KNT

KNT HOLDINGS LIMITED
嘉藝控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1025

Annual Report 2021

* For identification purpose only

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Chong Sik *(Chairman and Chief Executive Officer)*
Chong Pun
Lam Chi Yuen

Independent Non-executive Directors
Leung Martin Oh Man
Lau Koong Yep
Yuen King Sum
Lau Kwok Fan

AUDIT COMMITTEE
Leung Martin Oh Man *(Chairman)*
Lau Koong Yep
Yuen King Sum
Lau Kwok Fan

REMUNERATION COMMITTEE
Lau Koong Yep *(Chairman)*
Leung Martin Oh Man
Yuen King Sum
Lau Kwok Fan

NOMINATION COMMITTEE
Chong Sik *(Chairman)*
Leung Martin Oh Man
Lau Koong Yep
Yuen King Sum
Lau Kwok Fan

COMPANY SECRETARY
Chan Nga Chun

AUTHORISED REPRESENTATIVES
Chong Sik
Chan Nga Chun

AUDITOR
Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

LEGAL ADVISER AS TO HONG KONG LAW
Robertsons

REGISTERED OFFICE
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
30th Floor
EW International Tower
No. 120 Texaco Road
Tsuen Wan
New Territories
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

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

PRINCIPAL BANKERS
The Hongkong and Shanghai Banking Corporation Limited
DBS Bank (Hong Kong) Limited

STOCK CODE
01025

COMPANY WEBSITE
www.knthholdings.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of KNT Holdings Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2021.

2021 was a volatile and challenging year to the Group. The global economy has been adversely affected by the protracted trade war between the United States of America ("US" or "United States") and China. The downturn in the global market was further aggravated by the outbreak of novel coronavirus disease ("COVID-19") since early 2020 which brought unprecedented challenges and uncertainties throughout the year ended 31 March 2021. The business of the Group was inevitable being affected.

The Group recorded revenue of approximately HK$62.7 million for the year ended 31 March 2021, representing a decrease of approximately 62.8% as compared to that of approximately HK$168.50 million for the year ended 31 March 2020. For the year ended 31 March 2021, the Group sold approximately 200.3 thousand units of products, comprising approximately 152.6 thousand units of bridesmaid dresses, 5.0 thousand units of bridal gowns and 42.8 thousand units of special occasion dresses. Revenue from the United States accounted for approximately 87.6% and 78.6% of total revenue of the Group for the years ended 31 March 2020 and 2021 respectively. The gross profit margin decreased from 7.6% for the year ended 31 March 2020 to gross loss margin of 11.0% for the year ended 31 March 2021. Loss for the year amounted to approximately HK$47.0 million and approximately HK$44.7 million for the year ended 31 March 2020 and 2021 respectively.

During the year ended 31 March 2021, the Group experienced a challenging operating environment in view of prolonged trade disputes between the US and China, tariff imposed, political tensions and continuing uncertainties in global economy. Since the Group's revenue was mostly derived from customers based in the United States, these factors in aggregate led to a certain extent of impact on overall business performance of the Group. As a result, the revenue and gross profit margin of the Group decreased for the year ended 31 March 2021 compared to the year ended 31 March 2020.

In addition, due to the outbreak of the COVID-19 since beginning of 2020, it has brought significant disruption to the global economy and caused more adverse impact to the business environment of the Group. The Group recognised write down of inventories of approximately HK$13.6 million, made impairment losses net of reversal on trade receivables of approximately HK$7.3 million which was mainly related to one of the major customers who has filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code and made impairment loss on property, plant and equipment and deposits of approximately HK$1.3 million. All these factors contributed to the loss for the year ended 31 March 2021.

CHAIRMAN'S STATEMENT *(CONTINUED)*

In light of the prolonged trade disputes between the US and China and the resulting unprecedented negative business outlook from COVID-19 crisis, the Group expects that the business environment and outlook for the coming financial year would remain highly challenging and uncertain. The Group will continue to review its existing business from time to time and take appropriate measures to tackle any possible impacts. In view of the unprecedented business environment, the management is actively exploring new business opportunities with a view to diversifying the income stream of the Group and mitigating risks. The Group is also taking cost-control measures since April 2020 so as to cope with the lingering business downturn. With the Group's proven track record, experienced management team and reputation in the market, the Group is well-positioned and well-equipped to sustain its development and grasp the opportunities to enhance the long-term potential growth in future for safeguard the interest of the shareholders.

APPRECIATION

On behalf of the Board, I wish to take this opportunity to extend my sincere appreciation to the Group's management and staff for their commitment and dedication throughout the year. I would also like to express my deep gratitude to all our business partners, customers, suppliers and the shareholders of the Company for their continuous support. The Group shall continue to seize opportunities and strive our best to develop and grow to maximize values for our shareholders.

