be completed on or before 31 August 2021 and the Group is expected to record a net gain on disposal of the property of about HK$33.6 million (before any related expenses).

FINANCIAL REVIEW *(Continued)*

Government subsidies

The Group received certain pandemic relief and subsidies from The Government of Hong Kong Special Administrative Region and The Government of Macau Special Administrative Region and aggregately recognised about HK$20.6 million (2020: Nil) during the year ended 31 March 2021.

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

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

	2021 **HK$ million**	2020 HK$ million
Loss on disposal of property, plant and equipment (excluding the net gain on disposal of properties as mentioned above)	**5.5**	22.3
Impairment of items of property, plant and equipment	**2.0**	5.8
Write-off of right-of-use assets, net	**–**	21.0
Impairment of right-of-use assets	**18.4**	36.6
	25.9	85.7

Net Profit

The Group recorded a net profit for the year ended 31 March 2021 of about HK$99.7 million (2020: net loss of HK$172.6 million). The favourable result was primarily attributable to the combined effect of (i) the net gain on disposal of properties of about HK$47.4 million (2020: HK$29.2 million); (ii) the receipt of pandemic relief and subsidies from the Hong Kong and Macau governments aggregately of about HK$20.6 million (2020: Nil); (iii) the temporary rental concessions granted from landlords, restructured or early surrendered certain leases with landlords as well as the liquidation of certain subsidiaries of the Group; and (iv) the effective cost control measures adopted by the Group since 2020.

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 2021, the Group had net assets of approximately HK$448.0 million (2020: HK$536.0 million), comprising non-current assets of approximately HK$237.1 million (2020: HK$418.8 million), net current assets of approximately HK$263.6 million (2020: HK$264.6 million) and non-current liabilities of approximately HK$52.7 million (2020: HK$147.4 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2021, the Group had a pledged time deposit and cash and cash equivalents of about HK$15.6 million (2020: Nil) and HK$266.7 million (2020: HK$322.2 million), respectively. At the end of the reporting period, the Group had aggregate banking facilities of about HK$10.0 million (2020: HK$54.0 million), comprising interest-bearing bank overdraft, revolving loans, rental and utility guarantees as well as import facilities, which had not been utilised (2020: HK$49.3 million). The Group had no borrowings as at 31 March 2020 and 31 March 2021. The Group's gearing ratio at the end of the reporting period, representing a percentage of total interest-bearing bank borrowings to total assets, was zero (2020: zero).

CASH FLOWS

During the year ended 31 March 2021, net cash flows from operating activities reduced significantly by about 45.9% to approximately HK$158.9 million (2020: HK$293.7 million), which was mainly attributable to weak sales performance and the streamlined retail operations. Net cash flows from investing activities increased substantially to about HK$49.4 million (2020: HK$20.9 million). The strong cash inflows during the year under review was mainly resulted from the proceed of about HK$68.5 million received from the disposal of properties situated in Hong Kong and the reduction in capital expenditure. Net cash flows used in financing activities climbed up to about HK$255.3 million (2020: HK$187.1 million) was mainly due to the increase in dividend payments to return surplus cash to the Group's shareholders.

SECURITY

As at 31 March 2021, the Group's general banking facilities were secured by a time deposit (2020: property, plant and equipment, right-of-use assets and an investment property situated in Hong Kong), which had aggregate carrying values at the end of the reporting period of approximately HK$15.6 million (2020: approximately HK$3.4 million, HK$1.6 million and HK$17.9 million, respectively).

CAPITAL COMMITMENT

The Group had no material capital commitment contracted, but not provided for as at 31 March 2021 (2020: Nil).

CONTINGENT LIABILITIES

As at 31 March 2021, the Group had contingent liabilities in respect of guarantees given for committed lease payments or in lieu of utility and property rental deposits amounting to approximately HK$2.5 million (2020: HK$3.9 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 262 (2020: 543) employees as at 31 March 2021. To attract and retain high quality staff, the Group provided competitive remuneration packages with performance bonuses, mandatory provident fund, insurance 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, United States dollars, New Taiwan dollars 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 polices in foreign exchange risk management and other major financial risk management are set out in Note 35 to the consolidated 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 2021, 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 2021, the Board comprised six members, including three executive Directors and three independent non-executive Directors, as shown below:

Executive Directors

Dr. 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)*
Mr. Yeung Yat Hang *(Chief Executive Officer)*
(appointed as the Chief Executive Officer on 7 May 2020)
Madam Lee Yuk Ming *(retired as a Director on 18 August 2020)*

Independent Non-Executive Directors

Mr. Chu To Ki
Mr. Mak Wing Kit
Mr. Wong Man Tai *(appointed on 29 December 2020)*
Mr. Mak Siu Yan *(resigned on 29 December 2020)*

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 2021.

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	
Dr. Wong Yui Lam	A, B, C, D
Madam Tong She Man, Winnie	A, B
Mr. Yeung Yat Hang	A, B
Madam Lee Yuk Ming *(retired as a Director on 18 August 2020)*	A, B
Independent Non-Executive Directors	
Mr. Chu To Ki	A, B
Mr. Mak Wing Kit	A, B
Mr. Wong Man Tai *(appointed on 29 December 2020)*	A, B
Mr. Mak Siu Yan *(resigned on 29 December 2020)*	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 2021, 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. Dr. Wong Yui Lam ("**Dr. Wong**") held both positions during the year ended 31 March 2020 and until 7 May 2020. As the founder of the Group, Dr. Wong has substantial experience in fashion industry and retail operations. The Board considered 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, Dr. Wong has ceased the position of the CEO with effect from 7 May 2020. After that, Dr. 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.

CHANGE OF THE PRINCIPAL AUDITOR

In view of the streamlined business scale, the Group intended to reduce the audit fees for the coming years. However, the Company and its former principal auditor, Ernst & Young ("**EY**"), could not reach a consensus on the audit fee for the year ending 31 March 2021.

As a result, EY tendered its resignation as the principal auditor of the Company on 11 February 2021 and confirmed in its letter of resignation that there are no matters in relation to its resignation that need to be brought to the attention of the shareholders of the Company ("**Shareholders**"). The Board and the Audit Committee also confirmed that EY had not yet commenced any audit work on the consolidated financial statements of the Group for the financial year ended 31 March 2021; and there is no disagreement between EY and the Company.

The Board then appointed Grant Thornton Hong Kong Limited ("**GT**") as the new principal auditor of the Company on 24 February 2021 to fill the casual vacancy following the resignation of EY and to hold office until the conclusion of the forthcoming annual general meeting of the Company. The Board and the Audit Committee confirmed that there are no other matters in respect of the change of auditor that need to be brought to the attention of the Shareholders and it is believed that the change of auditor will not have any impact on the annual audit of the Company for the financial year ended 31 March 2021.

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					
Dr. Wong Yui Lam	1/1	10/10	n/a	n/a	n/a
Madam Tong She Man, Winnie	1/1	10/10	n/a	n/a	n/a
Mr. Yeung Yat Hang	1/1	10/10	n/a	n/a	n/a
Madam Lee Yuk Ming *(retired as a Director on 18 August 2020)*	1/1	3/3	n/a	n/a	n/a
Independent Non-Executive Directors					
Mr. Chu To Ki	1/1	10/10	5/5	2/2	3/3
Mr. Mak Wing Kit	1/1	10/10	5/5	2/2	3/3
Mr. Wong Man Tai *(appointed on 29 December 2020)*	–	1/1	2/2	1/1	1/1
Mr. Mak Siu Yan *(resigned on 29 December 2020)*	1/1	9/9	3/3	1/1	2/2

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 2021, all those committees comprise three independent non-executive Directors, namely, Mr. Mak Wing Kit, Mr. Chu To Ki and Mr. Wong Man Tai, who have appropriate professional qualifications and experiences in accounting, legal affairs, financial and/or business management. Mr. Mak Wing Kit is the chairman of the audit committee and the remuneration committee and Mr. Wong Man Tai 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 and considered the tenders to serve as the principal auditor of the Company. The audit committee considered EY's resignation as the auditor of the Company and made recommendation to the Board for appointment of the new auditor, GT. In addition, the audit committee also 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 the external auditor. Besides, the audit committee reviewed the external auditor's independence, approved the external auditor's remuneration and its 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 2021 to the Directors fell within the following bands:

	Number of individuals
HK$1,000,000 or below	5
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 consolidated financial statements on pages 72 to 73 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 2021, the nomination committee reviewed the present structure, size and composition of the Board, the board diversity policy as well as the Nomination Policy adopted.

