TUNGTEX

2023 Annual Report 年報

Tungtex (Holdings) Company Limited

同得仕(集團)有限公司

Stock Code 股份代號：00518


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Contents

CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Dickson Chu Pui Ki

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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AUDITOR

D & PARTNERS CPA LIMITED
Certified Public Accountants

PRINCIPAL BANKERS

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

SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
17th Floor,
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Hong Kong

STOCK CODE

00518

WEBSITE

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CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board") of Tungtex (Holdings) Company Limited (the "Company"), together with its subsidiaries (the "Group"), it is my pleasure to present the annual report of the Company for the year ended 31 March 2023 (the "Year").

The Group has concluded the Year on a high note with total revenue for the Year growing by 28.0% year-on-year to reach HK$753.2 million. On top of that, the Group also recorded a profit for the year attributable to owners of the Company of HK$19.7 million as compared to a loss of HK$26.1 million for the last corresponding year. Full-year results were driven by strong growth momentum of order inflows from our customers in the North American market alongside enhanced expense discipline across the Group throughout the Year despite setback by the subdued performance of the mainland China market.

Looking back at the Year, amid the COVID-19 pandemic in China, the weakened global economy was further hit by complicated geopolitical events leading to hyper global inflation and interest rate spikes in most western countries, which eroded consumer and business confidence and hampered growth prospects of the fashion and apparel industry in major consumer markets. The Group calmly embraced the difficulties with concerted efforts and proactively responded to the ever-changing business landscape to deliver growth and achieve significant progress in operational and financial performance.

Our achievement in the Year is the unparalleled commitment and hard work of every member of the Group. We weathered the current storm and surpassed our expectations to accomplish the remarkable feat of returning our Group to profitability in the Year, notwithstanding the insurmountable challenges which were affecting our operations consistently throughout the Year.

During the Year, while months of widespread COVID-19-lockdowns and strict mobility measures had led to persistent slowdown in the Chinese market where our retail business and domestic brand business operated, the Group confirmed the strength of our dual production platform, which allowed our export division to capitalise on the market trends and opportunities to grow in step with the robust demand recovery in the western markets despite the dire macroeconomic environment.

By region, the North American market saw a remarkable growth of 65.1% year-on-year, accounting for 59.0% of the Group's total revenue. On the other hand, China headwinds had adversely affected the Asian market and revenue was down by 9.7% year-on-year and accounted for 36.1% of our total revenue. During the Year, the U.S. and Mainland China represented the two largest markets contributing 34.6% and 33.8% to the Group's total revenue respectively.

The Year proved to be an exceptionally difficult year for the retail industry in China. Apart from the softening economic performance, China continued to suffer from persistent COVID-19-related disruptions alongside fresh challenges from the country's re-opening which posed a problem for the broader industry. As the impact of the pandemic remained significant, our "Betu" brand retail sales performance was adversely affected and declined by 10.6%, or 5.4% excluding the impact of foreign exchange year-on-year. However, on the bottom line, our retail business managed to sustain an operating profit of HK$4.1 million as we successfully streamlined our retail operations, optimised product portfolio and sales channels in the face of weakened consumer market.

In a year impacted by unpredictable COVID-19 resurgence, geopolitical conflicts, rising inflation alongside a global economic downturn, the management team carefully monitored the risks and impacts of these headwinds on our markets, customers, supplier networks as well as the Group's operation. In view of the multiple risks and pressures, the Group implemented stringent expense control measures and pulled back on capital expenditures which, together with the transformation initiatives undertaken by the Group in recent years, led to leaner business models and enhanced operating efficiency, resulting in improved profitability.

While the Group steadily toiled through the pandemic and global slowdown during the Year, we never lost sight of our dedication to strengthen our fundamentals by upholding our commitments in strategic investments which promotes innovation, quality, resilience and sustainability in our products and manufacturing operations. In addition, we continued to upgrade our omnichannel and marketing strategies to provide our retail customers with seamless and exceptional shopping experience.

Furthermore, our efforts to pursue ESG-related goals remain endless. Amid the disrupting economic moment, we persisted in a long-term perspective and are committed to making meaningful progress towards our people, social and sustainability development goals which we believe are critical to future success and will create long-term value for our stakeholders. The Group proactively supports endeavours that promote eco-friendly, ethical, and sustainable solutions in our manufacturing process and supply chain management besides making use of efficient solar energy to reduce carbon footprint and minimise wastage. We also strive to foster balanced and inclusive growth through collaboration with local communities to support charity and meaningful social welfare initiatives.

As always, the Group considers our employees to be its most important asset that underpin our business foundation. Our accomplishment during the Year demonstrated the collective success of our organisation in navigating the uncertain economic environment. The management will continue its utmost efforts in committing the resources and opportunities needed to cultivate talent development for the continual improvement, operations, and future growth of the Group.

Moving forward into a post-COVID-19 era, while proactively managing risks and uncertainties in relation to the volatile and adverse global economic conditions in the short term, the Group will confidently forge ahead by further focusing on expanding our customer base, diversifying existing product portfolio and extending our geographical reach which will enable us to move towards the strategic direction of steady, healthy and sustainable growth in the long term.

In recognition of the long-term support from our shareholders, the Board has proposed a final dividend of HK0.5 cent per share for the year ended 31 March 2023 (2022: HK0.5 cent per share).

APPRECIATION

I appreciate very much the valued support and continued confidence from our customers, bankers, business partners and shareholders. I would also like to pay tribute to the Board, management team members and every committed staff for their tireless efforts and contributions in a very complex and unpredictable operating environment.

Martin Tung Hau Man
Chairman

Hong Kong, 28 June 2023

SUMMARY OF OPERATING RESULTS

Riding on the continuation of the post-COVID-19 rebound in apparel demand from our North American market, the Group recorded an increase in revenue of 28.0% to HK$753.2 million for the year ended 31 March 2023 (the "Year") as compared to HK$588.3 million for the last corresponding year.

Gross profit amounted to HK$161.4 million translating into a gross margin of 21.4%, up from 19.0% in the last corresponding year, primarily attributed to higher sales leveraging, improved labour and operational efficiency, and the weakening of currencies of Asian countries where our factories operated.

As a result of the higher revenue, streamlined operating models, enhanced overall efficiency and focused cost control, the Group reported a profit before tax of HK$22.9 million for the Year (2022: loss before tax HK$26.5 million) and a profit for the year attributable to owners of the Company of HK$19.7 million (2022: loss HK$26.1 million).

The Group's core operating profit before tax, after excluding effects of non-operating items, amounted to HK$24.2 million for the Year as compared to an operating loss before tax of HK$29.6 million in the last corresponding year.

In view of the weak domestic consumption and the difficult retail environment in the PRC market during the Year, the Group continued to streamline and refine the retail operation, optimised our retail sales channels, and closed underperformed shops to maintain profitability. As a result, the Group's selling and distribution costs for the Year recorded a decrease of 12.9% year-on-year to HK$60.0 million (2022: HK$68.9 million), which was in line with the 10.6% decline in the Group's retail sales in the Year. Of which, advertising and promotion expenses decreased by HK$1.3 million, shop management fee decreased by HK$1.5 million, retail shop rental and running expenses decreased by HK$2.8 million and staff costs decreased by HK$3.0 million.

Administrative expenses increased slightly by 6.4% year-over-year to HK$79.1 million (2022: HK$74.3 million), mainly attributable to (i) the increase in factoring commission expenses by HK$0.5 million, the increase in credit insurance expenses by HK$1.0 million and the increase in postage & courier expenses by HK$0.9 million which were all in line with the substantial increase in export sales activities; and (ii) the decrease in exchange gain by HK$2.5 million during the Year as a result of the depreciation of Renminbi against Hong Kong dollar.

Finance costs increased by 31.9% year-on-year to HK$3.8 million (2022: HK$2.9 million) which was mainly attributable to the increase in bank interests for trade finance borrowings corresponding to the substantial increase in export sales activities and at the backdrop of interest rate hikes during the Year.

BUSINESS REVIEW

Faced with instabilities in geopolitical landscape and macroeconomic recovery alongside significant slowing in China's domestic consumption market under the pall of COVID-19 resurgence, the Group leveraged its core strengths and made the best use of our existing production and managerial resources to develop its export business in line with the resilient market and customer demand in the North American market.

The manufacturing segment is considered the cornerstone of the Group's business operations and lays the foundation for our retail business. With our comprehensive strength in customised apparel manufacturing and competence in supply chain management, we were able to strengthen partnership with our existing clientele while continuing to expand our customer portfolio despite widespread economic uncertainties facing most western countries.

To ensure effective utilisation of production capacity to accommodate the resilient demand from our overseas market, our seasoned management team in our Vietnam production base actively consolidated the resources, upgraded our manufacturing technology, rebalanced manufacturing facilities and re-engineered existing business processes to further optimise efficiency. As a result, we managed to more than double our export volume from Vietnam in the Year as compared to the last corresponding year with intermittent production disruptions caused by COVID-19-lockdowns.

Meanwhile, albeit gradual easing of pandemic restrictions, global supply chain stability remained threatened by heightened geopolitical conflicts and rising trade protectionism. By consolidating the advantages of our dual production platform and making the best use of our extensive and diverse network in the major textile and garment producing countries, the Group had effectively mitigated unexpected disruptions and consistently achieved on-time delivery. Furthermore, exceptional performance was also enabled by continual investment in digital technology and automation that reduced production costs and enhanced level of quality, agility and customer satisfaction to better fulfil the commitments to our customers.

On the other hand, as most markets had returned to normalcy and registered satisfactory performance, retail business in the PRC continued to operate under the daunting challenges of the pandemic as it progressed along an unpredictable trajectory. The operation of some of our retail stores and our production hub in Zhongshan remained persistently disrupted. Despite the earlier-than-anticipated reopening of the country, domestic consumption defied prior expectations of a swift recovery as the country was still grappling with large-scale infection during the peak sales season leading to the rapidly declining consumer sentiment which was further weakened by the slowing economy and global uncertainties.

The Group was making every best effort to strengthen management and cost control measures to counter the negative impact of reduced footfall in brick-and-mortar location, while at the same time better connecting with our customers in authentic ways through multichannel e-commerce and targeted social media platforms to effectively engage with our existing and target clientele.

On the same note, manufacturing industries in China were generally operating under the adversities posed by the ongoing pandemic leading to sudden production stoppage and disrupted supply of production inputs including shortage of workers due to the widespread infections. By conducting a series of improvement measures to our production model and supply chain operations that significantly improved labour efficiency, reduced production costs and enhanced capacity utilisation, our manufacturing operations navigated unpredictable market shocks while maintaining a focus on profitability. Nonetheless, business confidence continued to be dampened by sluggish consumption demand and economic uncertainties resulting in more conservative purchasing sentiment by our domestic retailers in placing future apparel orders which led to a drop in sales to domestic brand customers during the Year.

SALES TO NORTH AMERICAN MARKET

In the Year, sales to North American market maintained an impressive growth trajectory and reported increase of 65.1% to HK$444.5 million (2022: HK$269.2 million). Sales to the U.S. and Canada recorded revenue of HK$260.8 million and HK$183.7 million growing by 79.9% and 47.8% respectively year-over-year, and accounting for 34.6% and 24.4% of the Group's revenue respectively.

Despite starting off with two consecutive quarters of negative growth in the U.S. economy, Gross Domestic Product ("GDP") rose at a 3.2% and 2.6% in the third and fourth quarter respectively. A robust consumer and strong labour market helped growth turn positive in the final two quarters and the U.S. economy finished 2022 with an annualised GDP growth of 2.1%.

Building on our competitive operating model that integrated the strengths of our highly compatible production platforms, together with a fit-for-purpose logistics strategy, the Group continued to win successful engagement with our existing premium brand customers as the Group unfailingly fulfilled their unique manufacturing and sourcing needs at a short lead time that balances cost, speed, and quality.

Thanks to the strong post-pandemic demand recovery, export sales to the U.S. market continued a strong growth momentum until the last quarter of the Year when the Group started to experience more cautious order placement by customers due to rising inventory pressure and stalling end consumer demand in their home retail markets at their backdrop of slowing GDP growth and the economic uncertainty posed by growing worries of recession and mounting inflationary pressures. Sales to the U.S. market in the Year managed to deliver a striking year-on-year organic growth of 79.9%, thanks to the continuing support and recognition from our key brand customers with whom the Group had built a strong foundation of mutual understanding.

In Canada, the economy continued its recovery from the pandemic and its annualised GDP grew at an encouraging 3.4% in 2022.

While the high inflation and tightening monetary policy continued to weigh on economic growth, there were signs of slight easing of inflation after the peaking of Canada's consumer price index in mid of 2022. Spending momentum was further reinforced by the continuous strength in the labour market which underpinned the country's economic resilience over the past year with unemployment hovering around historic lows despite signs of weakening economic growth.

Following an extremely robust rebound in consumption recovery in the first quarter of the Year, demand for apparel became normalised and growth momentum softened under the weight of progressively higher cost of living which forced consumers to prioritise other necessities over fashion spending. Nevertheless, our sales to Canadian market remained solid and grew at 47.8% over the last corresponding year.

SALES TO ASIAN MARKET

As the Group's sales to Mainland China, which made up approximately 93.6% of sales to Asia in the Year remained impacted by COVID-19 pandemic, sales to Asian market recorded a decline of 9.7% year-on-year to HK$271.8 million (2022: HK$300.8 million). Total sales to China, comprising mainly retail sales and sales to domestic brand customers registered a year-on-year decrease of 12.7% to HK$254.4 million (2022: HK$291.4 million).

During the Year, lockdowns caused by the pandemic, plus a bevy of other challenges including the historic downturn in the property market continued to weaken China's economic growth. The GDP for the country's fourth-quarter and full year of 2022 rose by merely 2.9% and 3.0% respectively, representing one of the lowest growth rates in decades.

The lingering pandemic alongside domestic and global uncertainties had significantly undermined consumer confidence in Mainland China. According to the National Bureau of Statistics of China, retail sales for 2022 as a whole, including sales of apparel, inched down 0.2% on a year-on-year basis.

The fluid COVID-19 situations had caused significant volatility in the operations, sales performance and business plan of our physical retail stores throughout the Year. Notwithstanding the return of customer traffic since the relaxation of movement restrictions at the end of 2022, the market reopening was followed by widespread COVID-19 outbreaks which severely suppressed consumer sentiment during the peak selling season.

Leveraging on the strength of our omnichannel capabilities, the Group swiftly adjusted our retail sales strategy from offline to online channels to ensure a seamless shopping experience as well as continuous engagement with our customers. We accelerated our digital transformation efforts, expanding our e-commerce presence and enhancing our multiplatform marketing and promotional initiatives which led to steady performance of our online channel amid a highly competitive landscape. We also focused on cost optimisation measures to mitigate the financial impact of declining sales. However, suffering from the setback brought by the COVID-19 during most of the Year, retail sales performance remained negatively affected and decreased year-over-year by 10.6% or 5.4% excluding the effect of foreign exchange and amounted to HK$201.5 million (2022: HK$225.4 million).

