Financial Risk Management

1 Financial risk factors

The Group's activities expose it to a variety of financial risks including foreign exchange risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by management who identifies, evaluates and mitigates financial risks in close co-operation with the Group's operating subsidiaries. The Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Foreign exchange risk

The Group operates in various countries and is exposed to foreign exchange risk against Hong Kong dollar arising from foreign exchange exposure. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operation.

Most of the assets, receipts and payments of the Group are either in Hong Kong dollar, US dollar, Euro or Renminbi. The Group minimises its foreign exchange exposure against purchase orders denominated in foreign currencies by entering into forward contracts with reputable financial institutions or at spot and maintain no material long position. The hedging policies are regularly reviewed by the Group.

Certain assets of the Group are denominated in US dollar but the foreign exchange risk is considered not significant as Hong Kong dollar exchange rate is pegged to US dollar.

The remaining Group's assets and liabilities are primarily denominated in the respective group companies' functional currency, which would not expose the Group to material foreign exchange risk.

(ii) Credit risk

The Group's credit risk is primarily attributable to deposits with banks and financial institutions, deposits and trade and other receivables with a maximum exposure equal to the carrying amounts of these financial instruments.

Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

(a) Credit risk of deposits with banks and financial institutions

As at 31 March 2021, all bank balances and bank deposits are held at reputable financial institutions which are leading and reputable with low credit risk and there is no significant concentration risk to a single counterparty and there is no history of defaults from these counterparties. The ECL is close to zero and no provision was made as at 31 March 2021 and 2020.

1 Financial risk factors (continued)

(ii) Credit risk (continued)

(b) Credit risk of deposits and other receivables

Deposits and other receivables were mainly rental deposit and utilities and management fee deposits. The credit quality of deposits and other receivables has been assessed with reference to historical information about the counterparties default rates and financial position of the counterparties. Given there is no history of defaults from these counterparties, the directors of the Company are of the opinion that there was no significant increase in credit risk and the expected credit loss was limited to 12-month expected credit losses. Therefore, ECL rate of the deposits and other receivables is assessed to be close to zero and no provision was made as at 31 March 2021 and 2020.

(c) Credit risk of trade receivables

The Group performs periodic credit evaluations of its customers, taking into account their financial position, past experience and other factors. The utilisation of credit limits is regularly reviewed. Sales to retail customers are settled in cash or using major credit cards. No material credit limits were exceeded during the reporting period, and management does not expect any material losses from non-performance by these counterparties.

Trade receivables mainly represent receivables from electronic payment service providers, receivables from e-commence platform providers, receivables from shopping malls and department store in the PRC, and wholesales, which are due within 90 days from the date of invoice. As at 31 March 2021, 87.4% (2020: 74.8%) of the total trade receivables were due within 90 days from the date of invoice. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in Note 18.

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9, which permits the use of the lifetime ECL provision for all trade receivables.

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and days past due. The ECL rates are based on the past repayment history and the historical credit loss experience. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The ECL provided on a collective basis is insignificant as there was no history of material default from trade receivables.

For trade receivables relating to accounts in which objective evidence that the debtor faces significant financial difficulties or enter liquidation, they are assessed individually for impairment allowance. Accordingly, provision of expected credit loss allowance of HK$1,259,000 (2020: HK$2,286,000) were made as at 31 March 2021.

Movements on the Group's provision for expected credit losses of trade receivables are disclosed in Note 18.

Provision of expected credit loss allowance on trade receivables are presented as net provision within operating loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

1 Financial risk factors (continued)

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and making available an adequate amount of committed credit facilities with staggered maturities to reduce refinancing risk in any year and to fund working capital, dividend payments, new investments and close out market positions if required.

The Group had a loss from continuing operations of HK$359,298,000 (2020: HK$475,082,000) for the year ended 31 March 2021. The Group had an operating cash inflow of HK$548,087,000 (2020: HK$648,567,000), but if including the payment of lease liabilities (including interest) of HK$627,863,000 (2020: HK$774,472,000), there was cash outflow of HK$79,776,000 (2020: HK$125,905,000) during the year ended 31 March 2021.

Management considered that based on the Group's cash and bank balances of HK$526,404,000 (2020: HK$641,503,000) as at 31 March 2021, coupled with readily undrawn available banking facilities of approximately HK$171 million (2020: HK$141 million) and considering the potential impact of the COVID-19 pandemic on the Group's operation and the pace of recovery from the COVID-19 pandemic, the Group has adequate liquidity and financial resources to meet in full its financial obligations and the working capital requirements in the next twelve months from the balance sheet date.

As at 31 March 2021, the Group's financial liabilities were mainly trade payables and other payables amounting to HK$409,225,000 (2020: HK$374,993,000), which were substantially due within 3 months, and lease liabilities amounting to HK$349,603,000 (2020: HK$574,006,000) and HK$299,513,000 (2020: HK$505,064,000) were due within 12 months and over 12 months respectively.

(iv) Interest rate risk

The Group's interest rate risk resulted from timing differences in the repricing of interest-bearing assets or liabilities. Major interest-bearing assets of the Group are short-term bank deposits and time deposits, details of which have been disclosed in Note 20. As any reasonable changes in interest rate would not result in a significant change in the Group's results, no sensitivity analysis is presented for interest rate risk.

The Group monitors its interest rate risk through management of maturity profile and choice of fixed or floating interest rates.

2 Capital risk management

The Group's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business. The Group defines the capital of the Group as the total shareholders' equity.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total equity. As at 31 March 2021 and 2020, the Group had no borrowings, the gearing ratio is not applicable.

As at 31 March 2021, the Group maintained a cash position of HK$526,404,000 (2020: HK$641,503,000).

3 Fair value estimation

There were no financial assets nor liabilities carried at fair value as at 31 March 2021. The table below analyses the Group's financial liabilities carried at fair value as at 31 March 2020 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 31 March 2020

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Liabilities				
Derivatives used for hedging				
– Forward foreign exchange contracts	–	19	–	19
Total liabilities	–	19	–	19

Forward foreign exchange contracts had been fair valued using forward exchange rates that were quoted in an active market.

There were no changes in valuation techniques during the year ended 31 March 2020.

There was no movement for the transfer between each level of financial assets and liabilities during the year ended 31 March 2020.