Dr. Wong Yui Lam resigned as the CEO with effect from 7 May 2020. Mr. Yeung Yat Hang has then been appointed as the CEO with effect from 7 May 2020. Madam Lee Yuk Ming retired by rotation as an executive Director at the 2020 AGM on 18 August 2020 and did not offer herself for re-election. Mr. Mak Siu Yan resigned as an independent non-executive Director and ceased to be the chairman of the nomination committee, a member of the audit committee and remuneration committee of the Board with effect from 29 December 2020. Mr. Wong, Man Tai has then been appointed as an independent non-executive Director, the chairman of the nomination committee and a member of the audit committee and remuneration committee of the Board with effect from 29 December 2020. The nomination committee reviewed and considered the above resignations and appointments and had made recommendations to the Board for approval.

In addition, 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.

Dr. Wong Yui Lam, Mr. Chu To Ki and Mr. Wong Man Tai will retire by rotation and being eligible, offer themselves for re-election at the forthcoming AGM. The nomination committee has reviewed the performance of Dr. Wong Yui Lam, Mr. Chu To Ki and Mr. Wong Man Tai and recommended them to the Board for the re-election.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The Company appointed GT as the Group's new principal auditor since the year ended 31 March 2021. 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 the principal auditors (including both GT and EY), and their affiliated firms, for services rendered are as follows:

	Year ended 31 March 2021			Year ended 31 March 2020
	To GT and its affiliated firms HK$'000	**To EY and its affiliated firms HK$'000**	**Total HK$'000**	To EY and its affiliated firms HK$'000
Audit services	960	105	**1,065**	1,905
Tax services	–	78	**78**	–
Other non-audit services	–	448	**448**	100
Total	960	631	**1,591**	2,005

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:

Types of Risk Responses	Circumstances to be adopted
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 2021.

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 the 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.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board acknowledges its responsibilities for the preparation of the consolidated 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 consolidated financial statements for the year ended 31 March 2021, the Board has selected appropriate accounting policies and applied them consistently, made judgments and estimates that are prudent and reasonable, and have prepared the consolidated 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.

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 consolidated financial statements for the year ended 31 March 2021.

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 under review. The principal activities of its principal subsidiaries are design and retail of trendy apparel, bags and fashion accessories, property holding, brand licensing and provision of management services.

BUSINESS REVIEW

The business review of the Group for the year ended 31 March 2021 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 2021 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 2021.

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 solid 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 profit for the year ended 31 March 2021 and the Group's financial position at that date are set out in the consolidated financial statements on pages 41 to 95 of this Annual Report.

The directors recommend the payment of a final dividend and a second special dividend of 6.0 HK cents and 40.5 HK cents per ordinary share, respectively, in respect of the year to shareholders on the register of members on Thursday, 26 August 2021. Subject to the approval of shareholders at the forthcoming annual general meeting of the Company (the "**AGM**"), the proposed final and the second special dividends will be payable on or before Friday, 3 September 2021.

CLOSURE OF REGISTER OF MEMBERS

The AGM is scheduled on Wednesday, 18 August 2021. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 13 August 2021 to Wednesday, 18 August 2021, 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, 12 August 2021.

The proposed final and the second special dividends are subject to the passing of respective ordinary resolution by the shareholders at the AGM. The record date for entitlement to the proposed final and the second special dividends is scheduled on Thursday, 26 August 2021. For determining the entitlement to the proposed final and the second special dividends, the register of members of the Company will be closed from Tuesday, 24 August 2021 to Thursday, 26 August 2021, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final and the second special dividends, 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 Monday, 23 August 2021.

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 consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's issued share capital and share options during the year under review are set out in Note 25 and Note 26 to the consolidated 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 under review.

DISTRIBUTABLE RESERVES

At 31 March 2021, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Law of the Cayman Islands, amounted to HK$411,214,000 of which an aggregate of HK$170,832,000 has been proposed as final and the second special dividends for the year.

CHARITABLE CONTRIBUTIONS

The Group did not make charitable contributions during the year under review (2020: HK$818,000).

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2021, 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 29% and 61%, 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:
Dr. 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)*
Mr. Yeung Yat Hang *(Chief Executive Officer)*
(appointed as the Chief Executive Officer on 7 May 2020)
Madam Lee Yuk Ming *(retired as a director on 18 August 2020)*

Independent non-executive directors:
Mr. Chu To Ki
Mr. Mak Wing Kit
Mr. Wong Man Tai *(appointed on 29 December 2020)*
Mr. Mak Siu Yan *(resigned on 29 December 2020)*

In accordance with article 87 of the Company's articles of association, Dr. Wong Yui Lam, Mr. Chu To Ki and Mr. Wong Man Tai will retire by rotation and being eligible, offer themselves for re-election at the forthcoming 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 under review.

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 under review.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2021, 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

	Number of shares held, capacity and nature of interest				
Name of director	**Directly beneficially owned**	**Through controlled corporation**	**Through a discretionary trust/as beneficiary and founder of trust**	**Total number of ordinary shares held**	**Percentage of the Company's issued share capital**
Dr. Wong Yui Lam ("**Dr. 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	4,930,000	–	–	**4,930,000**	**1.34%**

Notes:

1. The 29,900,000 shares are held by Wonder View Limited ("**Wonder View**"), the entire issued share capital of which is beneficially owned by Dr. 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 Dr. Wong, an executive director of the Company and Madam Tong, an executive director of the Company. Dr. Wong is also one of the beneficiaries of The Tong & Wong Family Trust.

2. 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 Dr. 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	Dr. 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	Dr. 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: Dr. 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 2021, 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 2021, 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:

		Number of shares held, capacity and nature of interest				
Name	**Position**	**Directly beneficially owned**	**Through controlled corporation**	**Through discretionary trust/as beneficiary, founder or trustee of trust**	**Total number of ordinary shares held**	**Percentage of the Company's issued share capital**
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 Dr. 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 2021, 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 consolidated financial statements.

No share option was granted since its adoption and during the year ended 31 March 2021. There was no outstanding share option as at 31 March 2021. 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 under review 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 consolidated 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 2021 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 ("**EY**"), the former auditor of the Company, tendered its resignation on 11 February 2021 and confirmed in its letter of resignation that there are no matters in relation to its resignation that need to be brought to the attention of the shareholders of the Company. The Board and the Audit Committee also confirmed that there is no disagreement between EY and the Company.

The Board appointed Grant Thornton Hong Kong Limited ("**GT**") as the new auditor of the Company on 24 February 2021 to fill the casual vacancy following the resignation of EY and to hold office until the conclusion of the forthcoming AGM.

GT will retire and a resolution for their reappointment as the auditor of the Company will be proposed at the AGM.

ON BEHALF OF THE BOARD

Dr. Wong Yui Lam
Chairman & Executive Director
Hong Kong, 28 June 2021

Grant Thornton
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To the members 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 (together, the "**Group**") set out on pages 41 to 95, which comprise the consolidated statement of financial position as at 31 March 2021, 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 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the 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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of property, plant and equipment and right-of-use assets *Refer to notes 2.4, 3, 13 and 15 to the consolidated financial statements.* As at 31 March 2021, the Group had property, plant and equipment of HK$39,581,000 and right-of-use assets of HK$163,912,000, which represented approximately 6.6% and 27.4% 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$1,991,000 and HK$18,382,000 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. We identified this as a key audit matter due to 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.	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; we checked, on a sample basis, the accuracy and relevance of the input data used; and we performed a sensitivity analysis of sales growth rate and discount rate and considering the resulting impact on the impairment charge and whether there were any indicators of management bias.
Inventory provision *Refer to notes 2.4, 3 and 18 to the consolidated financial statements* As at 31 March 2021, the Group had inventories of HK$69,934,000 (net of provision of HK$26,306,000), which represented 11.7% 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. We identified this as a key audit matter as 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.	Our audit procedures included identifying and assessing aged and obsolete inventory when attending inventory counts; 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; obtain the ageing profile of each inventory item and test the accuracy of the ageing profile, on a sample basis, by checking to the inventory records; 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.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the 2021 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

The directors assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

- 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, actions taken to eliminate threats or safeguards applied.