Against the lingering effects of the pandemic, our factory operation and production schedules remained periodically disrupted by the frequent pandemic outbreaks which to a certain extent constrained our production capacity. In the meantime, the Group also experienced weaker demand from customers due to heavy inventory build-up under the adverse impact of the pandemic alongside sluggish domestic consumption demand throughout the Year. As a result, sales to domestic brand customers dropped by 20.9% year-on-year and amounted to HK$51.5 million (2022: HK$65.0 million).

RETAILING

During the Year, frequent COVID-19 outbreaks, coupled with strict containment measures and travel restrictions in China continued to pose unprecedented challenges to our "Betu" brand retail operations. The Group proactively responded to market conditions and thrived to maintain the stability of our retail operations, while complying with government pandemic and safety protocols to ensure the well-being of our employees, customers and the communities. However, prolonged disruptions together with severe pandemic outbreaks following the successive release of various anti-pandemic measures at the end of 2022 dramatically suppressed consumer sentiment and dampened recovery prospect in the second half of the Year.

Operating amidst significant uncertainty and an unfavourable market backdrop, the Group's retail sales for the Year recorded at HK$201.5 million, representing a moderate decline of 10.6%, or 5.4% after excluding impact of foreign exchange which was primarily driven by the drop in sales from offline physical stores and temporary store closures due to the adverse effect of the pandemic.

The Group took swift actions to minimise the negative impact of business disruptions through conducting prudent sales network management and improving efficiency of our operations. As demand weakened, we adjusted manufacturing orders and controlled cost, which enabled us to significantly reduced inventory levels and cost structure to withstand the current challenges. As a result, the retail division achieved an operating profit of HK$4.1 million despite the adverse business landscape, as compared to an operating profit of HK$3.1 million for the last corresponding year.

As part of our mitigating effort, the management had been proactively engaged in refining our product mix to deliver abundant value at affordable prices in order to reach a broader customer base while swiftly activating various digitalisation strategies and enhancing e-commerce marketing in numerous digital platforms to boost online sales and deepen connection with existing customers.

During the Year, the Group further strengthened our partnership with well-established major platforms like Tmall, VIP.com and JD.com to expedite our online business with broad multiple consumer bases and improved our digital shopping experience while deploying strong localised strategies that created social buzz on China's mainstream media platforms such as Douyin and Xiaohongshu to reach a larger segment of target customers. Online channel managed to maintain momentum with annual online sales reporting marginal decrease of less than 1%, or an increase of 5.2% when excluding the impact of foreign exchange caused by the decrease of Renminbi during the Year and accounted for 76.0% of total retail sales.

PROSPECTS

Looking ahead, we believe the ongoing macroeconomic and geopolitical uncertainties will continue to cast a shadow on global recovery of the consumer market and pose escalating headwinds to business performance of the broader industry. The higher living costs and economic drag of successive interest rates hikes has undermined consumer purchasing power and curtailed demand in the North American market, reflected by the slowdown in ordering activity from customers partly due to stringent inventory control, and coupled with declining consumer demand in their home retail markets. The management expects this trend to continue which will adversely affect the growth prospect of our export business to the North American countries in the coming months.

Notwithstanding the ending of all COVID-19 controls in China since early December 2022, the Group adopts a cautious tone on the near-term prospect for the retail industry in China as economic outlook for a full market recovery remains uncertain given the global weakness, a slowing economy, and high rate of unemployment which will continue to exert a negative impact on consumers' confidence level.

Mindful of the current uncertainties, the Group will stay attuned to the dynamic macroeconomic environment and manage the Group's business, operation, and financial risk robustly, while standing prepared to respond swiftly in the event of any global uncertainty and sudden changes in business landscape.

On the other hand, alongside the lifting of COVID-19 related mobility restrictions by many countries as local and global pandemic situation stabilised, global supply-chain situations are stabilising. Besides, China's reopening has become the most positive catalyst for world markets which has mitigated the risk of a global recession.

Anticipating an expected softening in our overseas market in the North American regions as a result of the stronger economic headwinds and looming recessionary threats ahead, the Group remains prudent and will prioritise cost management and operational efficiency throughout all stages of production in our China and Vietnam production facilities in order to stay competitive and flexible. Together with the implementation of comprehensive and strict quality procedures, our dual production platform will continue to sustain cost competitiveness to deliver our products at the quality, speed and compliance standard required by our premium brand customers in the North American markets.

With a strong international perspective and manufacturing capabilities to develop wide range of high-quality apparel, the Group is proactively tapping into long-term opportunities offered by the promising economic potential under China's Belt and Road Initiative to stay ahead of the market development and capture the growing customer base for quality apparel.

Meanwhile, the reopening of China has marked the beginning of a new post-pandemic era for its economy. Being particularly hard hit during the pandemic, domestic consumption will play a key role underpinning the country's economic rebound this year. Despite a seemingly slower-than-expected recovery, we believe the long-term positive fundamentals of consumption development have not changed and the retail industry is expected to benefit from more robust policies and directives, including consumption stimulation measures, which will gradually restore consumer confidence and revive the retail sector.

Moving forward, the Group continues to expand our penetration into influential e-commerce platforms and other digital avenues to better target and connect with the growing population of netizens countrywide. With the growing importance and contributions of our online channel, we will focus on margin improvement in the highly competitive digital landscape and expanding our market share in the world's largest e-commerce ecosystem. We reaffirm our commitment to enhance our overall competitiveness by continuous investments in technology and digital capabilities to further improve our efficiency, agility and customer experience.

Facing the uncertain business environment ahead, the Group will adopt a prudent approach towards management of retail store networks and continue to optimise operation capacity by concentrating resources to focus on growing our "Betu" brand at strategically located areas with good track record and steady foot traffic, for enhancing management efficiency and financial performance.

As our Zhongshan production base will continue acting as the backbone of the Group's domestic brand manufacturing business in the PRC region, the management will remain focused on ongoing upgrades to our production model by making balanced investment in infrastructures for digital, advanced manufacturing and green technologies that will not only reduce cost and enhance labour efficiency but also build up the capabilities for the speed and flexibility required to make the Group more agile and sustainable against challenges in a rapidly evolving and highly competitive environment. Together with our spirit of innovation and creativity, the Group targets to enhance our comprehensive product design and development capabilities to further expand our customer base which commands higher value and margin growth potential.

In the long term, our strong people culture, manufacturing and retailing business capabilities, financial and operational control, corporate governance as well as the shared values we place on environmental and social responsibility and sustainability will support and position us well for the sustainable recovery that will maximise values for our customer and shareholders and also contribute to the social and economic development of the communities we serve.

CAPITAL EXPENDITURE

During the Year, the Group incurred HK$1.8 million capital expenditure compared to HK$43.6 million of the last corresponding year. Such capital expenditure mainly represented the regular replacement and upgrading of production facilities, and leasehold improvement of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

The Group adopted prudent financial management and sustained a sound financial position throughout the Year. As at 31 March 2023, the Group's cash level was recorded at HK$295.3 million (of which HK$110.7 million was pledged bank deposits) as compared to HK$293.3 million (of which HK$105.7 million was pledged bank deposits) as at 31 March 2022. Most of the bank balances were placed in USD, HKD and RMB short term deposits with major banks. As at 31 March 2023, total bank borrowings of the Group were HK$54.5 million (which were all short-term bank borrowings and mainly denominated in HKD and USD), as compared to HK$85.6 million as at 31 March 2022. The Group had no borrowings at fixed interest rates during the Year. As at 31 March 2023, the gearing ratio (total bank borrowings to total equity) was 13.5%.

Throughout the Year, the Group performed effective deployment of cashflows and working capital management. Working capital cycles remained under stringent control. Trade receivable turnover was improved to 43 days from 51 days of the last corresponding year. Inventory turnover decreased to 32 days from 71 days of the last corresponding year. Such decrease was also attributable to the lower inventory level of the manufacturing segment as at the year-end date in relation to the relatively lower year-on-year order volume for delivery in the first quarter subsequent to the year-end date.

At 31 March 2023, certain buildings with an aggregate net book value of approximately HK$34.3 million (2022: Nil) were pledged to secure general banking facilities granted to the Group.

As at 31 March 2023, excluding the pledged bank deposits of HK$110.7 million which were pledged to banks to secure the general banking facilities of the Group, net cash balance of the Group was HK$130.1 million, as compared to HK$102.0 million as at 31 March 2022. Such increase of HK$28.1 million in net cash was mainly attributable to the operating profit and the stringent working capital management in the Year.

The Group is of the opinion that, after taking into consideration of the current banking facilities and the repayment obligations of bank borrowings, the Group will continue to retain sufficient funds for meeting the financial obligations of its business when they fall due, supporting its business growth and financing its future investment.

FINANCIAL REVIEW

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

Percentage of consolidated cost of sales

Percentage of consolidated cost of sales for the Year decreased to 78.6% (2022: 81.0%). The comparison of percentage of consolidated cost of sales is as follows:

	2023 ***HK$'000***	2022 *HK$'000*
Revenue	**753,214**	588,269
Cost of sales	**(591,772)**	(476,223)
Percentage of consolidated cost of sales	**78.6%**	81.0%

The decrease of 2.4 percentage point in cost of sales was mainly attributable to (i) higher sales leveraging, (ii) improved labour and operational efficiency and (iii) the weakening of currencies of Asian countries where the Group's factories operated.

Selling and distribution costs and administrative expenses

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

	2023 ***HK$'000***	2022 *HK$'000*	% *Changes*
Selling and distribution costs	**60,044**	68,947	(12.9%)
Administrative expenses	**79,104**	74,322	6.4%

Selling and distribution costs

	2023 ***HK$'000***	2022 *HK$'000*	Changes *HK$'000*	% *Changes*
Advertising & promotion expense	**14,407**	15,738	(1,331)	(8.5%)
Freight and handling charge	**5,622**	5,415	207	3.8%
Shop management fee	**10,087**	11,546	(1,459)	(12.6%)
Retail shop rental and running expenses	**10,078**	12,839	(2,761)	(21.5%)
Staff costs	**14,252**	17,253	(3,001)	(17.4%)
Other selling and distribution costs	**5,598**	6,156	(558)	(9.1%)
Total	**60,044**	68,947	(8,903)	(12.9%)

In view of the weak domestic consumption and the difficult retail environment in the PRC market during the Year, the Group continued to streamline and refine the retail operation, optimised our retail sales channels, and closed underperformed shops to maintain profitability. As a result, the Group's selling and distributing costs for the Year recorded a decrease of HK$8.9 million or 12.9% year-on-year to HK$60.0 million, which was in line with the 10.6% decline in the Group's retail sales in the Year. Of which, advertising & promotion expense decreased by HK$1.3 million, shop management fee decreased by HK$1.5 million, retail shop rental and running expenses decreased by HK$2.8 million and staff costs decreased by HK3.0 million.

Administrative expenses

	2023 *HK$'000*	2022 *HK$'000*	Changes *HK$'000*	% *Changes*
Auditor's remuneration	**1,135**	1,134	1	0.1%
Depreciation and amortisation	**6,272**	6,824	(552)	(8.1%)
Entertainment and travelling	**2,318**	1,946	372	19.1%
Exchange gain	**(82)**	(2,577)	2,495	(96.8%)
Legal and professional fee	**2,823**	2,304	519	22.5%
Staff costs	**54,431**	54,268	163	0.3%
Office expenses	**5,023**	4,177	846	20.3%
Other administrative expenses	**7,184**	6,246	938	15.0%
Total	**79,104**	74,322	4,782	6.4%

Administrative expenses increased slightly by 6.4% year-on-year to HK$79.1 million.

The decrease in exchange gain by HK$2.5 million was attributable to depreciation of Renminbi against Hong Kong dollar in the Year.

The increase in office expenses was mainly attributable to the increase in postage and courier expense by HK$0.9 million. The increase in other administrative expenses was attributable to increase in factoring commission expense by HK$0.5 million and the increase in credit insurance expense by HK$1.0 million. All such increases were in line with the substantial increase in export sales activities during the Year.

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

The Group's EBITDA for the Year is HK$39.9 million (2022: negative EBITDA of HK$8.9 million). The comparison of EBITDA is as follows:

	2023 *HK$'000*	2022 *HK$'000*
Profit (loss) for the year	**18,800**	(26,697)
Add:		
Finance costs	**3,837**	2,908
Income tax expenses	**4,144**	163
Depreciation	**13,124**	14,763
EBITDA	**39,905**	(8,863)

Operating profit (loss)

The Group earned an operating profit before tax of HK$24.2 million for the Year (2022: operating loss before tax of HK$29.6 million). The comparison of operating profit (loss) is as follows:

	2023 *HK$'000*	2022 *HK$'000*
Profit (loss) before tax	**22,944**	(26,534)
Less:		
(Decrease) increase in fair value of investment property	**(1,287)**	3,051
Operating profit (loss) before tax	**24,231**	(29,585)

Profit (loss) before tax

The Group's profit before tax for the Year is HK$22.9 million (2022: loss before tax of HK$26.5 million).

Earnings (loss) per share

The Group's earnings per share for the Year is HK4.4 cents (2022: loss per share of HK5.8 cents).

Inventory turnover days

Inventory turnover days decreased by 39 days to 32 days for the Year (2022: 71 days). The comparison of inventory turnover days is as follows:

	2023 HK$'000	2022 HK$'000
Revenue	753,214	588,269
Inventory as at 31 March	65,265	114,902
Inventory turnover days	32 days	71 days

The decrease of inventory turnover days was mainly attributable to the Group's stringent inventory control and the lower inventory level of the manufacturing segment as at 31 March 2023 in relation to the relatively lower year-on-year order volume for delivery in the first quarter subsequent to 31 March 2023.

Trade receivable turnover days

Trade receivable turnover days decreased by 8 days to 43 days for the Year (2022: 51 days). The comparison of trade receivable turnover days is as follows:

	2023 HK$'000	2022 HK$'000
Revenue	753,214	588,269
Trade and bills receivables as at 31 March	89,401	82,681
Trade receivable turnover days	43 days	51 days

Other receivables

	2023 HK$'000	2022 HK$'000	Changes HK$'000	% Changes
Deposits paid to suppliers and vendors	6,751	17,417	(10,666)	(61.2%)
Other tax receivables	5,322	3,603	1,719	47.7%
Prepayment	1,275	1,420	(145)	(10.2%)
Rental and utilities deposits	1,440	1,840	(400)	(21.7%)
Others	2,725	1,946	779	40.0%
Total	17,513	26,226	(8,713)	(33.2%)

The substantial decrease in deposits paid to suppliers and vendors was mainly attributable to the lower volume of purchase orders placed with the suppliers and vendors of the manufacturing segment as at 31 March 2023 in line with the relatively lower order volume from the customers for delivery in the first quarter subsequent to 31 March 2023.