KNT Holdings Limited
Chong Sik
Chairman and Executive Director

Hong Kong, 29 June 2021

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a one-stop solutions provider of bridesmaid dresses, bridal gowns and special occasion dresses. The Group principally sells its products to brand apparel companies based in the United States. Over the years, the Group has built reputation and gained customers' recognition from its dedication to provide its customers with one-stop solutions and consistently high quality products, which has increased its customers' reliance on it and in turn enabled it to maintain its market position as one of the leading bridesmaid dresses manufacturers in the PRC. The Group is the sole supplier of certain largest customers for bridesmaid dresses whom had maintained long years of relationship with the Group. In addition to manufacturing products for its customers, the Group strives to become an integral part of its customers' business operations by offering a wide range of value-added services ranging from fashion trend analysis, product design and development, raw material procurement, production, quality assurance to inventory management. The Group has also commenced developing its online business platform for the sale of fashion apparels since November 2020.

The Group recorded revenue of approximately HK$62.7 million for the year ended 31 March 2021, representing a decrease of approximately 62.8% as compared to that of approximately HK$168.5 million for the year ended 31 March 2020. Revenue from the United States accounted for approximately 87.6% and 78.6% of the total revenue of the Group for the year ended 31 March 2020 and 2021 respectively. The gross profit margin decreased from 7.6% for the year ended 31 March 2020 to gross loss margin of 11.0% for the year ended 31 March 2021. Loss for the year amounted to approximately HK$47.0 million and approximately HK$44.7 million for the years ended 31 March 2020 and 2021 respectively.

During the year ended 31 March 2021, the Group experienced a challenging operating environment in view of prolonged trade disputes between the United States and China, tariff imposed, political tensions and continuing uncertainties in global economy. Since the Group's revenue was mostly derived from customers based in the United States, these factors in aggregate led to a certain extent of impact on overall business performance of the Group. As a result, the revenue and gross profit margin of the Group decreased for the year ended 31 March 2021 compared to the year ended 31 March 2020.

In addition, due to the outbreak of the novel coronavirus disease (COVID-19) since beginning of 2020, it has brought significant disruption to the global economy and caused adverse impact to the business environment of the Group. The Group also recognised write down of inventories of approximately HK$13.6 million, made impairment losses net of reversal on trade receivables of approximately HK$7.3 million which was mainly related to one of the major customers who has filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code and made impairment loss on property, plant and equipment and deposits of approximately HK$1.3 million. All these factors contributed to the loss for the year ended 31 March 2021.

PROSPECT

In light of the prolonged trade disputes between the US and China and the resulting unprecedented negative business outlook from COVID-19 crisis, the Group expects that the business environment and outlook for the coming financial year would remain highly challenging and uncertain. The Group will continue to review its existing business from time to time and take appropriate measures to tackle any possible impacts. In view of the unprecedented business environment, the management is actively exploring new business opportunities with a view to diversifying the income stream of the Group and mitigating risks. The Group is also taking cost-control measures since April 2020 so as to cope with the lingering business downturn. With the Group's proven track record, experienced management team and reputation in the market, the Group is well-positioned and well-equipped to sustain its development and grasp the opportunities to enhance the long-term potential growth in future for safeguard the interest of the shareholders.

Revenue

Revenue represents revenue from the sale of bridesmaid dresses, bridal gowns, special occasion dresses, fashion apparels and fabrics and accessories.

Revenue decreased by approximately HK$105.8 million or approximately 62.8% from approximately HK$168.5 million for the year ended 31 March 2020 to approximately HK$62.7 million for the year ended 31 March 2021. The overall decrease in revenue was primarily attributable to the decrease in revenue generated from the sale of special occasion dresses of approximately HK$75.4 million and sale of bridesmaid dresses of approximately HK$35.7 million.

The decrease in revenue generated from the sale of special occasion dresses from approximately HK$84.1 million for the year ended 31 March 2020 to approximately HK$8.7 million for the year ended 31 March 2021 was primarily a result of the decrease in sales quantity from 610.7 thousand units for the year ended 31 March 2020 to 42.8 thousand units for the year ended 31 March 2021.

The decrease in revenue generated from the sale of bridesmaid dresses from approximately HK$79.8 million for the year ended 31 March 2020 to approximately HK$44.1 million for the year ended 31 March 2021 was primarily a result of the aggregate effect of the decrease in sales quantity from 274.0 thousand units for the year ended 31 March 2020 to 152.6 thousand units for the year ended 31 March 2021 and the decrease in average selling prices of bridesmaid dresses from HK$291 for the year ended 31 March 2020 to HK$289 for the year ended 31 March 2021.