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.

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

Hong Kong, 28 June 2021
Mr. Chan Tze Kit
Practising Certificate No.: P05707

Year ended 31 March 2021

	Notes	**2021 HK$'000**	2020 HK$'000
REVENUE	5	**371,898**	887,317
Cost of sales		**(131,313)**	(352,999)
GROSS PROFIT		**240,585**	534,318
Other income and gains	5	**139,381**	10,825
Selling and distribution expenses		**(189,204)**	(511,450)
Administrative expenses		**(48,491)**	(92,459)
Other expenses		**(35,015)**	(84,454)
Finance costs	6	**(9,401)**	(18,453)
PROFIT/(LOSS) BEFORE TAX	7	**97,855**	(161,673)
Income tax credit/(expense)	10	**1,882**	(10,928)
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**99,737**	(172,601)
Other comprehensive loss			
Item that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(9,565)**	(5,142)
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)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(9,565)**	(11,142)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**90,172**	(183,743)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	11		
Basic and diluted		**27.1 HK cents**	(47.0) HK cents

31 March 2021

	Notes	**2021 HK$'000**	2020 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**39,581**	61,613
Investment property	14	**–**	17,900
Right-of-use assets	15	**163,912**	286,972
Intangible assets	16	**194**	307
Equity investment at fair value through other comprehensive income		**–**	–
Rental, utility and other non-current deposits	20	**32,423**	51,341
Deferred tax assets	17	**970**	650
NON-CURRENT ASSETS		**237,080**	418,783
CURRENT ASSETS			
Inventories	18	**69,934**	113,592
Trade receivables	19	**2,900**	11,631
Prepayments, deposits and other receivables	20	**6,498**	19,711
Tax recoverable		**596**	2,846
Pledged time deposit	21	**15,600**	–
Cash and cash equivalents	22	**266,695**	322,159
Total current assets		**362,223**	469,939
CURRENT LIABILITIES			
Trade payables	23	**1,504**	4,051
Other payables and accruals	24	**21,705**	33,408
Lease liabilities	15	**74,247**	166,885
Tax payable		**1,179**	991
Total current liabilities		**98,635**	205,335
NET CURRENT ASSETS		**263,588**	264,604
TOTAL ASSETS LESS CURRENT LIABILITIES		**500,668**	683,387
NON-CURRENT LIABILITIES			
Lease liabilities	15	**52,616**	145,108
Deferred tax liabilities	17	**100**	2,320
NON-CURRENT LIABILITIES		**52,716**	147,428
NET ASSETS		**447,952**	535,959
EQUITY			
Equity attributable to equity holders of the parent			
Share capital	25	**36,738**	36,738
Reserves	27	**411,214**	499,221
TOTAL EQUITY		**447,952**	535,959

Dr. Wong Yui Lam
Chairman & Executive Director

Madam Tong She Man, Winnie
Vice-Chairlady & Executive Director

Year ended 31 March 2021

	Note	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 through other comprehensive income HK$'000 (Note 27)	Retained profits HK$'000	Total equity HK$'000
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		–	–	–	–	–	–	–	(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		–	–	–	–	–	–	(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
At 1 April 2020		**36,738**	**105,566***	**744***	**5,981***	**8,209***	**14,633***	**(2,970)***	**367,058***	**535,959**
Final and special 2020 dividend declared	12	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(124,909)**	**(124,909)**
Interim 2021 dividend declared	12	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(9,184)**	**(9,184)**
Special 2021 dividend declared	12	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(44,086)**	**(44,086)**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**99,737**	**99,737**
Other comprehensive loss for the year:										
Exchange differences on translation of foreign operations		**–**	**–**	**–**	**(9,565)**	**–**	**–**	**–**	**–**	**(9,565)**
Total comprehensive (loss)/income for the year		**–**	**–**	**–**	**(9,565)**	**–**	**–**	**–**	**99,737**	**90,172**
Transfer from reserve funds		**–**	**–**	**–**	**–**	**(1,076)**	**–**	**–**	**1,076**	**–**
Transfer from asset revaluation reserve		**–**	**–**	**–**	**–**	**–**	**(14,633)**	**–**	**14,633**	**–**
At 31 March 2021		**36,738**	**105,566***	**744***	**(3,584)***	**7,133***	**–***	**(2,970)***	**304,325***	**447,952**

* These reserve accounts comprise the consolidated reserves of HK$411,214,000 (2020: HK$499,221,000) in the consolidated statement of financial position.

Year ended 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) before tax		**97,855**	(161,673)
Adjustments for:			
Finance costs	6	**9,401**	18,453
Bank interest income	5	**(493)**	(496)
Depreciation of property, plant and equipment	7	**14,348**	39,131
Depreciation of right-of-use assets	7	**103,499**	209,664
COVID-19-Related rent concessions	7	**(49,219)**	–
Gain on disposal of items of property, plant and equipment and right-of-use assets, net	5,7	**(43,750)**	(6,937)
Loss on disposal of an investment property	7	**1,900**	–
Write-back of provision	5,7	**–**	(1,680)
Write-off of rental deposits	7	**10,411**	17,920
(Write-back of lease liabilities)/Write-off of right-of-use assets, net	5,7	**(58,842)**	20,986
Loss on disposal of trademarks	7	**4**	–
Amortisation of intangible assets	7	**109**	124
Reversal of provision for inventories, net	7	**(9,921)**	(57,101)
Expected credit loss on trade receivables	7	**3**	–
Fair value loss on an investment property	7	**2,200**	1,500
Impairment of items of property, plant and equipment	7	**1,991**	5,827
Impairment of right-of-use assets	7	**18,382**	36,556
		97,878	122,274
Decrease in rental, utility and other non-current deposits		**8,507**	11,585
Decrease in inventories		**53,579**	201,906
Decrease in trade receivables		**8,728**	31,197
Decrease in prepayments, deposits and other receivables		**13,213**	19,919
Decrease in trade payables		**(2,547)**	(32,560)
Decrease in other payables and accruals		**(13,284)**	(40,771)
Cash generated from operations		**166,074**	313,550
Interest received		**493**	496
Interest paid		**(9,401)**	(18,453)
Hong Kong profits tax paid/(refunded)		**2,167**	(216)
Overseas taxes paid		**(387)**	(1,657)
Net cash flows from operating activities		**158,946**	293,720
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	13	**(3,522)**	(24,529)
Proceeds from disposal of items of property, plant and equipment and right-of-use assets		**54,731**	45,461
Proceeds from disposal of an investment property		**13,800**	–
Increase in pledged time deposit		**(15,600)**	–
Net cash flows from investing activities		**49,409**	20,932
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loan		**–**	30,000
Repayment of bank loan		**–**	(30,000)
Principal portion of lease payments	32(b)	**(77,111)**	(165,038)
Dividends paid	12	**(178,179)**	(22,043)
Net cash flows used in financing activities		**(255,290)**	(187,081)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(46,935)**	127,571
Cash and cash equivalents at beginning of year		**322,159**	198,744
Effect of foreign exchange rate changes, net		**(8,529)**	(4,156)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**266,695**	322,159
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	**184,763**	178,203
Non-pledged time deposits	22	**81,932**	143,956
		266,695	322,159

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) primarily in Hong Kong and Macau. The Group's turnover is mostly contributed by its major in-house labels like "SALAD", "TOUGH", "80/20" and some seasonal in-house design brands as well as certain 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 for the years ended 31 March 2021 and 2020 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 (China) Limited	Hong Kong	Ordinary HK$1	–	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
Wide World Development Limited	Hong Kong	Ordinary HK$1	–	100	Trading of garments and accessories
Tough Jeans Limited	Hong Kong	Non-voting deferred HK$5 and ordinary HK$2	–	100	Brand licensing
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
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 Grant Thornton Hong Kong Limited or another member firm of the Grant Thornton 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 consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all applicable individual 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 applicable disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also include the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**"). 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 consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3 to the consolidated financial statements.