Other payables and contract liabilities

	2023 HK$'000	2022 HK$'000	Changes HK$'000	% Changes
Accrued subcontracting and processing fees	1,964	5,233	(3,269)	(62.5%)
Franchise deposits received	1,361	1,744	(383)	(22.0%)
Other tax payables	2,885	2,682	203	7.6%
Other accruals and receipts in advance	5,964	3,858	2,106	54.6%
Wages payable	10,671	7,160	3,511	49.0%
Contract liabilities	5,531	12,797	(7,266)	(56.8%)
Others	12,379	14,998	(2,619)	(17.5%)
Total	40,755	48,472	(7,717)	(15.9%)

TREASURY POLICY

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

FOREIGN EXCHANGE RISK

The Group has currency exposures as substantial portion of sales, purchases, assets and liabilities are denominated in USD, RMB and VND. As such, the Group is exposed to foreign exchange risk arising from such exposure to USD, RMB and VND. As HKD is pegged to USD, the Group considers the relevant foreign exchange risk to be minimal. Also, the appreciation or devaluation of RMB and VND against USD and HKD may have an impact on the Group's results.

The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and mitigate the impact on exchange rate fluctuations by entering into currency hedge arrangement, if necessary. The Group will continue to evaluate the Group's foreign currency exposure and take actions as appropriate.

INTEREST RATE RISK

The Group is exposed to interest rate risk primarily through interest bearing borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk. The Group regularly monitors its interest rate risk to ensure there are no undue exposures to significant interest rate movements and will consider taking appropriate actions, including but not limited to hedging should the need arise.

HUMAN RESOURCES

As at 31 March 2023, the Group has approximately 1,400 employees as compared to approximately 1,200 as at 31 March 2022. Such increase is mainly attributable to the increase in labour force in the Group's factories in Vietnam and the PRC during the Year.

The Group hires, inspires, retains and rewards competent staff with dedication to develop their careers in line with its core corporate values and strategic goals. The Group offers career development opportunities, job satisfaction via empowerment harmonious teamwork and competitive remuneration package. Total employee benefits expenses, including directors' remunerations, of the Group amounted to HK$126.9 million for the Year (2022: HK$118.1 million). Remuneration of the employees is determined with reference to market terms and the performance, qualification and experience of individual employees. In addition to a basic salary, year-end discretionary bonuses are offered to those staff with outstanding performance to attract and retain eligible employees to contribute to the Group. The Company also operates a share option scheme for the purpose of attracting, retaining, motivating and rewarding the employees.

LITIGATION

As at 31 March 2023, the Group was involved in a litigation, details of which are set out in note 33 to the consolidated financial statements.

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

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Board is of the view that the Company complied with all the code provisions set out in the Code throughout the year ended 31 March 2023.

A. DIRECTORS

A.1 The Board

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

The Board meets regularly, and at least four times a year scheduled at approximately quarterly intervals according to the Code. Between scheduled meetings, monthly updates on the performance of the Group are provided to directors on a regular basis. Whenever warranted, additional Board meetings are held. During the year ended 31 March 2023, the Board held six Board meetings and the Company held one general meeting (i.e. the Annual General Meeting on 26 August 2022 (the "2022 AGM")), the attendance of each director at the Board meetings and the 2022 AGM are set out as follows:

Name of director	Attendance at the 2022 AGM	Attendance at Board meetings
Mr. Martin Tung Hau Man	1/1	6/6
Mr. Billy Tung Chung Man	1/1	6/6
Mr. Raymond Tung Wai Man	1/1	6/6
Mr. Tony Chang Chung Kay	1/1	6/6
Mr. Robert Yau Ming Kim	1/1	6/6
Mr. Kenneth Yuen Ki Lok	1/1	6/6
Mr. Wilson Yu Wing Sang	1/1	6/6
Ms. Lee Siu Mei (appointed with effect from 1 May 2022)	1/1	5/5

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

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

The Company has arranged appropriate liability insurance coverage for its directors and officers for their liabilities arising from corporate activities. The insurance coverage is reviewed annually.

A.2 Chairman, Vice Chairman and Managing Director

The positions of the Chairman, the Vice Chairman and the Managing Director of the Company are currently held by different individuals, with Mr. Martin Tung Hau Man ("Mr. Martin Tung") being the Chairman, Mr. Billy Tung Chung Man being the Vice Chairman and Mr. Raymond Tung Wai Man being the Managing Director. The Chairman is responsible for ensuring that the Board is functioning properly with good corporate governance practices and procedures in place. He also steers the Board and the Company towards corporate goals. The Vice Chairman is responsible for assisting the Chairman in performing the latter's duties and responsibilities, and also managing matters of workplace diversity and day-to-day operation. The Managing Director is responsible for effective implementation of the overall strategies and initiatives adopted by the Board.

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

A.3 Board composition

During the year ended 31 March 2023 and as at the date of this annual report, the Board consisted of the following directors:

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

Independent non-executive directors:
Mr. Tony Chang Chung Kay
Mr. Robert Yau Ming Kim
Mr. Kenneth Yuen Ki Lok
Mr. Wilson Yu Wing Sang
Ms. Lee Siu Mei (appointed with effect from 1 May 2022)

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

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

The relationship among members of the Board is disclosed in "Directors' Report" from pages 21 to 28 of this annual report.

A.4 Appointment, re-election and removal

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

In accordance with the Code and the Company's Articles of Association, all directors (including independent non-executive directors) are subject to retirement by rotation once every three years. Composition of the Board will be reviewed regularly to ensure that it covers a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. The directors' profiles are set out from pages 24 to 25.

A.5 Responsibilities of directors

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiry of all directors, all directors confirmed that they had complied with the required standards set out in the Model Code throughout the year ended 31 March 2023. The Board has also adopted the Model Code as guidelines for relevant employees in respect of their dealings in the securities of the Company.

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

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

The directors have provided to the Company their records of CPD training during the year ended 31 March 2023 and the CPD training undertaken by the directors is summarised into the following areas:

Name of director	Legal, regulatory and corporate governance	Directors' roles, functions and duties
Executive directors:		
Mr. Martin Tung Hau Man	✓	✓
Mr. Billy Tung Chung Man	✓	✓
Mr. Raymond Tung Wai Man	✓	✓
Independent non-executive directors:		
Mr. Tony Chang Chung Kay	✓	✓
Mr. Robert Yau Ming Kim	✓	✓
Mr. Kenneth Yuen Ki Lok	✓	✓
Mr. Wilson Yu Wing Sang	✓	✓
Ms. Lee Siu Mei (appointed with effect from 1 May 2022)	✓	✓

A.6 Supply of and access to information

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

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

A.7 Independent Views Policy

To ensure that independent views are available to the Board, the Company is required to have at least three independent non-executive directors and has adopted a policy (the "Independent Views Policy") in accordance with the Code. According to the Independent Views Policy, independent non-executive directors are required to, among others:

– keep up-to-date with the Company's business affairs and be involved in scrutinising the Company's performance in achieving agreed corporate goals and objectives, and monitor performance reporting;
– bring independent judgment to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct, and help review some of the Board's major decisions and the Company's performance in relation to corporate goals, and monitor performance reporting;
– take the lead where potential conflicts of interest arise; and
– serve on the Audit Committee, the Remuneration Committee, the Nomination Committee and other governance committees of the Board, if invited.

According to the Independent Views Policy, the independent non-executive directors shall allocate sufficient time to discharge their responsibilities and should not accept an invitation to serve as an independent non-executive director on the Board unless they can devote adequate time and effort to the work involved. Independent non-executive directors sitting on multiple boards of directors of listed companies will need to ensure that they devote sufficient time and dedicate adequate attention to each board and board committee. In addition, the independent non-executive directors shall at least annually attend meeting with the Chairman of the Board without the presence of other directors. The Independent Views Policy and its implementation and effectiveness are reviewed by the Board annually.

B. DELEGATION BY THE BOARD

B.1 Management functions

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

B.2 Board committees

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

B.3 Corporate governance functions

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

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

C. NOMINATION COMMITTEE

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

The primary duties of the Nomination Committee include the followings:

- review the structure, size and composition of the Board and make recommendations on any proposed changes to the Board to implement the Company's corporate strategy;
- identify and nominate potential individuals for directorship;
- assess the independence of independent non-executive directors;
- make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors;
- review the Company's board diversity policy (the "Board Diversity Policy") and measurable objectives that the Board has set for implementing the Board Diversity Policy and monitor the progress on achieving the objectives; and
- review the policy for the nomination of directors (the "Nomination Policy"), which includes the nomination procedures and the process and criteria to select and recommend candidates for directorship.

Nomination Committee meets at least once a year. The full terms of reference are available on the Company's website at www.tungtex.com and the website of the Stock Exchange.

The Company has adopted the Board Diversity Policy, setting out its approach to diversity on the Board. According to the Board Diversity Policy, the Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. A truly diverse Board will include and make good use of differences in the gender, age, race, cultural and educational background, length of service, skills, professional experience, regional and industry experience and other qualities of directors. The aforementioned measurable objectives will be taken into account in determining the optimum composition of the Board, the appointments of directors and the continuation of such appointments. All Board appointments will be based on merit, having due regard for the benefits of diversity on the Board. In addition to the Nomination Committee, the Board Diversity Policy and its implementation and effectiveness are also reviewed by the Board annually.

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

The Board was satisfied with the diversity of the composition of the Board for the year ended 31 March 2023. As at the date of this annual report, there was one female director on the Board, namely Ms. Lee Siu Mei. Apart from Board diversity, the Company also recognises the importance of diversity at the workforce level. As at 31 March 2023, 25.4% and 74.6% of the Group's workforce (including senior management) was male and female respectively. The Group considers that the aforementioned gender ratio is appropriate for promoting gender equality and business development in the textile and fashion industry.

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

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

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

During the year ended 31 March 2023, the Nomination Committee held two meetings, with attendance record as follows:

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

The following is a summary of the work of the Nomination Committee during the year ended 31 March 2023:

- considered the appointment of Ms. Lee Siu Mei;
- reviewed the structure, size, composition and diversity of the Board;
- reviewed the retirement of directors by rotation and the re-election of retiring directors at the 2022 AGM;
- assessed the independence of independent non-executive directors;
- reviewed the implementation and effectiveness of the Board Diversity Policy; and
- reviewed the Nomination Policy.

D. REMUNERATION COMMITTEE

The Remuneration Committee is chaired by Mr. Robert Yau Ming Kim, who is an independent non-executive director, and the other members are Mr. Martin Tung, an executive director and Mr. Tony Chang Chung Kay and Ms. Lee Siu Mei, both of whom are independent non-executive directors. Ms. Lee Siu Mei has been appointed as a member of the Remuneration Committee with effect from 1 May 2022.

The primary function of the Remuneration Committee is to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management, determine the remuneration packages of individual executive directors and senior management, assess performance of the executive directors and review and approve matters relating to share schemes under Chapter 17 of the Listing Rules. The director's emoluments are determined, among other things, by reference to his/her duties and responsibilities with the Company, his/her experience in the industry, the prevailing market conditions and the Group's performance. The Remuneration Committee ensures that no director or any of his/her associates is involved in deciding his/her own remuneration. The full terms of reference are available on the website of the Company and the website of the Stock Exchange.

During the year ended 31 March 2023, the Remuneration Committee held one meeting, with attendance record as follows:

Name of member	Number of attendance
Mr. Robert Yau Ming Kim *(Chairman)*	1/1
Mr. Martin Tung Hau Man	1/1
Mr. Tony Chang Chung Kay	1/1
Ms. Lee Siu Mei (appointed with effect from 1 May 2022)	0/0

The following is a summary of the work of the Remuneration Committee during the year ended 31 March 2023:

– determined, with delegated responsibility, the remuneration packages of individual executive directors;
– made recommendations to the Board on the remuneration of the independent non-executive directors; and
– approved annual bonus for the year ended 31 March 2023.

Details of the remuneration of directors are disclosed on an individual basis and are set out in note 11 to the consolidated financial statements of the Group.

D.1 Remuneration of senior management

The range of remuneration paid and payable to the members of the senior management (other than the directors) of the Group for the year ended 31 March 2023 is set out as follows:

Remuneration range	Number of persons
HK$500,001 to HK$1,000,000	3
HK$1,000,001 to HK$1,500,000	1
HK$1,500,001 to HK$2,000,000	1

E. AUDIT COMMITTEE

All the members of the Audit Committee are independent non-executive directors, namely Mr. Kenneth Yuen Ki Lok, Mr. Tony Chang Chung Kay, Mr. Robert Yau Ming Kim and Ms. Lee Siu Mei (appointed with effect from 1 May 2022). The Audit Committee is chaired by Mr. Kenneth Yuen Ki Lok, who possesses recognised professional qualifications in accounting and extensive experience in audit and accounting. The Audit Committee is to oversee the Group's financial reporting system, risk management and internal control systems, to review the financial information and reporting process, effectiveness of the internal audit function, and to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The full terms of reference are available on the website of the Company and the website of the Stock Exchange.

During the year ended 31 March 2023, the Audit Committee held three meetings, with attendance record as follows:

Name of member	Number of attendance
Mr. Kenneth Yuen Ki Lok *(Chairman)*	3/3
Mr. Tony Chang Chung Kay	3/3
Mr. Robert Yau Ming Kim	3/3
Ms. Lee Siu Mei (appointed with effect from 1 May 2022)	2/2

At the meetings, the Audit Committee reviewed the audited financial statements for the year ended 31 March 2022 and the interim accounts for the six months ended 30 September 2022 respectively with management and the Company's external auditor. The Audit Committee also reviewed the Group's accounting principles and practices, the Listing Rules and statutory compliance, financial reporting matters, the effectiveness of the risk management and internal control systems, the internal audit function, appointment of external auditor and their relevant scope of works, and arrangements for employees to raise concerns about possible improprieties. During the year ended 31 March 2023, the Audit Committee met the external auditor three times without the presence of the executive directors and the management.

F. ACCOUNTABILITY AND AUDIT

F.1 Financial reporting

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

The directors acknowledge their responsibility to prepare the financial statements that give a true and fair view of the state of affairs of the Group. Meanwhile, the directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgements and estimates made are prudent and reasonable. The financial statements for the year ended 31 March 2023 were prepared in accordance with statutory requirements and applicable accounting standards.

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

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

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

F.2 Risk management and internal control

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

The Board conducts review of the effectiveness of the Group's risk management and internal control systems annually, covering the entire financial year and all material controls including financial, operational and compliance controls. Adequacy of resources, accounting staff qualifications and experience, their training programmes and budget of accounting, internal audit and financial reporting functions are also reviewed by the Board during the annual review.

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

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

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

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

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

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

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

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

The Board, through the Audit Committee and the internal audit function, considers that the Group's risk management and internal control systems are adequate and effective. During the year ended 31 March 2023, the Group complied with all the risk management and internal control code provisions set out in the Code.

The Group regards periodic review of internal control systems as part of the Board's oversight function. The Board is of the view that in light of the size, nature and complexity of the business of the Group, the risk management and internal control systems are sufficient to ensure the effective operation of the Group. During the year, a review was conducted and the Board considered the risk management and internal control systems of the Group effective and adequate.

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

F.3 Remuneration to the external auditor of the Company

The remuneration paid and payable to the external auditor of the Company for the year ended 31 March 2023 is set out as follows:

Services rendered	**Fee** *HK$'000*
Audit service	860
Non-audit services *(note)*	275

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

G. COMMUNICATION WITH SHAREHOLDERS

G.1 Effective communication

To promote effective communication with its shareholders, The Company has adopted a shareholders' communication policy (the "Shareholders' Communication Policy") which provides for different communication channels between the Company and the shareholders. According to the Shareholders' Communication Policy, the Board is committed to providing clear and full information of the Group to the shareholders in a timely and effective manner through sending the shareholders the Company's interim and annual reports, circulars, notices as and when appropriate and providing additional information to the shareholders on the Company's website. The Company's financial statements and each of the required disclosure of information are despatched within the prescribed period imposed by laws and regulations. The sections under "Chairman's Statement" and "Management Discussion and Analysis" of the annual reports facilitate the shareholders' understanding of the Company's activities.