The significant decrease in sales quantity of special occasion dresses was attributable to the suspension of sale to a major customer of special occasion dresses upon its filing for bankruptcy protection. The decrease in sales quantity of bridesmaid dresses was attributable to fewer orders from customers with the escalation of trade tensions between China and the United States and COVID-19.

Cost of sales

Cost of sales primarily consists of raw material costs, subcontracting charges, labour costs, overhead costs and others.

Cost of sales decreased by approximately HK$86.1 million or approximately 55.3% from approximately HK$155.7 million for the year ended 31 March 2020 to approximately HK$69.6 million for the year ended 31 March 2021.

Gross loss (profit) and gross (loss) profit margin

The Group recorded a gross loss of approximately HK$6.9 million for the year ended 31 March 2021 and a gross profit of approximately HK$12.8 million for the year ended 31 March 2020. Gross loss margin was 11.0% for the year ended 31 March 2021 and gross profit margin was 7.6% for the year ended 31 March 2020. The gross loss and gross loss margin was mainly attributable to the write down of inventories of approximately HK$13.6 million recognised for the year ended 31 March 2021.

Other income

Other income increased by approximately HK$0.2 million or approximately 18.2% from approximately HK$1.1 million for the year ended 31 March 2020 to approximately HK$1.3 million for the year ended 31 March 2021. The increase was mainly attributable to the government grants of approximately HK$0.8 million in respect of COVID-19-related subsidies from Employment Support Scheme provided by the Hong Kong government and rental income of approximately HK$0.5 million, net of decrease in bank interest income of approximately HK$1.0 million.

Other gain

Other gain represented net exchange gains for both years. The increase was mainly attributable to exchange gain from transactions denominated in Renminbi which depreciated during the year ended 31 March 2021.

Administrative expenses

Administrative expenses decreased by approximately HK$16.7 million or approximately 36.7% from approximately HK$45.5 million for the year ended 31 March 2020 to approximately HK$28.8 million for the year ended 31 March 2021. The decrease was mainly attributable to (i) the decrease in total staff costs upon the implementation of cost control measures during the year ended 31 March 2021 and the decrease in bonus which was an one-off expense upon listing of shares in 2019 and (ii) the decrease in travelling expenses due to travel restrictions as a result of COVID-19.

Finance costs

Finance costs decreased by approximately HK$0.5 million or 23.8% from approximately HK$2.1 million for the year ended 31 March 2020 to approximately HK$1.6 million for the year ended 31 March 2021. The decrease was mainly attributable to the decrease in the average bank borrowings during the year ended 31 March 2021.

Income tax (expense) credit

Income tax expense for the year ended 31 March 2021 mainly represented under-provision of taxation in prior year.

Loss for the year

The Group recorded a loss of approximately HK$44.7 million for the year ended 31 March 2021 and a loss of approximately HK$47.0 million for the year ended 31 March 2020. The decrease in loss was primarily attributable to (i) the decrease in administrative expenses such as total staff costs, entertainment and travelling expenses; (ii) the decrease in impairment loss recognised in respect of property, plant and equipment, deposits and right-of-use assets; and (iii) the decrease in finance costs, net of (i) the decrease in revenue and gross profit; (ii) the increase in cost of sales due to increase in write down of inventories; and (iii) the increase in impairment loss on trade receivables.

Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 March 2021.

Capital structure

The capital structure of the Company comprises of issued share capital and reserves. As at the date of this report, the issued share capital of the Company was HK$5.2 million and the number of issued ordinary shares was 520,000,000 of HK$0.01 each.

Liquidity and financial resources

The Group generally finances its operation by internal cash generated from operations and bank borrowings. As at 31 March 2021, the Group had cash and cash equivalents of approximately HK$0.5 million (31 March 2020: approximately HK$32.7 million) and had net current liabilities of approximately HK$7.3 million (31 March 2020: net current assets of approximately HK$50.9 million).

The current ratio of the Group was approximately 0.8 times as at 31 March 2021, compared to that of approximately 1.7 times as at 31 March 2020. The current ratio decreased was mainly attributable to the decrease in cash and cash equivalents.

The gearing ratio of the Group, which is calculated by dividing the total bank borrowings by the total equity and then multiplied by 100%, was 78.8% as at 31 March 2021 (31 March 2020: 82.8%). The gearing ratio decreased was mainly attributable to the decrease in bank borrowings as at 31 March 2021 compared to that of 31 March 2020 and loss for the year which led to decrease in total equity.