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 2021. 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 revised HKFRSs for the first time for the current year's consolidated financial statements.

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

In additions, on 1 April 2020, the Group has early applied the Amendments to HKFRS 16 "*COVID-19-Related Rent Concessions*" and "*COVID-19-Related Rent Concessions beyond 30 June 2021*" which will be effective for the Group for financial year beginning on or after 1 June 2020 and 1 April 2021, respectively.

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

Amendment to HKFRS 16 "COVID-19-Related Rent Concessions"

Amendment to HKFRS 16 only apply to lessee accounting and have no effect on lessor accounting. The amendments provide a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 ("**COVID-19-Related Rent Concessions**") are lease modification and, instead, account for those rent concessions as if they were not lease modifications.

The practical expedient is only applicable to COVID-19-Related Rent Concessions and only if all of the following conditions are met:

a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

b) any reduction in lease payments affects only payments originally due on or before 30 June 2021 (for example, a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and

c) there is no substantive change to other terms and conditions of the lease.

Amendment to HKFRS 16 "COVID-19-Related Rent Concessions beyond 30 June 2021" ("2021 Amendment to HKFRS 16")

The amendment extends the availability of the practical expedient in paragraph 46A of HKFRS 16 so that it applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions as stated in paragraph 46B of HKFRS 16 for applying the practical expedient are met (please also refer to the conditions stated in Amendment to HKFRS 16 "*COVID-19-Related Rent Concessions*" ("**2020 Amendment to HKFRS 16**") above).

A lessee that chooses to apply this practical expedient would be required to apply it consistently to all lease contracts with similar characteristics and in similar circumstances, irrespective of whether the contract became eligible for the practical expedient as a result of the lessee applying this amendment or 2020 Amendment to HKFRS 16. Additional disclosures are required if this practical expedient is used.

2021 Amendment to HKFRS 16 is effective for annual reporting period beginning on or after 1 April 2021. A lessee shall apply the amendment retrospectively, recognising the cumulative effect of initial applying the amendment as an adjustment to the opening balance of retained profits (or other component of equity, as appropriate) at the beginning of the annual period in which the lessee first applies the amendment. Earlier application is permitted.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

Amendment to HKFRS 16 "COVID-19-Related Rent Concessions beyond 30 June 2021" ("2021 Amendment to HKFRS 16") *(Continued)*

The Group has elected to early adopt the above two amendments and applies the practical expedient to all qualifying COVID-19-Related Rent Concessions granted to the Group during the year.

Consequently, rent concessions received have been recognised HK$49,219,000 as negative variable lease payments in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 April 2020.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

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

HKFRS 17	*Insurance Contracts and related amendments*[3]
Amendments to HKFRS 3	*Reference to the Conceptual Framework*[5]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*[1]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)*[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[3]
Amendments to HKAS 8	*Definition of Accounting Estimates*[3]
Amendments to HKAS 16	*Property, Plant and Equipment – Proceeds before Intended Use*[2]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Amendments to HKFRSs	*Annual Improvements to HKFRS Standards 2018-2020*[2]
Accounting Guideline 5 (Revised)	*Merger Accounting for Common Control Combinations*[5]

1 Effective for annual periods beginning on or after 1 April 2021
2 Effective for annual periods beginning on or after 1 April 2022
3 Effective for annual periods beginning on or after 1 April 2023
4 Effective date not yet determined
5 Effective for business combinations/common control combination for which the acquisition date/combination date is on or after the beginning of the first annual period beginning on or after 1 April 2022

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. The new and amended HKFRSs are not expected to have a material impact on the Group's consolidated 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 consolidated 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 and not using significant unobservable inputs
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 consolidated 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, financial assets and the Company's investment in a subsidiary), 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.

Corporate assets are allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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.

Close members of the family of a person are those family members who may be expected to influence, or to be influenced by, that person in their dealings with the entity.

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.

Accounting policy for depreciation of right-of-use asset is set out in note of "leases" as below.

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 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.

Fair value is determined by external professional valuers, with sufficient experience with respect to both the location and the nature of the investment property. The carrying amounts recognised at the reporting date reflect the prevailing market conditions at the reporting date.

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 straight-line basis over their estimated useful lives of 5 to 20 years.

Leases

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.

To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

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

The Group also assesses the right-of-use asset for impairment when such indicator exists.

(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.

For lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of modification. The only exception is any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16 "*Leases*". In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Group as a lessee *(Continued)*

(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 signage and office equipment 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.

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

On the consolidated statement of financial position, right-of-use assets have been presented in separate line item.

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 from operating leases of its investment properties 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Initial recognition and measurement *(Continued)*

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.

The Group's deposits and other receivables, cash and bank balances and a pledged time deposit fall into this category of financial instruments.

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 (non-recycling) 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 and accumulated in "fair value reserve of financial assets at fair value through other comprehensive income". Equity investments designated at fair value through other comprehensive income (non-recycling) 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 90 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, 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, other payables, lease liabilities and guarantees given for committed lease payments or in lieu of utility and property rental deposits.

Subsequent measurement

The subsequent measurement of financial liabilities (other than lease 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.

Accounting policies of lease liabilities are set out in note of "leases" as above.

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 consolidated 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 and contingent liabilities

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 costs in profit or loss.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

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.

For investment property measured using the fair value model in accordance with the accounting policy above, the measurement of the related deferred tax liability or asset reflects the tax consequences of recovering the carrying amount of the investment property entirely through sale, unless the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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.

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 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.

When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average tax rates that are expected to apply to the taxable income of the periods in which the temporary differences are expected to reverse.

The determination of the average tax rates requires an estimation of (i) when the existing temporary differences will reverse and (ii) the amount of future taxable profit in those years. The estimate of future taxable profit includes:

– income or loss excluding reversals of temporary differences; and

– reversals of existing temporary differences.

Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share capital

Share capital ordinary shares are classified as equity. The amount of share capital recognised is determined using the nominal value and any related transaction costs are deducted from the share premium.

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.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer

2. Identifying the performance obligations

3. Determining the transaction price

4. Allocating the transaction price to the performance obligations

5. Recognising revenue when/as performance obligation(s) are satisfied

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

Accounting policies for rental income are set out in note of "leases" as above.

Interest income is recognised on a time proportion using the effective interest method. For financial assets measured at amortised cost that are not credit impaired, the effective interest rate is applied to the gross carrying amount of the asset.

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate.

Government grants relating to income is presented in gross under "Other income" in the consolidated statement of profit or loss and other comprehensive income.

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.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

Dividends

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

Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the senior executive management of the Company for their decisions about resources allocation to the Group's business components and for their review of the performance of those components.

Foreign currencies

These consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the consolidated 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 not retranslated (i.e. only 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 consolidated 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 consolidated 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 2021 were HK$39,581,000 (2020: HK$61,613,000) and HK$163,912,000 (2020: HK$286,972,000), respectively. Further details are included in Notes 13 and 15 to the consolidated 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 Group has disposed the investment property during the year ended 31 March 2021. The carrying amount of investment property at 31 March 2020 was HK$17,900,000. Further details, including the key assumptions used for fair value measurement, are given in Note 14 to the consolidated 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 2021 was HK$555,000 (2020: HK$534,000). The amount of unrecognised tax losses at 31 March 2021 was HK$293,602,000 (2020: HK$292,453,000). Further details are included in Note 17 to the consolidated 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. 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 2021 was HK$69,934,000 (2020: HK$113,592,000). Further details of which are included in Note 18 to the consolidated 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.

In the prior year, the Group presented its segmental information in three separate reporting segments, namely "Hong Kong, Macau & Elsewhere", "Taiwan" and "Mainland China". In line with the Group's strategy to streamline its administrative layers and to maintain a lean operating structure, the Group has terminated its offline retail operations in Taiwan and Mainland China during the year under review. Instead, the Group is revamping its business model and fostering new online channels to capture opportunities in overseas markets. Therefore, the Group has combined and restructured its existing reporting segments into two distinctive segments with effective from 1 April 2020 and the comparative figures are also restated.