The shareholders are provided with designated contacts, email addresses and enquiry lines of the Company and may at any time make a request for the Company's information to the extent that the same is publicly available. Specific enquires and suggestions by the shareholders can also be sent in writing to the Board at the Company's registered office in Hong Kong.

In addition, the shareholders are encouraged to attend or appoint proxies to attend on their behalf the annual general meeting (the "AGM") to raise their enquires. The Company gives at least 21 days' prior notice to shareholders before the AGM.

The Chairman of the Board and the directors (if applicable), or the duly appointed delegate will answer questions from the shareholders at the AGM about the Group's business. The Company's external auditors will also attend the AGM.

At the 2022 AGM, the Chairman of the Board (also being the Chairman of the Nomination Committee), the Chairman of the Audit Committee, the Chairman of the Remuneration Committee and the Company's external auditors were available to answer questions from the shareholders.

In light of the above, the Board was satisfied with the implementation and effectiveness of the Shareholders' Communication Policy during the year ended 31 March 2023.

G.2 Shareholders' rights

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

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

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

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

Address:	Office A, 26th Floor, EGL Tower, No. 83 Hung To Road, Kwun Tong, Kowloon, Hong Kong (For the attention of the Board of Directors)
Fax:	2343 9668
Email:	info_hk@tungtex-holdg.com

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

During the year ended 31 March 2023, the Company did not make any changes to its Articles of Association. An up-to-date version of the Company's Articles of Association is available on the website of the Company and the website of the Stock Exchange. Shareholders may refer to the Articles of Association for further details of their rights.

G.3 Voting by poll

Detailed procedures for conducting a poll were properly explained at the commencement of the 2022 AGM.

At the 2023 Annual General Meeting (the "2023 AGM"), the chairman of the meeting will demand a poll on all the resolutions in accordance with the requirements of the Listing Rules. Poll results will be posted on the websites of the Company and the Stock Exchange following the 2023 AGM.

G.4 Dividend policy

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

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

H. COMPANY SECRETARY

Mr. Dickson Chu Pui Ki of APEC Corporate Services Limited, an external service provider, is the company secretary of the Company. The primary contact person of the company secretary at the Company is Ms. Cheung Yiu Shan (Group Chief Financial Officer).

The directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 March 2023.

PRINCIPAL ACTIVITIES

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

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's largest and five largest customers were 21% and 54% respectively. The aggregate purchases attributable to the Group's largest and five largest suppliers were 6% and 23% respectively.

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2023 and the financial position of the Group at that date are set out in the consolidated financial statements on pages 32 to 35.

The board of directors (the "Board") has recommended the payment of a final dividend for the year ended 31 March 2023 of HK0.5 cent per share (2022: HK0.5 cent per share). Subject to shareholders' approval at the annual general meeting of the Company, the final dividend will be paid on 18 September 2023 to shareholders whose names appear on the register of members of the Company on 5 September 2023.

A final dividend of HK0.5 cent per share for the year ended 31 March 2022 was paid by the Company in September 2022.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 March 2023 represented the retained profits of HK$83,151,000 (2022: HK$72,686,000).

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 83.

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

Movements in property, plant and equipment, right-of-use assets and investment property during the year is set out in notes 16 to 18 to the consolidated financial statements respectively.

BUSINESS REVIEW AND PERFORMANCE

Review of our business and performance

A review of the business of the Group and a discussion and analysis of the Group's performance during the year and an analysis using financial key performance indicators are provided in the Chairman's Statement and Management Discussion and Analysis respectively from pages 3 to 4 and from pages 5 to 12 of this Annual Report. All these sections constitute part of this Directors' Report.

Principal risks and uncertainties

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

1. ***Economic climate and individual market performance***

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

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

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

3. Customers' credit risk

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

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

Details of the customers' credit risk are set out in note 35(b) to the consolidated financial statements.

4. Liquidity risk

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

Details of the liquidity risk are set out in note 35(b) to the consolidated financial statements.

5. Currency risk

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

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

Details of the currency risk are set out in note 35(b) to the consolidated financial statements.

6. Interest rate risk

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

Details of the interest rate risk are set out in note 35(b) to the consolidated financial statements.

Compliance with laws and regulations

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

Details on the Group's environmental policies and performance can be found in the Environmental, Social and Governance Report ("ESG Report") of the Company.

The ESG Report of the Company prepared in accordance with Appendix 27 to the Listing Rules will be published in July 2023.

Stakeholders' engagement

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

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

An account of the Company's relationships with employees is included in the Management Discussion and Analysis from pages 5 to 12 of this Annual Report and ESG Report of the Company respectively.

SHARE CAPITAL

Details of movements in the Company's share capital for the year ended 31 March 2023 are set out in note 29 to the consolidated financial statements.

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

The Company has not redeemed, and neither the Company nor any of its subsidiaries purchased or sold any of the listed securities of the Company during the year ended 31 March 2023.

PERMITTED INDEMNITY PROVISION

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

DIRECTORS

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

Executive directors:

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

Independent non-executive directors:

Mr. Tony Chang Chung Kay
Mr. Robert Yau Ming Kim
Mr. Kenneth Yuen Ki Lok
Mr. Wilson Yu Wing Sang
Ms. Lee Siu Mei

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

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

DIRECTORS OF SUBSIDIARIES

The names of all directors who have served on the boards of the subsidiaries of the Company during the year ended 31 March 2023 or during the period from 1 April 2023 to the date of this Directors' Report are available on the website of the Company.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors:

Martin Tung Hau Man
Chairman
Chairman of Nomination Committee
Member of Remuneration Committee
Aged 48, joined the Group in 2000 and was promoted to assistant director in 2002. Mr. Tung was appointed as an executive director and Chairman of the Board in 2010 and 2018 respectively. He also holds directorships in some subsidiaries of the Company. He holds a Bachelor of Arts Degree in Economics from Simon Fraser University and a Master of Science Degree in Engineering Business Management from The University of Warwick. He awarded the qualification as a Certified ESG Planner by the International Chamber of Sustainable Development in April 2022.

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

Billy Tung Chung Man
Vice Chairman
Aged 46, joined the Group in 2001 and was promoted to assistant director in 2003. Mr. Tung was appointed as an executive director and Vice Chairman of the Board in 2010 and 2021 respectively. He is also the managing director of the Group's retail operation and director of some subsidiaries of the Company. He holds a Bachelor of Engineering Degree in Civil Engineering from The University of Warwick and a Master of Science Degree in Information Technology from University College London. He is the son of Mr. Benson Tung Wah Wing and Ms. Wong Fung Lin, together own the entire equity interest in Corona, the substantial and controlling shareholder of the Company, the brother of Mr. Martin Tung and the cousin of Mr. Raymond Tung. Mr. Billy Tung is a director of Corona.

Raymond Tung Wai Man
Managing Director
Aged 57, joined the Group in 1988 and was appointed as an executive director and managing director in 2000 and 2018 respectively. Mr. Tung also holds directorships in some subsidiaries of the Company. He holds a Post-experience Certificate in Engineering Business Management from The University of Warwick. He is the nephew of Mr. Benson Tung, the cousin of Mr. Martin Tung and Mr. Billy Tung.

Independent Non-executive Directors:

Tony Chang Chung Kay
Member of Audit Committee, Remuneration Committee and Nomination Committee
Aged 67, was appointed as a non-executive director in 1994. He was re-designated as an independent non-executive director in 1995. He is a director of a famous shirt making private company and has over 40 years' experience in the garment industry. He holds a Bachelor of Science Degree from McGill University.

Robert Yau Ming Kim
Chairman of Remuneration Committee
Member of Audit Committee and Nomination Committee
Aged 84, was appointed as an independent non-executive director in 2006. He has extraordinary and extensive experience in the textile and clothing industry. Before his retirement as managing director of a renowned international apparel buying office in Hong Kong in August 2004, he had held senior positions including chief executive or managing director of various major international and local apparel companies since 1971. From 1998 to 2004, he served as vice chairman of The Hong Kong Exporters' Association, member of the Executive Committee of The Hong Kong Shippers' Council and member of the Garment Advisory Committee of the Hong Kong Trade Development Council. Graduated at Wah Yan College, he served as trade officer in the Hong Kong Government in 1960s. In 1970, he was seconded by the Hong Kong Government to the General Agreement on Tariffs and Trade ("GATT") Secretariat (now known as the World Trade Organisation) in Geneva, Switzerland and was awarded GATT Fellowship after his attachment. He is currently an independent non-executive director of Parkson Retail Group Limited and Alltronics Holdings Limited respectively, the shares of which are listed on the Main Board of the Stock Exchange.

Kenneth Yuen Ki Lok
Chairman of Audit Committee
Member of Nomination Committee
Aged 48, was appointed as an independent non-executive director in 2018. Mr. Yuen is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He holds a Bachelor of Business Administration Degree in Accounting from Hong Kong Baptist University, a Master of Professional Accounting Degree from The Hong Kong Polytechnic University and a Master of Business Systems Degree from Monash University. He has 9 years' financial management and business development experience in a garment manufacturing group, and over 10 years of experience in providing audit, assurance and advisory services in professional firms. He is currently a senior management of a professional firm.

Wilson Yu Wing Sang
Aged 57, was appointed as an independent non-executive director in 2021. Mr. Yu holds a Diploma in Legal Studies from University of Hong Kong, School of Professional and Continuing Education. He has over 25 years' experience in advising and handling company legal matters and conveyancing business. He has joined a law firm since 2004 and is currently a legal executive.

Lee Siu Mei
Member of Audit Committee and Remuneration Committee
Aged 49, was appointed as an independent non-executive director in 2022. Ms. Lee is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. She holds a Bachelor of Business Administration Degree in Professional Accountancy from The Chinese University of Hong Kong and a Master of Science Degree in Engineering Business Management from The University of Warwick.

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

Senior Management:

Jessie Cheung Yiu Shan
Aged 52, is the group chief financial officer of the Company. She has over 19 years of financial experience. Prior to joining the Company in 2016, she worked as group financial controller at a company listed on the London Stock Exchange and worked for an international accounting firm for about 5 years. She holds a Bachelor of Business Degree from University of Technology, Sydney of Australia.

Eugene Cheng Kam Fai
Aged 63, is the human resources director of the Company. From 2002 to 2012, Mr. Cheng worked for the Company with the last position as the general manager of Group human resources department. He rejoined the Company in 2019. He has over 30 years' experience in professional human resources management in various industries, including banking, manufacturing and service. He holds a Bachelor of Arts Degree and a Master of Business Administration Degree from the Executive MBA programme at the Chinese University of Hong Kong.

Li Ka Ki
Aged 42, is the sales director of manufacturing and sales of garment products division of the Group. Prior to joining the Group in 2011, he worked for a global trading company for over 4 years. He has over 19 years of experience in the garment industry. He is the son-in-law of Mr. Benson Tung, the brother-in-law of Mr. Martin Tung and Mr. Billy Tung and the cousin-in-law of Mr. Raymond Tung.

Kinny Lee Shuk Kin
Aged 55, is the general manager of manufacturing and sales of garment products division of the Group. She joined the Group in 2003 and has over 30 years' experience in the garment sales and manufacturing industry. She is responsible for the Group's factory operation and garment sales in the PRC. She holds a Post-experience Certificate in Apparel Merchandising from The Hong Kong Polytechnic University.

Joe Chiu Tin Chor
Aged 43, is e-commerce director of retail of garment products division of the Group. He joined the Group in 2008. He is an associate member of the Hong Kong Institute of Certified Public Accountants. He holds a Bachelor of Business Administration Degree from The Chinese University of Hong Kong and a Master of Professional Accounting from The Hong Kong Polytechnic University. He is the nephew of Mr. Benson Tung, the cousin of Mr. Martin Tung and Mr. Billy Tung.

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

As at 31 March 2023, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive was taken or deemed to have under such provisions of the SFO) and have been recorded in the register maintained by the Company pursuant to section 352 of the SFO, or which have been notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long positions in shares of the Company

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

Save as disclosed above, as at 31 March 2023, none of the directors nor chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which has been notified to the Company and the Stock Exchange pursuant to the Model Code.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Other than those disclosed under the section "Related Party Disclosures" in note 32 to the consolidated financial statements, which do not fall under the definition of continuing connected transactions pursuant to Chapter 14A of the Listing Rules, no transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company or entities connected with the director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2023, the following substantial shareholders, other than directors and chief executives of the Company, had the interests and short positions in the shares and underlying shares of the Company which have been disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, have been recorded in the register kept by the Company pursuant to section 336 of the SFO:

Long positions in shares of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held/ interested	Percentage of the issued shares of the Company *(note c)*
Corona Investments Limited	Beneficial owner *(note a)*	150,059,268	33.27%
Benson Tung Wah Wing	Interest of controlled corporation *(note a)*	150,059,268	33.27%
Madam Wong Fung Lin	Interest of controlled corporation *(note a)*	150,059,268	33.27%
Preferable Situation Assets Limited ("Preferable")	Beneficial owner *(note b)*	23,519,000	5.21%
Webb David Michael	Beneficial owner *(note b)*	17,085,000	3.79%
	Interest of controlled corporation *(note b)*	23,519,000	5.21%

Notes:

(a) 150,059,268 shares are owned by Corona. Mr. Benson Tung Wah Wing and his spouse, Madam Wong Fung Lin, together own the entire equity interests in equal shares in Corona. Accordingly, by virtue of the SFO, they are deemed to be interested in the 150,059,268 shares held by Corona.

(b) Based on the notice of disclosure of interests of Webb David Michael filed on 12 December 2022, he is beneficial owner of 17,085,000 shares. In addition, Webb David Michael was deemed to be interested in 23,519,000 shares which are held under Preferable, by virtue of his 100% shareholding interest in Preferable. In total, Webb David Michael is interested in 40,604,000 shares, representing 9.00% of the issued shares of the Company as at 31 March 2023.

(c) The percentage of shareholding is calculated based on the total number of issued shares of the Company in issue as at 31 March 2023. As at 31 March 2023, the total number of issued shares of the Company was 451,067,557.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Share Option Scheme") adopted on 31 August 2018 which will remain in force until 30 August 2028, being 10 years after the date of its adoption.

The purpose of the Share Option Scheme is to enable the Company to grant options to selected eligible participants as incentives or rewards for their contribution or potential contribution to the Group (or any member of the Group) and/or enable the Group (or any member of the Group) to recruit and to provide the eligible participants with an opportunity to have a personal stake in the Company.

The Board may, subject to the provisions of the Share Option Scheme and the Listing Rules, invite any person belonging to any of the following classes of participants to take up the options:

(i) any directors (whether executive or non-executive and whether independent or not) and any employee (whether full-time or part-time) of the Group;

(ii) any directors (including non-executive directors and independent non-executive directors) of the Company, any subsidiary of the Company (the "Subsidiary") or any entity in which the Group holds any equity interest (the "Invested Entity");

(iii) any supplier of goods or services to any member of the Group or any Subsidiary or any Invested Entity;

(iv) any customer of any member of the Group or any Subsidiary or any Invested Entity;

(v) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;

(vi) any shareholder of any member of the Group or any Subsidiary or any Invested Entity or any holder of any securities issued by any member of the Group or any Subsidiary or any Invested Entity;

(vii) any adviser (professional or otherwise), consultant, individual or entity who in the opinion of the Board has contributed or will contribute to the growth and development of the Group; and

(viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

As at 1 April 2022 and 31 March 2023, the total number of shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company must not in aggregate exceed 10% of the aggregate number of issued shares of the Company at the date on which the Share Option Scheme was adopted, which was 46,407,755 shares, representing approximately 10.29% of the issued shares of the Company as at the date of this annual report. The maximum number of shares which may be issued upon exercise of all outstanding options granted under the Share Option Scheme and any other schemes of the Company must not exceed 30% of the aggregate number of issued shares of the Company from time to time.

The total number of shares issued and to be issued upon exercise of all the options granted under the Share Option Scheme and any other schemes to each participant in any 12-month period shall not exceed 1% of the aggregate number of issued shares of the Company from time to time. Share options granted to a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by all the independent non-executive directors of the Company (excluding any independent non-executive director who is a prospective grantee of the options). Where any grant of options would result in the shares issued or to be issued upon exercise of all options already granted to a substantial shareholder, an independent non-executive director of the Company or any of their respective associates in excess of 0.1% of the aggregate number of issued shares and having an aggregate value, based on the closing price of the shares at the date of grant, in excess of HK$5 million in the 12-month period up to and including the date of such grant, such further grant of options must be approved by the independent shareholders of the Company in general meeting.

The subscription price of shares under the Share Option Scheme shall be a price determined by the Board, but shall not be less than the highest of (a) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a trading day; (b) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five consecutive trading days immediately preceding the offer date; and (c) the nominal value of a share of the Company on the offer date. A nominal consideration of HK$1.00 is payable on acceptance of the grant of an option.

An option may be accepted by a participant within 21 days from the offer date for the grant of the option.

Unless otherwise determined by the Board and stated in the offer for the grant of options, there is no performance target that has to be achieved or minimum period for which an option must be held before it can be exercised under the Share Option Scheme.

An option may be exercised during such period as the Board may determine, save that such period shall not be more than 10 years from the offer date.

In view of the new requirements under Chapter 17 of the Listing Rules which became effective on 1 January 2023 (the "New Share Scheme Rules"), share options shall only be granted in accordance with and as permitted by the New Share Scheme Rules. No dividend will be payable and no voting rights will be exercisable in relation to an option that has not been exercised.

During the year, no share option was granted, vested, exercised, cancelled or lapsed under the Share Option Scheme. There was no outstanding share option under the Share Option Scheme as at 1 April 2022 and 31 March 2023.

MANAGEMENT CONTRACTS

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

INDEPENDENCE CONFIRMATIONS OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

CORPORATE GOVERNANCE

Throughout the year ended 31 March 2023, the Company has complied with all the code provisions set out in the CG Code contained in Appendix 14 of the Listing Rules.

Further information on the Company's corporate governance practices is set out in the "Corporate Governance Report" from pages 13 to 20 of this Annual Report.

EMOLUMENT POLICY

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained a sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules throughout the year ended 31 March 2023 and up to the latest practicable date prior to the issue of this annual report.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK$29,000.

AUDITOR

The consolidated financial statements for the year ended 31 March 2023 were audited by D & PARTNERS CPA LIMITED ("D & PARTNERS"), who will retire at the forthcoming annual general meeting (the "AGM") of the Company and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of D & PARTNERS as auditor of the Company will be proposed at the AGM.

On behalf of the Board
Martin Tung Hau Man
Chairman

Hong Kong, 28 June 2023

D & PARTNERS
CERTIFIED PUBLIC ACCOUNTANTS

TO THE MEMBERS OF TUNGTEX (HOLDINGS) COMPANY LIMITED
同得仕(集團)有限公司
(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Tungtex (Holdings) Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 32 to 82, which comprise the consolidated statement of financial position as at 31 March 2023, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Valuation of inventories	
We identified the valuation of inventories as a key audit matter due to the use of judgement and estimates by the management in estimating the allowance for inventories. In determining the allowance for inventories, the management considers the aging analysis, current market trends, and makes an estimate of net realisable value for obsolete and slow-moving inventories that are no longer popular in the market with reference to subsequent sales or usage information. As disclosed in note 22 to the consolidated financial statements, the carrying amount of inventories was HK$65,265,000 (2022: HK$114,902,000) as at 31 March 2023. During the year ended 31 March 2023, allowance for inventories of HK$6,524,000 (2022: reversal of allowance for inventories of HK$5,452,000) was recognised.	Our procedures in relation to the valuation of inventories include: • Understanding how management estimates the allowance for inventories; • Assessing the reasonableness of the determination of net realisable value and estimation of allowance for inventories by the management with reference to the aging analysis, and information in respect of current market trends, subsequent sales and usage of inventories; • Testing the aging analysis and information in respect of subsequent sales or usage of inventories; on a sampling basis, to source documents; and • Evaluating the historical accuracy of the management's estimation on allowance for inventories by comparing historical allowance made to the actual selling prices and actual loss incurred.

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of plant and machinery, furniture, fixture and equipment, leasehold improvements and right-of-use assets	
We identified the impairment of plant and machinery, furniture, fixture and equipment, leasehold improvements and right-of-use assets as a key audit matter because of its significance to the consolidated financial statements and high degree of management judgement involved in determining the recoverable amounts. As disclosed in note 16 to the consolidated financial statements, the carrying amounts of plant and machinery, furniture, fixture and equipment and leasehold improvements were HK$5,637,000 (2022: HK$8,015,000). As disclosed in note 17 to the consolidated financial statements, the carrying amount of right-of-use assets was HK$13,921,000 (2022: HK$18,950,000) as at 31 March 2023. The calculation of the recoverable amount requires the management of the Group to estimate the higher of fair value less costs of disposal and value in use of those assets. Management reviewed the recoverable amounts of the plant and machinery, furniture, fixture and equipment, leasehold improvements and right-of-use assets at the end of the reporting period by estimating the respective fair value less costs of disposal and value in use of these assets to determine the impairment amount required to write down these assets to their recoverable amounts. Based on the management assessment, no impairment loss was provided for plant and machinery, furniture, fixture and equipment, leasehold improvements and right-of-use assets for the years ended 31 March 2023 and 2022.	Our procedures in relation to the impairment of plant and machinery, furniture, fixture and equipment, leasehold improvements and right-of-use assets include: • Understanding how the management performs the impairment assessment in respect of the plant and machinery, furniture, fixture and equipment, leasehold improvements and right-of-use assets; • Evaluating the management's assessment in estimating recoverable amount of the plant and machinery, furniture, fixture and equipment, leasehold improvements and right-of-use assets; • Testing and checking the accuracy of the calculation of recoverable amount of the plant and machinery, furniture, fixture and equipment, leasehold improvements and right-of-use assets; and • Evaluating the historical accuracy of the management's assessment by comparing the historical estimates to actual parameters in current year, including any changes in the market available information and the actual selling price of assets.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Wong Ho Fung.

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

Hong Kong
28 June 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2023

	Notes	**2023** **HK$'000**	2022 HK$'000
Revenue	5,6	**753,214**	588,269
Cost of sales		**(591,772)**	(476,223)
Gross profit		**161,442**	112,046
Other income and other gain	7	**6,744**	4,972
Net impairment loss recognised on financial assets	9	**(896)**	(122)
(Decrease) increase in fair value of investment property	18	**(1,287)**	3,051
Selling and distribution costs		**(60,044)**	(68,947)
Administrative expenses		**(79,104)**	(74,322)
Finance costs	8	**(3,837)**	(2,908)
Share of loss of an associate	19	**(74)**	(304)
Profit (loss) before tax	10	**22,944**	(26,534)
Income tax expenses	13	**(4,144)**	(163)
Profit (loss) for the year		**18,800**	(26,697)
Profit (loss) for the year attributable to:			
Owners of the Company		**19,718**	(26,064)
Non-controlling interests		**(918)**	(633)
		18,800	(26,697)
Earnings (loss) per share			
Basic and diluted *(HK cents)*	15	**4.4**	(5.8)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

	2023 *HK$'000*	2022 *HK$'000*
Profit (loss) for the year	**18,800**	(26,697)
Other comprehensive (expense) income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translating foreign operations:		
– exchange differences arising during the year	**(5,863)**	4,319
Items that will not be reclassified to profit or loss:		
Gain on revaluation of a property transferred from property, plant and equipment to investment property	**–**	2,218
Other comprehensive (expense) income for the year	**(5,863)**	6,537
Total comprehensive income (expense) for the year	**12,937**	(20,160)
Total comprehensive income (expense) for the year attributable to:		
Owners of the Company	**13,855**	(19,527)
Non-controlling interests	**(918)**	(633)
	12,937	(20,160)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
Non-current assets			
Investment property	18	**25,730**	27,017
Property, plant and equipment	16	**51,332**	57,482
Right-of-use assets	17	**13,921**	18,950
Interests in an associate	19	**433**	507
Deferred tax assets	21	**–**	12
		91,416	103,968
Current assets			
Inventories	22	**65,265**	114,902
Trade and other receivables	23	**106,914**	108,907
Tax recoverable		**52**	–
Pledged bank deposits	24	**110,704**	105,704
Bank balances and cash	24	**184,620**	187,551
		467,555	517,064
Current liabilities			
Trade and other payables	25	**80,207**	113,663
Contract liabilities	26	**5,531**	12,797
Lease liabilities	27	**4,257**	6,748
Amount due to an associate		**158**	–
Tax liabilities		**4,207**	171
Bank borrowings	28	**54,474**	85,598
		148,834	218,977
Net current assets		**318,721**	298,087
Total assets less current liabilities		**410,137**	402,055

	Notes	2023 HK$'000	2022 HK$'000
Non-current liabilities			
Lease liabilities	27	**4,842**	7,247
Deferred tax liabilities	21	**528**	723
		5,370	7,970
		404,767	394,085
Capital and reserves			
Share capital	29	**254,112**	254,112
Reserves		**162,813**	151,213
Equity attributable to owners of the Company		**416,925**	405,325
Non-controlling interests		**(12,158)**	(11,240)
		404,767	394,085

The consolidated financial statements on pages 32 to 82 were approved and authorised for issue by the Board of Directors on 28 June 2023 and are signed on its behalf by:

Billy Tung Chung Man
DIRECTOR

Raymond Tung Wai Man
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2023

	Attributable to owners of the Company							
	Share capital *HK$'000*	**Property revaluation reserve** *HK$'000* *(Note i)*	**Statutory reserve** *HK$'000* *(Note ii)*	**Translation reserve** *HK$'000*	**Retained profits** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total** *HK$'000*
At 1 April 2021	254,112	18,012	3,441	(14,690)	170,743	431,618	(10,607)	421,011
Loss for the year	–	–	–	–	(26,064)	(26,064)	(633)	(26,697)
Exchange differences arising on translation of foreign operations	–	–	–	4,319	–	4,319	–	4,319
Gain on revaluation of a property transferred from property, plant and equipment to investment property	–	2,218	–	–	–	2,218	–	2,218
Total comprehensive (expense) income for the year	–	2,218	–	4,319	(26,064)	(19,527)	(633)	(20,160)
Transfer to statutory reserve	–	–	235	–	(235)	–	–	–
Dividends recognised as distribution *(note 14)*	–	–	–	–	(6,766)	(6,766)	–	(6,766)
At 31 March 2022	254,112	20,230	3,676	(10,371)	137,678	405,325	(11,240)	394,085
Profit for the year	**–**	**–**	**–**	**–**	**19,718**	**19,718**	**(918)**	**18,800**
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**(5,863)**	**–**	**(5,863)**	**–**	**(5,863)**
Total comprehensive income (expense) for the year	**–**	**–**	**–**	**(5,863)**	**19,718**	**13,855**	**(918)**	**12,937**
Dividends recognised as distribution *(note 14)*	**–**	**–**	**–**	**–**	**(2,255)**	**(2,255)**	**–**	**(2,255)**
At 31 March 2023	**254,112**	**20,230**	**3,676**	**(16,234)**	**155,141**	**416,925**	**(12,158)**	**404,767**

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2023

	2023 *HK$'000*	2022 *HK$'000*
OPERATING ACTIVITIES		
Profit (loss) before tax	**22,944**	(26,534)
Adjustments for:		
Depreciation of property, plant and equipment	**7,082**	7,217
Depreciation of right-of-use assets	**6,042**	7,546
Decrease (increase) in fair value of investment property	**1,287**	(3,051)
Finance costs	**3.837**	2,908
Net impairment loss recognised on financial assets	**896**	122
Gain on disposal/write-off of property, plant and equipment	**(5)**	(451)
Gain on lease modification	**(92)**	(16)
Gain on termination of leases	**(18)**	(134)
Allowance for inventories (reversal of allowance for inventories)	**6,524**	(5,452)
Interest income	**(2,726)**	(2,082)
Share of loss of an associate	**74**	304
Operating cash flows before movements in working capital	**45,845**	(19,623)
Decrease (increase) in inventories	**37,313**	(27,368)
Increase in trade and other receivables	**(2,761)**	(25,043)
(Decrease) increase in trade and other payables	**(26,156)**	35,477
(Decrease) increase in contract liabilities	**(6,596)**	107
Increase (decrease) in amount due to an associate	**158**	(544)
Cash from (used in) operations	**47,803**	(36,994)
Taxation in other jurisdictions paid	**(331)**	(103)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**47,472**	(37,097)
INVESTING ACTIVITIES		
Withdrawal of pledged bank deposits	**41,904**	20,000
Interest received	**2,726**	2,082
Proceeds from disposal of property, plant and equipment	**68**	586
Refund of deposits for right-of-use assets	**392**	381
Placement of pledged bank deposits	**(46,904)**	(10,000)
Deposits paid for right-of-use assets	**(24)**	(290)
Purchase of property, plant and equipment	**(1,790)**	(43,578)
NET CASH USED IN INVESTING ACTIVITIES	**(3,628)**	(30,819)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2023

	2023 *HK$'000*	2022 *HK$'000*
FINANCING ACTIVITIES		
Bank borrowings raised	**256,609**	209,273
Interest paid	**(3,274)**	(2,004)
Dividends paid	**(2,255)**	(6,766)
Repayment of lease liabilities, including related interests	**(6,400)**	(7,721)
Repayment of bank borrowings	**(287,733)**	(218,209)
NET CASH USED IN FINANCING ACTIVITIES	**(43,053)**	(25,427)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**791**	(93,343)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**187,551**	278,082
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(3,722)**	2,812
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	**184,620**	187,551

1. GENERAL

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

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

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 April 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020
Accounting Guideline 5 (revised)	Merger Accounting for Common Control Combinations

The application of the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs issued but not yet effective

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

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2024
3 Effective for annual periods beginning on or after a date to be determined.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment in an associate

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

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

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

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

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

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

Revenue from contracts with customers

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

Refund liabilities

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

Sale with a right of return

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

(a) revenue for the transferred products in the amount of consideration to which the Group expects to be entitled (therefore, revenue would not be recognised for the products expected to be returned);

(b) a refund liability; and

(c) an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers on settling the refund liability.