The Group's new reporting segments are as follows:

1. Hong Kong & Macau
2. Non-Hong Kong & Macau

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, fair value gain/loss on an investment property and unallocated income/expenses, net 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 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 years ended 31 March 2021 and 2020, no major customer information is presented.

4. OPERATING SEGMENT INFORMATION *(Continued)*

	Hong Kong & Macau HK$'000	Non-Hong Kong & Macau HK$'000	Total HK$'000
Year ended 31 March 2021			
Segment revenue:			
Sales to external customers	**343,918**	**27,980**	**371,898**
Segment results:	**74,481**	**11,464**	**85,945**
Reconciliation:			
Interest income			**493**
Finance costs (other than interest on lease liabilities)			**(87)**
Fair value loss on an investment property			**(2,200)**
Unallocated income, net			**13,704**
Profit before tax			**97,855**
Segment assets:	**343,182**	**67,529**	**410,711**
Reconciliation:			
Deferred tax assets			**970**
Tax recoverable			**596**
Unallocated assets			**187,026**
Total assets			**599,303**
Segment liabilities:	**141,436**	**5,847**	**147,283**
Reconciliation:			
Deferred tax liabilities			**100**
Tax payable			**1,179**
Unallocated liabilities			**2,789**
Total liabilities			**151,351**

4. OPERATING SEGMENT INFORMATION *(Continued)*

	Hong Kong & Macau HK$'000	Non-Hong Kong & Macau HK$'000	Total HK$'000
Other segment information:			
Capital expenditure*	3,125	–	3,125
Unallocated capital expenditure*			397
			3,522
Depreciation of property, plant and equipment	11,031	444	11,475
Unallocated depreciation			2,873
			14,348
Depreciation of right-of-use assets	101,854	–	101,854
Unallocated depreciation			1,645
			103,499
Amortisation of intangible assets	32	77	109
Loss on disposal of items of property, plant and equipment, net	4,235	928	5,163
Unallocated gains on disposal of items of property, plant and equipment and right-of-use assets, net			(48,913)
			(43,750)
Unallocated loss on disposal of an investment property			1,900
Write-back of lease liabilities, net	(49,012)	(9,085)	(58,097)
Unallocated write-back of lease liabilities, net			(745)
			(58,842)
Impairment/(reversal of impairment) of items of property, plant and equipment	2,479	(488)	1,991
Impairment of right-of-use assets	18,382	–	18,382
Segment non-current assets:	139,134	164	139,298
Reconciliation:			
Deferred tax assets			970
Unallocated non-current assets			96,812
Total non-current assets			237,080

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

4. OPERATING SEGMENT INFORMATION *(Continued)*

	Hong Kong & Macau (Restated) HK$'000	Non-Hong Kong & Macau (Restated) HK$'000	Total HK$'000
Year ended 31 March 2020			
Segment revenue:			
Sales to external customers	632,472	254,845	887,317
Intersegment sales	33,308	18,163	51,471
	665,780	273,008	938,788
Reconciliation:			
Elimination of intersegment sales			(51,471)
Revenue			887,317
Segment results:	(74,082)	(68,733)	(142,815)
Reconciliation:			
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:	600,061	104,273	704,334
Reconciliation:			
Investment property			17,900
Deferred tax assets			650
Tax recoverable			2,846
Unallocated assets			162,992
Total assets			888,722
Segment liabilities:	322,625	19,287	341,912
Reconciliation:			
Deferred tax liabilities			2,320
Tax payable			991
Unallocated liabilities			7,540
Total liabilities			352,763

4. OPERATING SEGMENT INFORMATION *(Continued)*

	Hong Kong & Macau (Restated) HK$'000	Non-Hong Kong & Macau (Restated) HK$'000	Total HK$'000
Other segment information:			
Capital expenditure*	14,198	4,410	18,608
Unallocated capital expenditure*			5,921
			24,529
Depreciation of property, plant and equipment	18,343	16,396	34,739
Unallocated depreciation			4,392
			39,131
Depreciation of right-of-use assets	176,764	30,570	207,334
Unallocated depreciation			2,330
			209,664
Amortisation of intangible assets	27	97	124
Loss on disposal of items of property, plant and equipment, net	5,752	14,827	20,579
Unallocated gains on disposal of items of property, plant and equipment and a right-of-use asset, net			(27,516)
			(6,937)
Write-off of right-of-use assets, net	15,853	5,133	20,986
Impairment of items of property, plant and equipment	5,094	733	5,827
Impairment of right-of-use assets	30,040	4,798	34,838
Unallocated impairment			1,718
			36,556
Segment non-current assets:	292,594	820	293,414
Reconciliation:			
Investment property			17,900
Deferred tax assets			650
Unallocated non-current assets			106,819
Total non-current assets			418,783

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

5. REVENUE, OTHER INCOME AND GAINS

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

	2021 HK$'000	2020 HK$'000
Revenue		
Sale of garment products and accessories transferred at a point in time	**371,898**	887,317
Disaggregated revenue information		
Segments		
Geographical markets		(Restated)
Hong Kong & Macau	**343,918**	632,472
Non-Hong Kong & Macau	**27,980**	254,845
Total revenue from contracts with customers	**371,898**	887,317

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

	2021 HK$'000	2020 HK$'000
Revenue recognised that was included in contract liabilities at 1 April – Sale of garment products and accessories	**60**	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 30 to 60 days from delivery, except for certain wholesalers, where payment in advance is normally required.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March 2021 and 31 March 2020 were not disclosed in the notes to the consolidated 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)*

	2021 **HK$'000**	2020 HK$'000
Other income		
Bank interest income	**493**	496
Rental income	**398**	674
Government grants*	**20,630**	–
Others	**197**	1,038
	21,718	2,208
Gains		
Write-back of lease liabilities, net	**58,842**	–
Write-back of provision	**–**	1,680
Gain on disposal of items of property, plant and equipment and right-of-use assets, net	**43,750**	6,937
Gain on liquidation of subsidiaries	**503**	–
Foreign exchange differences, net	**14,568**	–
	117,663	8,617
	139,381	10,825

* During the year ended 31 March 2021, the Group recognised subsidies of approximately HK$20,630,000 from certain anti-epidemic funds provided by the Hong Kong and Macau governments as part of the relief measures on COVID-19 pandemic.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 **HK$'000**	2020 HK$'000
Interest on lease liabilities (Notes 15(b), 15(c))	**9,314**	17,973
Interest on bank loans	**–**	480
Other interest expenses	**87**	–
	9,401	18,453

7. PROFIT/(LOSS) BEFORE TAX

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

	Notes	2021 HK$'000	2020 HK$'000
Cost of inventories sold*		**141,234**	410,100
Reversal of provision for inventories, net*		**(9,921)**	(57,101)
Depreciation of property, plant and equipment	13	**14,348**	39,131
Depreciation of right-of-use assets	15	**103,499**	209,664
Lease payments for short term leases and contingent rents not included in the measurement of lease liabilities		**25,752**	40,622
COVID-19-Related rent concessions***	15	**(49,219)**	–
Auditor's remuneration		**1,323**	2,213
Employee benefit expenses (including directors' remuneration (Note 8)):			
Wages, salaries and other benefits		**81,221**	175,492
Pension scheme contributions**		**3,387**	8,842
		84,608	184,334
Gain on disposal of items of property, plant and equipment and right-of-use assets, net		**(43,750)**	(6,937)
Loss on disposal of an investment property	14	**1,900**	–
Write-back of provision		**–**	(1,680)
Amortisation of intangible assets	16	**109**	124
Write-off of rental deposits		**10,411**	17,920
(Write-back of lease liabilities)/write-off of right-of-use assets, net	15	**(58,842)**	20,986
Loss on disposal of trademarks	16	**4**	–
Fair value loss on an investment property	14	**2,200**	1,500
Impairment of items of property, plant and equipment	13	**1,991**	5,827
Impairment of right-of-use assets	15	**18,382**	36,556
Expected credit loss on trade receivables		**3**	–
Foreign exchange (gains)/losses, net		**(14,568)**	1,531
Direct operating expenses (including repairs and maintenance) arising from a rental-earning investment property		**81**	141

* Included in "cost of sales" on the face of the consolidated statement of profit or loss and other comprehensive income. The reversal of provision for inventories arose from sale of obsolete inventories.