Principal versus agent

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

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

Leases

Definition of a lease

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

For contracts entered into or modified on or after the date of initial application of HKFRS16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

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

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

Short-term leases and leases of low-value assets

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

Right-of-use assets

The cost of right-of-use asset includes:

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee (Continued)

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

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

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

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

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

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

Lease modifications

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

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

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

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

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Allocation of consideration to components of a contract

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessor (Continued)

Refundable rental deposits

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

Lease modification

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

Foreign currencies

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

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

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

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

Government grants

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Retirement benefit costs

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

Short-term employee benefits

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

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

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

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

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

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

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

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

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

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

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

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

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

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

Property, plant and equipment

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

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

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

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

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

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

Investment property

Investment property is a property held to earn rentals and/or for capital appreciation.

Investment property is initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is measured at its fair value, adjusted to exclude any prepaid or accrued operating lease income. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses recognised on property, plant and equipment and right-of-use assets *(Continued)*

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

Cash and cash equivalents

Cash and cash equivalents presented in the consolidated statement of financial position include:

- cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

- cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Inventories

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

Investments in subsidiaries

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

Financial instruments

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

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

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

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

A financial asset is classified as held for trading if:

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

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

(i) Amortised cost and interest income

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

(ii) Financial assts at FVTPL

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

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

Impairment of financial assets subject to impairment assessment under HKFRS 9

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

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

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

(i) Significant increase in credit risk

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

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

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

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

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

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

(ii) Definition of default

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

(iii) Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

(iii) Credit-impaired financial assets *(Continued)*

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

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

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

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

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

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

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

Classified as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition of financial liabilities

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

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

Provision of ECL for trade and bills receivables

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Allowance for inventories

The Group makes allowance for inventories based on an assessment of the net realisable value of inventories. Allowance is applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of obsolete inventories requires the use of judgement and estimates on the conditions and usefulness of the inventories. The management may consider the aging analysis, the current market trends, and makes an estimate of net realisable value for obsolete and slow-moving inventories that are no longer popular in the market with reference to subsequent sales or usage information.

Where the actual outcome or expectation of the net realisable value of inventories is different from the original estimate, such difference will impact the carrying value of inventories and allowance for inventories in the period in which such estimate has changed. The carrying amount of inventories at 31 March 2023 was HK$65,265,000 (2022: HK$114,902,000). During the year ended 31 March 2023, net allowance for inventories of HK$6,524,000 (2022: net of reversal of allowance for inventories of HK$5,452,000) was recognised.

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

The recoverable amount calculation requires the management of the Group to estimate higher of fair value less costs of disposal and value in use of those assets as the recoverable amount.

Plant and machinery, furniture, fixture and equipment, leasehold improvement and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate.

When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts. Where the actual future cash flows are less than expected, a material impairment loss may arise. The fair value less costs of disposal of certain assets have been determined from market available information.

As at 31 March 2023, the carrying amount of plant and machinery, furniture, fixture and equipment and leasehold improvements was HK$5,637,000 (2022: HK$8,015,000), and the carrying amount of right-of-use assets was HK$13,921,000 (2022: HK$18,950,000). Based on the management assessment, no impairment loss was provided for plant and machinery, furniture, fixture and equipment, leasehold improvements and right-of-use assets for the years ended 31 March 2023 and 2022. Details are set out in notes 16 and 17 respectively.

5. REVENUE

(i) Disaggregation of revenue from contracts with customers

	For the year ended 31 March 2023		
	Manufacturing and sale of garment products *HK$'000*	**Retail of garment products** *HK$'000*	**Total** *HK$'000*
At point in time	**551,666**	**201,548**	**753,214**
Geographical markets			
The United States of America (the "USA")	**260,815**	**–**	**260,815**
The PRC	**52,821**	**201,548**	**254,369**
Canada	**183,675**	**–**	**183,675**
Others	**54,355**	**–**	**54,355**
Total	**551,666**	**201,548**	**753,214**

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

5. REVENUE *(Continued)*

(ii) Performance obligations for contracts with customers

Manufacturing and sale of garment products

The Group manufactures and sells garment products directly to the customer. Revenue is recognised when control of the goods has been transferred, being when the goods have been shipped to the specified location (delivery). Transportation and other related activities that occur before the customers obtain control of the related goods are considered as fulfilment activities. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when selling the goods and bears the risks of obsolescence and loss in relation to the goods. The Group allows credit periods ranging from 14 to 90 days to its trade customers.

Retail of garment products

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

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

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

6. SEGMENTAL INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers for the purposes of resource allocation and assessment of performance focuses on the sales of operating segments based on the location of shipment. The Group is principally engaged in the manufacture and sale of garment products and retail of garment products. The Group currently has three operating segments – North America, Asia and Europe and others.

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

Segment revenue and results

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

For the year ended 31 March 2023:

	North America *HK$'000*	Asia *HK$'000*	Europe and others *HK$'000*	Consolidated *HK$'000*
REVENUE				
Sales of goods – external	444,490	271,762	36,962	753,214
SEGMENT PROFIT	43,052	15,664	3,596	62,312
Decrease in fair value of investment property				(1,287)
Finance costs				(3,837)
Unallocated income				6,744
Unallocated expenses				(40,914)
Share of loss of an associate				(74)
Profit before tax				22,944

6. SEGMENTAL INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

For the year ended 31 March 2022:

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit (loss) earned (incurred) by each segment without allocation of central administrative costs, directors' salaries, depreciation of property, plant and equipment, depreciation of right-of-use assets, change in fair value of investment property, share of loss of an associate, other income and other gain, and finance costs. This is the measure reported to the Company's executive directors for the purposes of resource allocation and assessment of performance.

Geographical information

The Group's revenue is mainly derived from garment products shipped to the USA, the PRC and Canada. The Group's revenue from external customers by the location of shipment are detailed below:

	2023 ***HK$'000***	2022 *HK$'000*
The USA	**260,815**	144,943
The PRC	**254,369**	291,421
Canada	**183,675**	124,233
Others	**54,355**	27,672
	753,214	588,269

6. SEGMENTAL INFORMATION *(Continued)*

Geographical information *(Continued)*

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

	2023 *HK$'000*	2022 *HK$'000*
Hong Kong	**38,305**	41,964
The PRC	**36,422**	43,798
Vietnam	**16,256**	17,687
	90,983	103,449

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

Information about major customers

For the year ended 31 March 2023, there are two external customers in North America (2022: one external customer in North America and one external customer in Asia) who contributed over 10% of the total sales of the Group. Their contributions were approximately HK$241 million (2022: HK$192 million).

7. OTHER INCOME AND OTHER GAIN

	2023 *HK$'000*	2022 *HK$'000*
Government subsidies *(Note)*	**3,213**	1,430
Bank interest income	**2,726**	2,082
Rental income, net of outgoings	**642**	805
Gain on lease modification	**92**	16
Other income	**48**	54
Gain on termination of leases	**18**	134
Gain on disposal/write-off of property, plant and equipment	**5**	451
	6,744	4,972

Note: During the current year, the Group recognised HK$1,032,000 (2022: Nil) government grants related to Employment Support Scheme due to coronavirus disease 2019 epidemic provided by the Government of the Hong Kong Special Administrative Region and HK$2,181,000 (2022: HK$1,430,000) related to subsidies provided by the Government of the PRC.

8. FINANCE COSTS

	2023 *HK$'000*	2022 *HK$'000*
Bank borrowings	**3,274**	2,004
Interest on lease liabilities	**563**	904
	3,837	2,908

9. NET IMPAIRMENT LOSS RECOGNISED ON FINANCIAL ASSETS

	2023	2022
	HK$'000	*HK$'000*
Net (impairment loss) reversal of impairment loss recognised on:		
Trade and bill receivables	**(910)**	(114)
Other receivables	**14**	(8)
	(896)	(122)

10. PROFIT (LOSS) BEFORE TAX

	2023	2022
	HK$'000	*HK$'000*
Profit (loss) before tax has been arrived at after charging (crediting):		
Directors' remunerations:		
Fees	**1,237**	1,090
Other emoluments	**9,095**	7,855
Contributions to retirement benefit schemes	**108**	108
	10,440	9,053
Other employee benefits expenses:		
Salaries, allowances and bonus	**104,452**	98,123
Contributions to retirement benefit schemes	**11,999**	10,932
Total employee benefits expenses	**126,891**	118,108
Auditor's remuneration		
– Audit service	**860**	855
– Non-audit services	**275**	279
Cost of inventories recognised as an expense (including allowance for inventories of HK$6,524,000 (2022: reversal of allowance for inventories of HK$5,452,000))	**591,772**	476,223
Depreciation of property, plant and equipment	**7,082**	7,217
Depreciation of right-of-use assets	**6,042**	7,546
Gain on disposal/write-off of property, plant and equipment	**(5)**	(451)
Net exchange gain	**(82)**	(2,577)

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

2023

	Executive directors			Independent non-executive directors					
	Martin Tung Hau Man HK$'000	Billy Tung Chung Man HK$'000	Raymond Tung Wai Man HK$'000	Tony Chang Chung Kay HK$'000	Robert Yau Ming Kim HK$'000	Kenneth Yuen Ki Lok HK$'000	Wilson Yu Wing Sang HK$'000	Lee Siu Mei HK$'000 (Note c)	Total HK$'000
Fees	190	100	100	190	220	190	100	147	1,237
Other emoluments:									
Salaries and other benefits	2,275	2,210	2,210	–	–	–	–	–	6,695
Performance related incentive payments *(Note)*	1,000	1,000	400	–	–	–	–	–	2,400
Contributions to retirement benefit schemes	36	36	36	–	–	–	–	–	108
Total emoluments	3,501	3,346	2,746	190	220	190	100	147	10,440

2022

	Executive directors			Independent non-executive directors				
	Martin Tung Hau Man HK$'000	Billy Tung Chung Man HK$'000	Raymond Tung Wai Man HK$'000	Tony Chang Chung Kay HK$'000	Robert Yau Ming Kim HK$'000	Kenneth Yuen Ki Lok HK$'000	Wilson Yu Wing Sang HK$'000	Total HK$'000
Fees	190	100	100	190	220	190	100	1,090
Other emoluments:								
Salaries and other benefits	2,275	2,170	2,210	–	–	–	–	6,655
Performance related incentive payments *(Note)*	500	500	200	–	–	–	–	1,200
Contributions to retirement benefit schemes	36	36	36	–	–	–	–	108
Total emoluments	3,001	2,806	2,546	190	220	190	100	9,053

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

Notes:

(a) The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

(b) The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

(c) Ms. Lee Siu Mei has been appointed as an independent non-executive director of the Company with effect from 1 May 2022.

No directors waived any emoluments in both years.

12. FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2022: three) were directors of the Company whose emoluments are included in the disclosures in note 11 above. The emoluments of the remaining two (2022: two) individuals were as follows:

	2023 ***HK$'000***	2022 *HK$'000*
Salaries and other benefits	**2,801**	3,165
Performance related incentive payments *(Note)*	**90**	109
Contributions to retirement benefits schemes	**36**	38
	2,927	3,312

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

The emoluments were within the following bands:

	Number of employee	
	2023	2022
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**1**	1

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

13. INCOME TAX EXPENSES

	2023 ***HK$'000***	2022 *HK$'000*
Current tax:		
Hong Kong	**(4,200)**	–
The PRC	**(127)**	(212)
	(4,327)	(212)
Deferred taxation *(note 21)*	**183**	49
	(4,144)	(163)

Hong Kong Profits Tax is calculated at the rate of 16.5% on the estimated assessable profits for the year ended 31 March 2023, except for the first HK$2,000,000 of a qualified entity's assessable profit which is calculated at 8.25%. The two tiered profits tax rates regime is applicable to one entity within the Group for the year ended 31 March 2023.

No provision for Hong Kong Profits Tax is made for the year ended 31 March 2022 as the Group has no assessable profit arising in Hong Kong or the assessable profits are wholly absorbed by tax losses brought forward from prior years.

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

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

13. INCOME TAX EXPENSES *(Continued)*

From 1 January 2021 to 31 December 2021, the annual taxable income not more than RMB1,000,000 of a micro and small enterprise is subject to Enterprise Income Tax (the "EIT") calculated at 12.5% of its taxable income at a tax rate of 20% and the annual taxable income between RMB1,000,000 and RMB3,000,000 is calculated at 50% of its taxable income at a tax rate of 20%. From 1 January 2022 to 31 December 2022, the annual taxable income not more than RMB1,000,000 of a micro and small enterprise is subject to the EIT calculated at 12.5% of its taxable income at a tax rate of 20% and the annual taxable income between RMB1,000,000 and RMB3,000,000 is calculated at 25% of its taxable income at a tax rate of 20%. From 1 January 2023 to 31 December 2024, the annual taxable income not more than RMB3,000,000 of a micro and small enterprise is subject to the EIT calculated at 25% of its taxable income at a tax rate of 20%.

During the years ended 31 March 2023 and 2022, there are two subsidiaries of the Company qualified as micro and small enterprises and subject to the relevant preferential tax treatments.

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

	2023 ***HK$'000***	2022 *HK$'000*
Profit (loss) before tax	**22,944**	(26,534)
Tax at the Hong Kong Profits Tax rate of 16.5%	**(3,786)**	4,378
Tax effect of expenses not deductible for tax purpose	**(1,377)**	(2,771)
Tax effect of income not taxable for tax purpose	**1,085**	1,879
Tax effect of tax losses not recognised	**(5,063)**	(6,346)
Utilisation of tax losses previously not recognised	**6,151**	3,944
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(1,325)**	(1,247)
Effect of two-tiered profit tax rates regime	**165**	–
Tax reduction	**6**	–
Income tax expenses	**(4,144)**	(163)

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

14. DIVIDEND

	2023 ***HK$'000***	2022 *HK$'000*
Dividend recognised as distribution during the year:		
Final dividend (HK0.5 cent per share)	**2,255**	–
Final dividend (HK1.5 cents per share)	**–**	6,766
	2,255	6,766

The board of directors (the "Board") has recommended the payment of a final dividend for the year ended 31 March 2023 of HK0.5 cent per share (2022: HK0.5 cent per share). Subject to shareholders' approval at the annual general meeting of the Company, the final dividend will be paid on 18 September 2023 to shareholders whose names appear on the register of members of the Company on 5 September 2023. The payment date of the final dividend for the year ended 31 March 2022 was Friday, 16 September 2022.

15. BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

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

	2023	2022
	HK$'000	*HK$'000*
Profit (loss) for the year attributable to owners of the Company	**19,718**	(26,064)

	2023	2022
Weighted average number of ordinary shares in issue during the year for the purposes of basic and diluted earnings (loss) per share	**451,067,557**	451,067,557

No diluted earnings (loss) per share is presented as there was no potential dilutive ordinary share outstanding for the years ended 31 March 2023 and 2022.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings *HK$'000*	Leasehold improvements *HK$'000*	Plant and machinery, furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
COST					
At 1 April 2021	34,166	40,881	102,733	6,307	184,087
Exchange adjustments	256	1,126	1,859	39	3,280
Additions	36,781	2,735	4,062	–	43,578
Disposals/write-off	–	(16,742)	(17,114)	(131)	(33,987)
Transfer to investment property *(note 18)*	(811)	(223)	–	–	(1,034)
At 31 March 2022	70,392	27,777	91,540	6,215	195,924
Exchange adjustments	**(383)**	**(1,555)**	**(3,036)**	**(70)**	**(5,044)**
Additions	**–**	**481**	**1,001**	**308**	**1,790**
Disposals/write-off	**–**	**(4,466)**	**(756)**	**(290)**	**(5,512)**
At 31 March 2023	**70,009**	**22,237**	**88,749**	**6,163**	**187,158**
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 April 2021	21,558	38,859	99,820	2,998	163,235
Exchange adjustments	79	1,052	1,644	27	2,802
Provided for the year	2,404	1,951	1,920	942	7,217
Eliminated on disposals/write-off	–	(16,756)	(16,965)	(131)	(33,852)
Transfer to investment property *(note 18)*	(737)	(223)	–	–	(960)
At 31 March 2022	23,304	24,883	86,419	3,836	138,442
Exchange adjustments	**(123)**	**(1,442)**	**(2,638)**	**(46)**	**(4,249)**
Provided for the year	**2,798**	**1,303**	**2,041**	**940**	**7,082**
Eliminated on disposals/write-off	**–**	**(4,466)**	**(751)**	**(232)**	**(5,449)**
At 31 March 2023	**25,979**	**20,278**	**85,071**	**4,498**	**135,826**
CARRYING VALUES					
At 31 March 2023	**44,030**	**1,959**	**3,678**	**1,665**	**51,332**
At 31 March 2022	47,088	2,894	5,121	2,379	57,482

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

As at 31 March 2023, the Group has pledged buildings having a carrying value of HK$34,262,000 to secure general banking facilities granted to the Group (2022: Nil).

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

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

Impairment review for the years ended 31 March 2023 and 2022

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

17. RIGHT-OF-USE ASSETS

	Leasehold land HK$'000	Leased properties HK$'000	Total HK$'000
COST			
At 1 April 2021	8,828	21,015	29,843
Exchange adjustments	95	725	820
Additions	–	7,342	7,342
Lease modification	–	(1,049)	(1,049)
Termination of leases	–	(5,194)	(5,194)
Transfer to investment property *(note 18)*	(138)	–	(138)
At 31 March 2022	8,785	22,839	31,624
Exchange adjustments	**(143)**	**(1,492)**	**(1,635)**
Additions	**–**	**5,765**	**5,765**
Lease modification	**–**	**(5,783)**	**(5,783)**
Termination of leases	**–**	**(4,885)**	**(4,885)**
At 31 March 2023	**8,642**	**16,444**	**25,086**
ACCUMULATED DEPRECIATION			
At 1 April 2021	2,689	6,346	9,035
Exchange adjustments	22	265	287
Provided for the year	207	7,339	7,546
Lease modification	–	(176)	(176)
Termination of leases	–	(3,954)	(3,954)
Transfer to investment property *(note 18)*	(64)	–	(64)
At 31 March 2022	2,854	9,820	12,674
Exchange adjustments	**(34)**	**(684)**	**(718)**
Provided for the year	**202**	**5,840**	**6,042**
Lease modification	**–**	**(3,017)**	**(3,017)**
Termination of leases	**–**	**(3,816)**	**(3,816)**
At 31 March 2023	**3,022**	**8,143**	**11,165**
CARRYING VALUES			
At 31 March 2023	**5,620**	**8,301**	**13,921**
At 31 March 2022	5,931	13,019	18,950

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

Retail stores, offices and warehouses	2 – 5 years

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

The short-term lease expense not included in the measurement of lease liabilities incurred during the year were HK$476,000 (2022: HK$1,483,000).

The total cash outflow for leases is HK$6,876,000 (2022: HK$9,204,000).

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

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

As at 31 March 2023 and 2022, the Group does not provide residual value guarantees in relation to leases arrangements. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

As at 31 March 2023 and 2022, the Group has no leases that are committed but not yet commenced. The maturity of lease liabilities is presented in note 27.

For the years ended 31 March 2023 and 2022, the Group has performed impairment assessment on right-of-use assets. The estimates of the recoverable amount of the items of right-of-use assets are determined based on a value-in-use calculation using discounted cash flow projections based on the sales forecast covering a period of the remaining lease terms. Since the recoverable amounts of right-of-use assets are higher than the carrying amounts, no impairment was provided for the years ended 31 March 2023 and 2022.

18. INVESTMENT PROPERTY

	HK$'000
FAIR VALUE	
At 1 April 2021	21,600
Transferred from property, plant and equipment	74
Transferred from right-of-use assets	74
Increase in fair value recognised in other comprehensive income	2,218
Increase in fair value recognised in profit or loss	3,051
At 31 March 2022	27,017
Decrease in fair value recognised in profit or loss	**(1,287)**
At 31 March 2023	**25,730**

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

	Fair value hierarchy	**2023** **HK$'000**	2022 *HK$'000*
Property in the PRC	Level 3	**25,730**	27,017

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

As at 31 March 2023 and 2022, the Group held a property situated at Guojia, ZhangJiabian, Yixian Road, Huoju Development Zone, Zhong Shan City, Guangdong Province, the People's Republic of China. The existing usage of such property is factories and offices and the property is held on land under medium term lease.

The fair values of the Group's investment properties at 31 March 2023, 31 March 2022 and 1 October 2021 have been arrived at on the basis of a valuation carried out on that date by Graval Consulting Limited, independent qualified professional valuer not connected with the Group.

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

Under the income approach, one of the key inputs used in valuing the building and structures was the rental value per square meter which ranged from HK$11 to HK$27 (2022: HK$11 to HK$29). The higher the prevailing market rents would result in the higher the fair value measurement of the investment property, and vice versa.

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

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

There was no transfer into or out of level 3 during the years ended 31 March 2023 and 2022.

19. INTERESTS IN AN ASSOCIATE

	2023 HK$'000	2022 HK$'000
Cost of investment in an associate – unlisted	776	776
Share of post-acquisition loss	(343)	(269)
	433	507

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

Name of entity	Place of incorporation/ registration	Principal place of business	Proportion of ownership interest held by the Company Indirectly		Proportion of voting rights held by the Company		Principal activity
			2023	2022	2023	2022	
Hengli Garment Technology Company Limited ("Hengli")	Vietnam	Vietnam	25%	25%	25%	25%	Manufacturing and processing of clothing apparel

Aggregate information of the associate that is not individually material

	2023 HK$'000	2022 HK$'000
The Group's share of loss from continuing operations	(74)	(304)
Aggregate carrying amount of the Group's interests in an associate	433	507

20. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

General information of subsidiaries

Particulars of the Company's principal subsidiaries at 31 March 2023 and 2022 are as follows:

Name of subsidiary	Place of incorporation/ registration and operation	Paid up issued share capital/ common stock/registered capital		Proportion of ownership interest held by the Company				Principal activities
				Directly		Indirectly		
		2023	2022	2023 %	2022 %	2023 %	2022 %	
Fintech (HK) Limited	Hong Kong	Ordinary shares HK$10,000	Ordinary shares HK$10,000	–	–	100	100	Property investment
Tungtex International Limited	Hong Kong	Ordinary shares HK$20,000,000	Ordinary shares HK$20,000,000	–	–	100	100	Garment trading
Tungtex Trading Company Limited	Hong Kong	Ordinary shares HK$6,000,000	Ordinary shares HK$6,000,000	100	100	–	–	Garment trading
中山同得仕絲綢服裝有限公司	PRC	Registered and paid up capital HK$38,800,000	Registered and paid up capital HK$38,800,000	–	–	100	100	Garment manufacture
深圳百多爾時裝有限公司	PRC	Registered capital RMB202,000,000/ paid up capital RMB196,000,000	Registered capital RMB202,000,000/ paid up capital RMB196,000,000	–	–	100	100	Garment retail
寧波雲圖時裝有限公司	PRC	Registered and paid up capital RMB3,000,000	Registered capital RMB3,000,000/ paid up capital nil	–	–	100	100	Garment retail
Tungtex Fashions (Vietnam) Limited	Vietnam	Registered and paid up capital US$3,200,000	Registered and paid up capital US$3,200,000	–	–	100	100	Garment manufacture

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

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

21. DEFERRED TAXATION

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

	Accelerated tax depreciation *HK$'000*
At 1 April 2021	(760)
Credit to profit or loss	49
At 31 March 2022	(711)
Credit to profit or loss	**183**
At 31 March 2023	**(528)**

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

	2023 ***HK$'000***	2022 *HK$'000*
Deferred tax assets	**–**	12
Deferred tax liabilities	**(528)**	(723)
	(528)	(711)

At 31 March 2023, the Group has unused tax losses of approximately HK$416 million (2022: HK$460 million) available for offset against future profits. No deferred tax asset has been recognised in respect of the HK$416 million (2022: HK$460 million) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$114 million (2022: HK$202 million) that can be carried forward for one to five years and losses of approximately HK$92 million (2022: HK$60 million) that can be carried forward up to twenty years. Unrecognised tax losses of HK$61 million (2022: HK$111 million) expired during the year. Other unrecognised tax losses may be carried forward indefinitely.

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

At 31 March 2023, deferred taxation has not been provided for in the consolidated financial statements in respect of the temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB3,070,000 (equivalent to HK$3,507,000) (2022: RMB3,669,000 (equivalent to HK$4,524,000)) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

22. INVENTORIES

	2023 ***HK$'000***	2022 *HK$'000*
Raw materials	**17,367**	26,110
Work in progress	**4,361**	20,812
Finished goods	**43,537**	67,980
	65,265	114,902

23. TRADE AND OTHER RECEIVABLES

	2023 HK$'000	2022 HK$'000
Trade and bills receivables	90,447	82,825
Less: Allowance for credit losses	(1,046)	(144)
	89,401	82,681
Deposits, prepayments and other receivables	17,513	26,226
Total trade and other receivables	106,914	108,907

As at 31 March 2023, total bills received amounting to HK$2,000 (2022: HK$54,000) are held by the Group for future settlement of trade receivables. The Group continues to recognise their full carrying amounts at the end of the reporting period and details are disclosed in note 35. All bills received by the Group are with a maturity period of less than six months.

Details of impairment assessment of trade and other receivables for the years ended 31 March 2023 and 2022 are set out in note 35.

Other than cash and credit card sales for retail transactions, the Group normally grants a credit period ranging from 14 days to 90 days to its trade customers. As at 31 March 2023, the carrying amount of trade and bills receivables was HK$89,401,000, net of allowance for credit losses of HK$1,046,000 (2022: HK$82,681,000, net of allowance for credit losses of HK$144,000). Included in trade and other receivables are trade and bills receivables, mainly denominated in USD and RMB, with the following aged analysis presented based on the invoice date which approximated revenue recognition date at the end of the reporting period:

	2023 HK$'000	2022 HK$'000
Up to 30 days	49,493	61,122
31 – 60 days	20,864	10,738
61 – 90 days	12,333	6,830
More than 90 days	6,711	3,991
	89,401	82,681

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

As at 31 March 2023, included in the Group's trade and bills receivables balance are debtors with aggregate carrying amount of HK$16,123,000 (2022: HK$1,388,000) which are past due as at the reporting date. Out of the past due balances, HK$1,323,000 (2022: HK$152,000) has been past due 90 days or more and is not considered as in default as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

23. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	2023 HK$'000	2022 HK$'000
HK$	**381**	147
RMB	**81**	36
	462	183

24. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

During the year ended 31 March 2023, the bank deposits carry interest at market rates ranging from 0.001% to 4.92% (2022: 0.001% to 2.65%) per annum.

Pledged bank deposits are pledged to secure the bank borrowings and general banking facilities, which carry interest at market rates ranging from 0.01% to 4.92% (2022: 0.01% to 0.25%) per annum.

For the years ended 31 March 2023 and 2022, the Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided. Details of impairment assessment of bank balances for the years ended 31 March 2023 and 2022 are set out in note 35.

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

	2023 HK$'000	2022 HK$'000
HK$	**64,707**	72,645
RMB	**20,135**	25,307
USD	**551**	634
EUR	**163**	568
	85,556	99,154

25. TRADE AND OTHER PAYABLES

	2023 HK$'000	2022 HK$'000
Trade and bills payables	**44,983**	77,988
Other payables, accrued charges and receipt in advance	**35,224**	35,675
	80,207	113,663

25. TRADE AND OTHER PAYABLES *(Continued)*

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

	2023 **HK$'000**	2022 HK$'000
Up to 30 days	**31,892**	52,571
31 – 60 days	**5,232**	10,102
61 – 90 days	**2,137**	7,342
More than 90 days	**5,722**	7,973
	44,983	77,988

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

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

	2023 **HK$'000**	2022 HK$'000
HK$	**7,217**	4,226

26. CONTRACT LIABILITIES

	2023 **HK$'000**	2022 HK$'000
Manufacturing and retail sales of garment products	**5,531**	12,797

For manufacturing and retail sales of garment products, the contract liabilities recorded at the beginning of the year HK$12,102,000 (2022: HK$12,183,000) had been recognised as revenue during the year. The management believed that the remaining will be recognised as revenue approximately within one year from 31 March 2023 (2022: the remaining has been fully recognised as revenue during the year ended 31 March 2023).

27. LEASE LIABILITIES

Lease liabilities payables	**2023** **HK$'000**	2022 HK$'000
Within one year	**4,257**	6,748
In more than one year but not exceeding two years	**3,867**	3,816
In more than two years but not exceeding five years	**975**	3,431
	9,099	13,995
Less: Amount due for settlement within 12 months shown under current liabilities	**(4,257)**	(6,748)
Amount due for settlement after 12 months shown under non-current liabilities	**4,842**	7,247

The weighted average incremental borrowing rates applied to lease liabilities is 3.79% (2022: 5.80%).

28. BANK BORROWINGS

	2023 HK$'000	2022 HK$'000
Floating-rate borrowings:		
Bank loans	**19,000**	29,000
Trust receipts loans	**3,074**	16,298
Import trade loans	**32,400**	40,300
	54,474	85,598
Secured	**54,474**	85,598
The carrying amounts of the above borrowings are repayable:		
Within one year	**54,474**	85,598
Amounts secured, due within one year, shown under current liabilities with repayment on demand clause	**54,474**	85,598

The effective interest rates (which is also equal to contracted interest rate) on the Group's borrowings ranged from 2.18% to 6.97% (2022: 1.60% to 5.74%) per annum.