** 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 (2020: Nil).

*** Included in "selling and distribution expenses" on the face of the consolidated statement of profit or loss and other comprehensive income.

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:

	2021 **HK$'000**	2020 HK$'000
Fees	**512**	492
Other emoluments:		
Salaries, allowances and benefits in kind	**4,040**	5,045
Performance-related bonuses*	**1,200**	586
Pension scheme contributions	**61**	64
	5,301	5,695
	5,813	6,187

* 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:

	2021 **HK$'000**	2020 HK$'000
Mr. Chu To Ki	**164**	164
Mr. Mak Wing Kit	**164**	164
Mr. Wong Man Tai *(appointed on 29 December 2020)*	**22**	–
Mr. Mak Siu Yan *(resigned on 29 December 2020)*	**162**	164
	512	492

There were no other emoluments payable to the independent non-executive directors during the year (2020: Nil).

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
2021					
Dr. Wong Yui Lam	**–**	**1,265**	**400**	**18**	**1,683**
Madam Tong She Man, Winnie	**–**	**948**	**500**	**18**	**1,466**
Mr. Yeung Yat Hang	**–**	**1,215**	**300**	**18**	**1,533**
Madam Lee Yuk Ming *(retired as a Director on 18 August 2020)*	**–**	**612**	**–**	**7**	**619**
	–	**4,040**	**1,200**	**61**	**5,301**
2020					
Dr. Wong Yui Lam	–	1,484	186	18	1,688
Madam Tong She Man, Winnie *(appointed on 12 September 2019)*	–	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

During both years, no emoluments were paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. The directors waived their remunerations aggregately of HK$274,000 during the year ended 31 March 2021 (2020: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2020: three) executive directors, details of whose remuneration are set out in Note 8 above. Details of the remuneration of the remaining two (2020: two) non-director, highest paid employees for the year are as follows:

	2021 HK$'000	2020 HK$'000
Salaries, allowances and benefits in kind	**2,101**	2,048
Performance-related bonuses	**330**	182
Pension scheme contributions	**26**	36
	2,457	2,266

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

	Number of employees	
	2021	2020
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% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of qualifying entities are taxed at 8.25%, and the profits above HK$2,000,000 are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2020. 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% (2020: 25%) during the year ended 31 March 2021. The Taiwan subsidiary was subject to the applicable tax rate of 20% (2020: 20%) during the year ended 31 March 2021.

	2021 **HK$'000**	2020 (Restated) HK$'000
Current tax – Hong Kong		
Provision for the year	**1,057**	560
Overprovision in prior years	**(626)**	(39)
Current tax – Elsewhere		
Provision for the year	**688**	1,092
Overprovision in prior years	**(461)**	(907)
Deferred tax (credit)/charge (Note 17)	**(2,540)**	10,222
Total tax (credit)/expense for the year	**(1,882)**	10,928

A reconciliation of the tax (credit)/expense applicable to profit/(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 (credit)/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:

2021	**HK$'000**	**%**
Profit before tax	**97,855**	
Tax at the statutory tax rates	**16,814**	**17.2**
Adjustments in respect of current tax of previous periods	**(1,087)**	**(1.1)**
Effect of reversal of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	**(1,700)**	**(1.7)**
Income not subject to tax	**(30,419)**	**(31.1)**
Expenses not deductible for tax	**7,414**	**7.6**
Temporary differences not recognised	**(973)**	**(1.0)**
Tax losses not recognised	**8,252**	**8.4**
Utilisation of tax loss previously not recognised	**(183)**	**(0.2)**
	(1,882)	**(1.9)**

10. INCOME TAX *(Continued)*

2020	HK$'000	%
Loss before tax	(161,673)	
Tax at the statutory tax rates	(32,938)	20.3
Adjustments in respect of current tax of previous periods	(946)	0.6
Effect of reversal 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)

11. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share is based on the profit for the year attributable to equity holders of the parent of HK$99,737,000 (2020: loss of HK$172,601,000) and the weighted average number of ordinary shares of 367,380,000 (2020: 367,380,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2021 and 2020.

The calculation of the basic earnings/(loss) per share is based on:

	2021 HK$'000	2020 HK$'000
Profit/(Loss)		
Profit/(Loss) attributable to equity holders of the parent, used in the basic earnings/(loss) per share calculation	**99,737**	(172,601)
	Number of shares	
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	**367,380,000**	367,380,000

12. DIVIDENDS

	2021 HK$'000	2020 HK$'000
Interim – **2.5 HK cents** (2020: Nil) per ordinary share	**9,184**	–
Special – **12.0 HK cents** (2020: Nil) per ordinary share	**44,086**	–
Proposed final – **6.0 HK cents** (2020: 6.0 HK cents) per ordinary share	**22,043**	22,043
Proposed second special – **40.5 HK cents** (2020: proposed special of 28.0 HK cents) per ordinary share	**148,789**	102,866
	224,102	124,909

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

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 2021						
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
At 1 April 2020	29,555	22,527	3,289	6,051	191	61,613
Additions	–	3,139	44	339	–	3,522
Depreciation provided during the year	(718)	(9,389)	(1,746)	(2,304)	(191)	(14,348)
Disposals	(3,648)	(4,202)	(118)	(1,247)	–	(9,215)
Impairment	–	(1,969)	(16)	(6)	–	(1,991)
At 31 March 2021, net of accumulated depreciation and impairment	25,189	10,106	1,453	2,833	–	39,581
At 31 March 2021:						
Cost	32,525	76,584	14,836	19,090	1,834	144,869
Accumulated depreciation and impairment	(7,336)	(66,478)	(13,383)	(16,257)	(1,834)	(105,288)
Net carrying amount	25,189	10,106	1,453	2,833	–	39,581

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 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 1 April 2019	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

At 31 March 2020, the Group's buildings with an aggregate net book value of approximately HK$3,407,000 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$1,991,000 (2020: HK$5,827,000) 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 2021 (2020: Nil).

14. INVESTMENT PROPERTY

	2021 **HK$'000**	2020 HK$'000
Carrying amount at beginning of year	**17,900**	19,400
Loss from a fair value adjustment (Note 7)	**(2,200)**	(1,500)
Disposed during the year	**(15,700)**	–
Carrying amount at end of year	**–**	17,900

The Group's investment property was an industrial property in Hong Kong. The directors of the Company had 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 17 September 2020 based on a valuation performed by RHL Appraisal Limited, an independent professionally qualified valuer, at HK$15,700,000 (31 March 2020: HK$17,900,000), resulting in a fair value loss of HK$2,200,000 (2020: HK$1,500,000) 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.

During the year, the Group disposed the investment property and recognised a loss on disposal of HK$1,900,000 (2020: Nil) in profit or loss.

At 31 March 2020, the Group's investment property with a carrying value of HK$17,900,000 was pledged to secure general banking facilities granted to the Group. 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 consolidated financial statements.

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			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Industrial property	–	–	17,900	17,900

During the year ended 31 March 2020, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

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 was HK$4,000 to HK$5,000.

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 building for owned use generally have lease terms of 1 to 4 years (2020: 1 to 4 years). 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. Certain leases contain an option to renew the lease after the end of the contract.

(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 7)	(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 7)	(34,608)	(1,948)	(36,556)
Exchange realignment	(3,862)	1	(3,861)
As at 31 March 2020 and 1 April 2020	**286,931**	**41**	**286,972**
Additions	**24,292**	**–**	**24,292**
Depreciation (Note 7)	**(103,458)**	**(41)**	**(103,499)**
Lease modification	**5,783**	**–**	**5,783**
Write-off	**(29,488)**	**–**	**(29,488)**
Disposal	**(1,766)**	**–**	**(1,766)**
Impairment (Note 7)	**(18,382)**	**–**	**(18,382)**
As at 31 March 2021	**163,912**	**–**	**163,912**

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

As at 31 March 2021, 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$18,382,000 (2020: 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 2021. 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 11% (2020: 13%).