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

	2023 HK$'000	2022 HK$'000
HK$	**51,400**	69,300

29. SHARE CAPITAL

	Number of shares	Amount HK$'000
Issued and fully paid:		
At 1 April 2021, 31 March 2022 and **31 March 2023**		
Ordinary shares with no par value	**451,067,557**	**254,112**

30. PLEDGE OF ASSETS

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

	2023 HK$'000	2022 HK$'000
Pledged bank deposits	**110,704**	105,704
Buildings	**34,262**	–

31. RETIREMENT BENEFIT SCHEMES

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

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

The total cost charged to profit or loss of HK$12,107,000 (2022: HK$11,040,000) represents contributions paid and payable to these schemes by the Group for the year ended 31 March 2023.

32. RELATED PARTY DISCLOSURES

During the years ended 31 March 2023 and 2022, the Group entered into the following transactions with related parties. In the opinion of the directors, the following transactions arose in the ordinary course of the Group's business:

(i) Transactions with an associate of the Group

	2023	2022
	HK$'000	*HK$'000*
Purchases from an associate	**1,092**	374

(ii) Compensation of key management personnel

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

	2023	2022
	HK$'000	*HK$'000*
Short-term employee benefits	**14,663**	13,552
Post-employment benefits	**211**	215
	14,874	13,767

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

33. LITIGATION

In December 2010, the administratrix of the estate of Peter Mui (who was a 49% shareholder of Yellow River, Inc. ("Yellow River"), a 51% subsidiary of the Company) (the "Administratrix") filed a Verified Petition (the "Petition") against Tungtex (U.S.A.) Inc. ("Tungtex US"), a wholly-owned subsidiary of the Company and the 51% shareholder of Yellow River, and Yellow River in the Surrogate's Court of the State of New York, County of New York (the "Court") alleging Tungtex US was engaged in oppressive conduct as a majority shareholder of Yellow River and (a) seeking the dissolution of Yellow River and the appointment of receiver to oversee the dissolution; (b) requiring Tungtex US to turnover to the estate of Peter Mui 49% of the value of Yellow River; (c) requiring Tungtex US to account for sums received from Yellow River since 1 April 2009; (d) requiring Tungtex US to turnover to Yellow River funds improperly looted and diverted by it; and (e) seeking the grant of such other and further relief as the Court may deem just and proper. By the verified answers and counterclaims filed, Tungtex US and Yellow River both denied the allegations made by, and asserted counterclaims for damages against, the Administratrix. The Administratrix moved for summary judgement granting its claim for a judicial dissolution and dismissing the counterclaims. Tungtex US and Yellow River opposed the motion and cross-moved for summary judgement dismissing the Petition. By Decision and Order dated 8 November 2017, the Court denied the Administratrix's motion for summary judgement and cross-motions of Tungtex US and Yellow River for summary judgement, denied the Administratrix's motion to dismiss counterclaims of Yellow River except for the counterclaim for an accounting, and granted the Administratrix's motion to dismiss counterclaims of Tungtex US, holding that Tungtex US does not have an independent basis to assert the counterclaims, which allege damage to Yellow River and also were asserted by Yellow River. The Administratrix did not appeal from the decision, and its time to do so has expired.

The Court noted that the Administratrix did not follow the necessary procedures in seeking a judicial dissolution. The Court suggested to hold a settlement conference, to which both sides agreed. The parties submitted confidential position statements to the Court in advance of the conference, as requested by the Court, and a settlement conference was held on 30 November 2022. The conference did not result in settlement of the matter.

The Administratrix has moved the Court for permission to belatedly comply with the statutory procedures for a judicial dissolution. After a return date is set by the Court, Tungtex US and Yellow River will submit opposition papers. If the Court permits the late compliance, the case will continue to proceed.

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

34. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of bank borrowings disclosed in note 28, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, various reserves and retained profits.

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

35. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2023 HK$'000	2022 HK$'000
Financial assets		
Amortised cost	**388,890**	379,718
Financial liabilities		
Amortised cost	**128,984**	187,485
Lease liabilities	**9,099**	13,995

(b) Financial risk management objectives and policies

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

Market risk

(i) Currency risk

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

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

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

	Liabilities		Assets	
	2023 HK$'000	2022 HK$'000	2023 HK$'000	2022 HK$'000
HK$	**58,617**	73,526	**65,088**	72,792
RMB	**54**	49	**20,216**	25,344
EUR	**2**	2	**167**	580
USD	**–**	–	**551**	634

Sensitivity analysis

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

The following table details the sensitivity of the Group to a 5% increase and decrease in USD against RMB and EUR. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. On this basis, the positive (negative) numbers below will indicate an increase (a decrease) in post-tax profit (2022: a decrease (an increase) in post-tax loss) for the year where USD strengthens against EUR by 5%, and vice versa; an increase (a decrease) in post-tax profit (2022: a decrease (an increase) in post-tax loss) for the year where USD strengthens against RMB by 5%, and vice versa.

35. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis *(Continued)*

	2023 HK$'000	2022 HK$'000
RMB impact	(842)	(1,056)
EUR impact	(7)	(24)

(ii) Interest rate risk

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

The Group is mainly exposed to cash flow interest rate risk in relation to floating-rate bank balances and bank borrowings as at 31 March 2023 and 2022. It is the Group's policy to keep its bank balances and bank borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

For the years ended 31 March 2023 and 2022, the Group's exposure to interest rate risk on financial liabilities is detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rate arising from the Group's floating rate bank borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for floating-rate bank borrowings and bank balances at the end of the reporting period. The analysis is prepared assuming the outstanding amount at the end of the reporting period was outstanding for the whole year.

For the years ended 31 March 2023 and 2022, 50 basis points increase or decrease for bank borrowings and bank balances is used, when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates for bank borrowings and bank balances.

If interest rates had been higher/lower as indicated above, and all other variables were held constant, the Group's post-tax profit for the year would increase/decrease by approximately HK$605,000 (2022: post-tax loss for the year would decrease/increase by approximately HK$606,000).

Credit risk and impairment assessment

As at 31 March 2023 and 2022, the Group's maximum exposure to credit risk which will cause a financial loss due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the recognised financial assets as stated in the consolidated statement of financial position.

Trade and bills receivables arising from contracts with customers

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

Other receivables

The Group assessed the impairment for its other receivables individually based on internal credit rating and ageing of these debtors which, in the opinion of the directors of the Company, have no significant increase in credit risk since initial recognition. ECL is estimated based on historical observed default rates over the expected life of debtors and is adjusted for forward-looking information that is available without undue cost or effort. Based on the impairment assessment performed by the Group, the management of the Group considers the loss allowance for other receivables within lifetime ECL was insignificant and accordingly no allowance for credit losses is provided as at 31 March 2023 (2022: HK$14,000).

35. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment (Continued)

Bank balances and pledged bank deposits

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

Significant concentration of credit risk

The Group's concentration of credit risk on trade and bills receivables by geographical locations is mainly in North America which accounted for 53% (2022: Asia which accounted for 49%) of the total trade and bills receivables balance at 31 March 2023. The Group also has concentration of credit risk on its five largest customers which represent 47% (2022: 51%) of the total trade and bills receivables balance and of which the largest customer represents 11% (2022: 19%) of the total trade and bills receivables balance. For both years, the five largest customers, which are engaged in garment sales and e-commerce platform and are mainly located in the North America and the PRC, have good repayment history and credit quality with reference to the track records of these customers under internal assessment by the Group.

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

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

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

	Notes	Internal credit rating	12-month or Lifetime ECL	Gross carrying amount 2023 HK$'000	Gross carrying amount 2022 HK$'000
Trade and bills receivables	23	Low risk *(Note i)*	Lifetime ECL — not credit-impaired	**90,436**	82,796
		Loss *(Note i)*	Lifetime ECL — credit-impaired and assessed individually	**11**	29
Other receivables	23	Low risk *(Note ii)*	12-month ECL	**4,165**	3,790
		Loss *(Note iii)*	Lifetime ECL — credit-impaired and assessed individually	**–**	6
Pledged bank deposits	24	Low risk	12-month ECL	**110,704**	105,704
Bank balances	24	Low risk	12-month ECL	**184,334**	187,551

35. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment (Continued)

Note (i):

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

During the year ended 31 March 2023, HK$910,000 (2022: HK$114,000) net impairment loss allowance related to trade and bills receivables was recognised in profit or loss.

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

	Lifetime ECL (not credit-impaired) *HK$'000*	**Lifetime ECL (credit-impaired)** *HK$'000*	**Total** *HK$'000*
At 1 April 2021	–	101	101
Changes due to trade and bills receivables recognised at 1 April 2021:			
Impairment loss recognised	–	28	28
Impairment loss reversed	–	(28)	(28)
Write off	–	(76)	(76)
New financial assets originated	114	–	114
Exchange adjustments	1	4	5
At 31 March 2022	115	29	144
Changes due to trade and bills receivables recognised at 1 April 2022:			
Impairment loss recognised	**–**	**11**	**11**
Impairment loss reversed	**(109)**	**(27)**	**(136)**
New financial assets originated	**1,035**	**–**	**1,035**
Exchange adjustments	**(6)**	**(2)**	**(8)**
At 31 March 2023	**1,035**	**11**	**1,046**

Note (ii):

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

Note (iii):

During the year ended 31 March 2023, HK$14,000 net reversal of impairment loss allowance (2022: HK$8,000 net impairment loss allowance) related to other receivables was recognised in profit or loss.

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

	Lifetime ECL (not credit-impaired) *HK$'000*	**Lifetime ECL (credit-impaired)** *HK$'000*	**Total** *HK$'000*
At 1 April 2021	–	388	388
Changes due to other receivables recognised at 1 April 2021:			
Write off	–	(382)	(382)
New financial assets originated	8	–	8
At 31 March 2022	8	6	14
Changes due to other receivables recognised at 1 April 2022:			
Impairment loss reversed	**(8)**	**(6)**	**(14)**
At 31 March 2023	**–**	**–**	**–**

35. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk

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

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

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

2023

	Weighted average interest rate %	On demand or less than 1 month *HK$'000*	1 - 3 months *HK$'000*	3 months to 1 year *HK$'000*	Over 1 year *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount at 31 March 2023 *HK$'000*
Non-derivative financial liabilities							
Trade and other payables	–	74,298	53	1	–	74,352	74,352
Amount due to an associate	–	158	–	–	–	158	158
Bank borrowings *(note)*							
– floating-rate	5.63	54,474	–	–	–	54,474	54,474
		128,930	53	1	–	128,984	128,984
Lease liabilities	3.79	374	749	3,420	4,971	9,514	9,099

2022

	Weighted average interest rate %	On demand or less than 1 month *HK$'000*	1 - 3 months *HK$'000*	3 months to 1 year *HK$'000*	Over 1 year *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount at 31 March 2022 *HK$'000*
Non-derivative financial liabilities							
Trade and other payables	–	101,868	19	–	–	101,887	101,887
Bank borrowings *(note)*							
– floating-rate	2.08	85,598	–	–	–	85,598	85,598
		187,466	19	–	–	187,485	187,485
Lease liabilities	5.80	639	1,281	5,193	7,942	15,055	13,995

35. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk (Continued)

Note:

Bank borrowings with a repayment on demand clause are included in the "on demand" time band in the above maturity analysis. As at 31 March 2023, the aggregate principal amounts of these bank loans amounted to HK$54,474,000 (2022: HK$85,598,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that the bank loans will be repaid within one year after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements. The aggregate principal and interest cash outflows of bank borrowings with a repayment on demand clause are amounted to HK$54,838,000 (2022: HK$85,816,000).

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

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

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Lease liabilities *HK$'000*	**Bank borrowings** *HK$'000*	**Total** *HK$'000*
At April 2021	15,291	93,590	108,881
Financing cash flows	(7,721)	(8,936)	(16,657)
New lease entered	7,290	–	7,290
Lease modification	(889)	–	(889)
Lease termination	(1,374)	–	(1,374)
Interest expenses	904	–	904
Exchange adjustments	494	944	1,438
At 31 March 2022	13,995	85,598	99,593
Financing cash flows	**(6,400)**	**(31,124)**	**(37,524)**
New lease entered	**5,765**	**–**	**5,765**
Lease modification	**(2,858)**	**–**	**(2,858)**
Lease termination	**(1,087)**	**–**	**(1,087)**
Interest expenses	**563**	**–**	**563**
Exchange adjustments	**(879)**	**–**	**(879)**
At 31 March 2023	**9,099**	**54,474**	**63,573**

37. STATEMENT OF FINANCIAL POSITION

	Note	2023 HK$'000	2022 HK$'000
Non-current assets			
Property, plant and equipment		50	75
Right-of-use assets		440	1,005
Investments in subsidiaries		13,348	13,348
Deferred tax assets		–	4
		13,838	14,432
Current assets			
Deposits and other receivables		765	436
Amounts due from subsidiaries		236,986	305,798
Pledged bank deposits		51,904	5,000
Bank balances and cash		79,405	78,799
		369,060	390,033
Current liabilities			
Other payables and accruals		3,206	2,925
Amount due to a subsidiary		41,984	63,737
Lease liabilities		445	560
Bank borrowings		–	10,000
		45,635	77,222
Net current assets		323,425	312,811
Total assets less current liabilities		337,263	327,243
Non-current liabilities			
Lease liabilities		–	445
		337,263	326,798
Capital and reserve			
Share capital		254,112	254,112
Retained profits	(a)	83,151	72,686
		337,263	326,798

Approved and authorised for issue by the Board of Directors on 28 June 2023 and are signed on its behalf by:

Martin Tung Hau Man
DIRECTOR

Billy Tung Chung Man
DIRECTOR

37. STATEMENT OF FINANCIAL POSITION *(Continued)*

Note:

(a) The retained profits of the Company at 31 March 2023 and 2022 are as follows:

	Retained profits
	HK$'000
At 1 April 2021	94,508
Loss and total comprehensive expense for the year	(15,056)
Dividends recognised as distribution	(6,766)
At 31 March 2022	72,686
Profit and total comprehensive income for the year	**12,720**
Dividends recognised as distribution	**(2,255)**
At 31 March 2023	**83,151**

	For the year ended 31 March				
	2019 *HK$'000*	2020 *HK$'000*	2021 *HK$'000*	2022 *HK$'000*	**2023** ***HK$'000***
RESULTS					
Revenue	965,928	708,994	460,377	588,269	**753,214**
Profit (loss) before tax	(91,774)	(84,093)	254,943	(26,534)	**22,944**
Profit (loss) for the year attributable to owners of the Company	(94,086)	(83,606)	255,996	(26,064)	**19,718**
	HK cents	*HK cents*	*HK cents*	*HK cents*	***HK cents***
Earnings (loss) per share – Basic	(20.3)	(18.1)	56.7	(5.8)	**4.4**

	At 31 March				
	2019 *HK$'000*	2020 *HK$'000*	2021 *HK$'000*	2022 *HK$'000*	**2023** ***HK$'000***
ASSETS AND LIABILITIES					
Total assets	619,902	503,538	618,312	621,032	**558,971**
Total liabilities	(274,219)	(248,014)	(197,301)	(226,947)	**(154,204)**
	345,683	255,524	421,011	394,085	**404,767**
Equity attributable to owners of the Company	354,853	265,433	431,618	405,325	**416,925**
Non-controlling interests	(9,170)	(9,909)	(10,607)	(11,240)	**(12,158)**
	345,683	255,524	421,011	394,085	**404,767**

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