The Group early terminated certain leases for buildings in the current and prior years. A write-off of HK$29,488,000 (2020: 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 2021.

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:

	2021 HK$'000	2020 (Restated) HK$'000
At beginning of year	**311,993**	391,209
New leases	**22,711**	168,306
Lease modification	**5,783**	(22,900)
Write-back of lease liabilities	**(88,330)**	(55,803)
COVID-19-Related rent concessions (Note 7)	**(49,219)**	–
Accretion of interest recognised during the year (Note 6)	**9,314**	17,973
Payments	**(86,425)**	(183,011)
Exchange realignment	**1,036**	(3,781)
At end of year	**126,863**	311,993
Analysed into:		
Current portion	**74,247**	166,885
Non-current portion	**52,616**	145,108

A write-back of lease liabilities of HK$88,330,000 (2020: 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 consolidated financial statements.

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

	2021 HK$'000	2020 HK$'000
Interest on lease liabilities (Note 6)	**9,314**	17,973
Depreciation of right-of-use assets (Note 7)	**103,499**	209,664
(Write-back of lease liabilities)/write-off of right-of-use assets, net (Note 7)	**(58,842)**	20,986
Impairment of right-of-use assets (Note 7)	**18,382**	36,556
COVID-19-Related rent concessions (Note 7)	**(49,219)**	–
Expense relating to short-term leases and other leases with remaining lease terms ended within one year (included in selling and distribution expenses and administrative expenses)	**18,590**	19,943
Variable lease payments not included in the measurement of lease liabilities (included in selling and distribution expenses)	**7,162**	20,679
Total amount recognised in profit or loss	**48,886**	325,801

15. LEASES *(Continued)*

The Group as a lessor

The Group leased its investment property (Note 14) which is an industrial property in Hong Kong under an operating lease arrangement. The terms of the lease required 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$398,000 (2020: HK$674,000), details of which are included in Note 5 to the consolidated financial statements.

At 31 March 2021, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenant are as follows:

	2021 **HK$'000**	2020 HK$'000
Within one year	**–**	634
After one year but within two years	**–**	56
	–	690

16. INTANGIBLE ASSETS

Trademarks

	2021 **HK$'000**	2020 HK$'000
At beginning of year:		
Cost	**3,401**	3,483
Accumulated amortisation and impairment	**(3,094)**	(3,052)
Net carrying amount	**307**	431
Cost at beginning of year, net of accumulated amortisation and impairment	**307**	431
Amortisation provided during the year (Note 7)	**(109)**	(124)
Disposal of trademarks (Note 7)	**(4)**	–
At end of year	**194**	307
At end of year:		
Cost	**3,060**	3,401
Accumulated amortisation and impairment	**(2,866)**	(3,094)
Net carrying amount	**194**	307

17. 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 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 and 1 April 2020	**116**	**534**	**–**	**–**	**650**
Deferred tax credited to profit or loss during the year*	**299**	**21**	**–**	**–**	**320**
At 31 March 2021	**415**	**555**	**–**	**–**	**970**

Deferred tax liabilities

	Accelerated tax depreciation HK$'000	Withholding taxes HK$'000	Total HK$'000
At 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 and 1 April 2020	**620**	**1,700**	**2,320**
Deferred tax credited to profit or loss during the year*	**(520)**	**(1,700)**	**(2,220)**
At 31 March 2021	**100**	**–**	**100**

* The total deferred tax credited to profit or loss during the year amounted to HK$2,540,000 (2020: deferred tax charge of HK$10,222,000) (Note 10).

At the end of the reporting period, the Group had tax losses arising in Hong Kong of HK$108,501,000 (2020: HK$84,553,000) 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 Macau of HK$4,148,000 (2020: Nil) that will expire in three years, losses arising in Mainland China of HK$39,705,000 (2020: HK$79,926,000) that will expire in one to five years and losses arising in Taiwan of HK$144,612,000 (2020: HK$131,212,000) that will expire in two 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$3,364,000 (2020: HK$3,238,000). 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 2021, deferred tax liabilities have not been provided for unremitted retained earnings of the Group's subsidiaries after 1 January 2008 as there are no unremitted retained earnings (2020: HK$61,996,000; in which the payment of dividend was considered not probable).

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

18. INVENTORIES

	2021 HK$'000	2020 HK$'000
Finished goods	**69,934**	113,592

19. TRADE RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables	**2,903**	11,631
Expected credit loss	**(3)**	–
	2,900	11,631

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 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:

	2021 HK$'000	2020 HK$'000
Within 90 days	**2,862**	11,171
91 to 180 days	**38**	414
181 to 365 days	**–**	46
	2,900	11,631

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

	2021 HK$'000	2020 HK$'000
At the beginning of year	**–**	21
Amount written off as uncollectable	**–**	(21)
Provided during the year	**3**	–
At the end of year	**3**	–

19. 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:

	2021 HK$'000	2020 HK$'000
Neither past due nor impaired	**2,862**	11,171
Less than 3 months past due	**38**	414
3 to less than 12 months past due	**–**	46
	2,900	11,631

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. In applying the forward-looking information, the Group has taken into account of the possible impacts associated with the overall change in the economic environment arising from COVID-19. 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 2021 and 2020, the Group assessed the loss allowance and the expected credit loss rate under the application of HKFRS 9 were insignificant.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Prepayments	**2,541**	8,430
Deposits and other receivables	**36,380**	62,622
	38,921	71,052
Portion classified as non-current assets	**(32,423)**	(51,341)
	6,498	19,711

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 2021 and 2020, the loss allowance was assessed to be minimal.

21. PLEDGED TIME DEPOSIT

The Group had a time deposit of HK$15,600,000 (2020: Nil) as at 31 March 2021, with original maturity of less than three months when acquired, pledged as security for the Group's general banking facilities.

22. CASH AND CASH EQUIVALENTS

	2021 HK$'000	2020 HK$'000
Cash and bank balances	**184,763**	178,203
Non-pledged time deposits	**81,932**	143,956
Cash and cash equivalents	**266,695**	322,159

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("**RMB**") amounted to approximately HK$4,703,000 (2020: HK$11,472,000). 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:

	2021 HK$'000	2020 HK$'000
Within 90 days	**1,504**	3,846
91 to 180 days	**–**	178
181 to 365 days	**–**	–
Over 365 days	**–**	27
	1,504	4,051

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

24. OTHER PAYABLES AND ACCRUALS

	Notes	2021 HK$'000	2020 HK$'000
Other payables	(a)	**13,601**	24,015
Accruals		**6,204**	9,333
Contract liabilities	(b)	**1,900**	60
		21,705	33,408

Notes:

(a) The other payables are non-interest-bearing and are normally settled on terms of 30 to 90 days.

(b) Contract liabilities include deferred revenue arising from the VIP programme. The increase in contract liabilities in 2021 was mainly due to the increase in deferred revenue arising from the VIP programme of the Group.

25. SHARE CAPITAL

Shares

	Number of shares	Share capital HK$'000
Authorised:		
Ordinary shares of HK$0.10 each		
At 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021	2,000,000,000	200,000

	Company	
	2021 **HK$'000**	2020 HK$'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 consolidated 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.

26. SHARE OPTION SCHEME *(Continued)*

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.

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 2021. Hence, no share option expense was recognised by the Group during the year ended 31 March 2021 (2020: Nil).

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 2021 and 2020 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 related to an owner-occupied property of the Group transferred to an investment property carried at fair value before 1 April 2017. The asset revaluation reserve had been transferred to retained profits upon disposal of the respective investment property during the year.

Fair value reserve of financial assets at fair value through other comprehensive income

The fair value reserve of HK$2,970,000 related to equity investments irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature. The carrying values of these equity investments at 31 March 2021 were nil (2020: Nil).

28. CONTINGENT LIABILITIES

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

	2021 **HK$'000**	2020 HK$'000
Guarantees given for committed lease payments or in lieu of utility and property rental deposits	**2,467**	3,887

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 a time deposit (2020: property, plant and equipment, right-of-use assets and an investment property situated in Hong Kong), which had aggregate carrying values at the end of the reporting period of approximately HK$15,600,000 (2020: approximately HK$3,407,000, HK$1,576,000 and HK$17,900,000, respectively).

30. COMMITMENTS

The Group had no material capital commitment contracted but not provided for as at 31 March 2021 (2020: Nil).

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	**2021** **HK$'000**	2020 HK$'000
Rental income	(i)	**18**	18
Computer system maintenance charges	(ii)	**903**	858
Purchases of computer equipment	(iii)	**36**	–

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.

(iii) The purchases of computer equipment from a related company were made at prices and conditions with reference to those offered by independent suppliers.

(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 consolidated 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$24,292,000 (2020: HK$173,861,000) and HK$22,711,000 (2020: HK$168,306,000), respectively, in respect of lease recognition and lease arrangements for building and equipment (Notes 15(a) and (b)).

(b) Changes in liabilities arising from financing activities

	Lease liabilities HK$'000	Bank loan HK$'000
At 1 April 2019	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	(22,900)	–
Write-back of lease liabilities	(55,803)	–
Foreign exchange movement	(3,781)	–
Interest expense (Note 6)	17,973	–
Interest paid classified as operating cash flows	(17,973)	–
At 31 March 2020 and 1 April 2020	**311,993**	**–**
Changes from financing cash flows	**(77,111)**	**–**
New leases (Note 15(b))	**22,711**	**–**
Lease modification	**5,783**	**–**
Write-back of lease liabilities	**(88,330)**	**–**
COVID-19-Related rent concessions	**(49,219)**	**–**
Foreign exchange movement	**1,036**	**–**
Interest expense (Note 6)	**9,314**	**–**
Interest paid classified as operating cash flows	**(9,314)**	**–**
At 31 March 2021	**126,863**	**–**

(c) Total cash outflow for leases

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

	2021 HK$'000	2020 HK$'000
Within operating activities	**35,066**	58,595
Within financing activities	**77,111**	165,038
	112,177	223,633

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 amortised cost	
	2021	2020
	HK$'000	HK$'000
Trade receivables	**2,900**	11,631
Financial assets included in prepayments, deposits and other receivables	**36,380**	62,622
Pledged time deposit	**15,600**	–
Cash and cash equivalents	**266,695**	322,159
	321,575	396,412

Financial liabilities

	Financial liabilities at amortised cost	
	2021	2020
	HK$'000	HK$'000
Trade payables	**1,504**	4,051
Lease liabilities	**126,863**	311,993
Financial liabilities included in other payables and accruals (Note 24)	**13,601**	24,015
	141,968	340,059

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, a pledged time deposit, 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 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 Group did not have any financial liabilities measured at fair value as at 31 March 2021 and 2020.

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 profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) %	**Increase/ (decrease) in profit before tax** HK$'000	**Increase/ (decrease) in equity*** HK$'000
2021			
If Hong Kong dollar weakens against New Taiwan Dollar ("**NT$**")	**(1)**	**463**	**–**
If Hong Kong dollar strengthens against NT$	**1**	**(463)**	**–**
2020			
If Hong Kong dollar weakens against NT$	(1)	537	–
If Hong Kong dollar strengthens against NT$	1	(537)	–

* 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.

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			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	HK$'000
As at 31 March 2021					
Trade receivables*	**–**	**–**	**–**	**2,900**	**2,900**
Financial assets included in prepayments, deposits and other receivables					
– Normal**	**36,380**	**–**	**–**	**–**	**36,380**
Pledged time deposit***					
– Not yet past due	**15,600**	**–**	**–**	**–**	**15,600**
Cash and cash equivalents***					
– Not yet past due	**266,695**	**–**	**–**	**–**	**266,695**
	318,675	**–**	**–**	**2,900**	**321,575**
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

* For trade receivables to which the Group applies the simplified approach for impairment, information is disclosed in Note 19 to the consolidated 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".

*** The credit risks on a pledged time deposit and cash and bank balances are considered to be insignificant because these are placed at financial institutions that have sound credit rating.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in Note 19 to the consolidated 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.

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:

			2021		
	On demand HK$'000	**Less than 3 months HK$'000**	**3 to less than 12 months HK$'000**	**More than 12 months HK$'000**	**Total HK$'000**
Lease liabilities	**11,068**	**23,025**	**43,870**	**54,191**	**132,154**
Trade payables	**523**	**981**	**–**	**–**	**1,504**
Other payables	**8,109**	**4,762**	**730**	**–**	**13,601**
Guarantees given for committed lease payments (Note 28)	**2,467**	**–**	**–**	**–**	**2,467**
	22,167	**28,768**	**44,600**	**54,191**	**149,726**

			2020		
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	More than 12 months HK$'000	Total 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 for committed lease payments or in lieu of utility and property rental deposits (Note 28)	3,887	–	–	–	3,887
	34,713	52,367	112,241	151,571	350,892

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 2021 and 31 March 2020.

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 2021 HK$'000	31 March 2020 HK$'000
Total current assets	**362,223**	469,939
Total current liabilities	**98,635**	205,335
Current ratio	**3.7**	2.3

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:

	2021 **HK$'000**	2020 HK$'000
NON-CURRENT ASSETS		
Investment in a subsidiary	**108,144**	108,144
CURRENT ASSETS		
Due from a subsidiary	**319,808**	427,312
Cash and bank balances	**20,021**	529
Total current assets	**339,829**	427,841
CURRENT LIABILITIES		
Other payables	**21**	26
NET CURRENT ASSETS	**339,808**	427,815
NET ASSETS	**447,952**	535,959
EQUITY		
Share capital	**36,738**	36,738
Reserves (note)	**411,214**	499,221
TOTAL EQUITY	**447,952**	535,959

Dr. Wong Yui Lam
Chairman & Executive Director

Madam Tong She Man, Winnie
Vice-Chairlady & Executive Director

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 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 and 1 April 2020	**105,566**	**136,518**	**257,137**	**499,221**
Final and special 2020 dividend declared	**–**	**–**	**(124,909)**	**(124,909)**
Interim 2021 dividend declared	**–**	**–**	**(9,184)**	**(9,184)**
Special 2021 dividend declared	**–**	**–**	**(44,086)**	**(44,086)**
Total comprehensive income for the year	**–**	**–**	**90,172**	**90,172**
At 31 March 2021	**105,566**	**136,518**	**169,130**	**411,214**

* 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. EVENTS AFTER THE REPORTING PERIOD

On 3 June 2021, a wholly-owned subsidiary of the Group has entered a provisional sales and purchase agreement with an independent third parties in respect of the sale and leaseback of a property situated in Hong Kong, which was being used as a warehouse by the Group previously. Further details of the transaction are set out in the announcement of the Company dated 3 June 2021.

38. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified and restated to conform with the current year's presentation.

39. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 28 June 2021.

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				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
REVENUE	**371,898**	887,317	1,300,583	1,387,524	1,305,880
Cost of sales	**(131,313)**	(352,999)	(575,231)	(543,716)	(488,005)
GROSS PROFIT	**240,585**	534,318	725,352	843,808	817,875
Other income and gains	**139,381**	10,825	5,675	3,231	19,024
Selling and distribution expenses	**(189,204)**	(511,450)	(660,467)	(667,702)	(645,646)
Administrative expenses	**(48,491)**	(92,459)	(118,986)	(116,797)	(105,643)
Other expenses	**(35,015)**	(84,454)	(6,922)	(5,293)	(11,274)
Finance costs	**(9,401)**	(18,453)	(614)	(437)	(226)
PROFIT/(LOSS) BEFORE TAX	**97,855**	(161,673)	(55,962)	56,810	74,110
Income tax credit/(expense)	**1,882**	(10,928)	(6,141)	(16,207)	(9,233)
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**99,737**	(172,601)	(62,103)	40,603	64,877
DIVIDENDS	**224,102**	124,909	22,043	27,554	27,554

	As at 31 March				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
TOTAL ASSETS	**599,303**	888,722	862,157	972,605	945,143
TOTAL LIABILITIES	**(151,351)**	(352,763)	(120,412)	(140,717)	(134,546)
	447,952	535,959	741,745	831,888	810,597