Pledge of assets

As at 31 March 2021, the Group pledged leasehold land and buildings with carrying value of approximately HK$55.4 million (31 March 2020: approximately HK$4.3 million) and bank deposit of HK$2.0 million (31 March 2020: HK$9.5 million) to secure certain banking facilities granted to the Group.

Foreign exchange risk

Certain transactions of the Group are denominated in foreign currencies which are different from United States Dollar, the functional currency of the Group, and therefore the Group is exposed to foreign currency risk.

The Group currently does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Material acquisitions and disposals of subsidiaries and associated companies

During the year ended 31 March 2021, the Group did not have any material acquisitions and disposals of subsidiaries and associated companies.

Significant investments held

As at 31 March 2021, the Group had no significant investments held (31 March 2020: nil).

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

Events after the reporting period

Lease modification

On 1 April 2021, the Group modified leases entered into with Mr. Chong Sik ("Mr. S Chong") and Mr. Chong Pun ("Mr. P Chong") for the use of factory premises and staff dormitories to extend for one year ending 31 March 2022, with monthly lease payments of approximately HK$218,000. On 30 April 2021, Mr. S Chong and Mr. P Chong granted rent concessions to the Group and agreed to waive such lease payments from 1 May 2021 to 31 March 2022.

Disposal of properties

On 21 June 2021, the Group entered into a provisional sales and purchase agreement with an independent third party for the disposal of properties in Hong Kong at a consideration of HK$23,000,000. Deposits of HK$500,000 was received and a further deposit of HK$1,800,000 shall be received on or before 20 September 2021 and the remaining consideration of HK$20,700,000 shall be received upon completion of the disposal of the properties. Details of the disposal of properties were disclosed in the announcement of the Company dated 21 June 2021. The directors of the Company consider that the disposal will be completed in October 2021 and net proceeds from the disposal will be amounted to HK$15,600,000 in aggregate after settlement of the secured bank borrowings pledged against the properties.

Financial support from controlling shareholders

Subsequent to the end of the reporting period, the Group obtained financial support from controlling shareholders and obtained a long-term loan of HK$5,000,000 in order to improve the Group's financial position.

Employees and remuneration policy

As at 31 March 2021, the Group had 295 employees (31 March 2020: 377 employees). The total staff costs, including directors' emoluments, of the Group for the year ended 31 March 2021 were approximately HK$29.3 million (2020: approximately HK$48.1 million).

Remuneration is determined with reference to market norms and the performance, qualification and experience of individual employee. The Group reviews the remuneration policies and packages on a regular basis and will make necessary adjustment commensurate with the pay level in the industry. The remuneration package generally includes basic salaries, discretionary bonuses and contributions to retirement benefits scheme. The Group provides training for its employees so that new employees can master the basic skills required to perform their functions and existing employees can upgrade or improve their production skills.

Capital commitment

As at 31 March 2021, the Group had capital commitment in respect of property, plant and equipment contracted but not provided for amounted to approximately HK$720,000 (31 March 2020: HK$19,020,000).

Contingent liabilities

As at 31 March 2021, the Group did not have any material contingent liabilities (31 March 2020: nil).

Use of net proceeds from the Listing

The net proceeds from the Listing, after deducting underwriting fees and commissions and other expenses relating to the Listing, were approximately HK$56.9 million (the "Net Proceeds").

As at 31 March 2021, the Group has utilised approximately HK$53.3 million, representing approximately 93.7%, of the Net Proceeds from the Listing.

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumptions of future market conditions made by the Group at the time of preparing the Prospectus. The Group will continuously evaluate the business objectives and will change or modify the plans against the changing market conditions for meeting the business growth and long term interest of the Group.

As disclosed in the announcement of the Company dated 4 June 2020 (the "Announcement I"), the Board resolved to change the use of part of the unutilised Net Proceeds in the amount of HK$10.0 million and HK$2.0 million allocated to increase production capacity by investing or setting up production facilities in Vietnam and set up a sales office in the U.S. respectively for working capital and general corporate purposes.

As further disclosed in the announcement of the Company dated 29 October 2020 (the "Announcement II"), the Board resolved to further change the use of part of the unutilised Net Proceeds in the amount of HK$3.7 million allocated to set up a sales office in the U.S. for the development of online business platform.

As further disclosed in the announcement of the Company dated 22 December 2020 (the "Announcement III"), the Board resolved to further change the use of part of the unutilised Net Proceeds in the amount of HK$11.1 million allocated to increase production capacity by investing or setting up production facilities in Vietnam for repayment of bank borrowings.

Intended use of Net Proceeds	Actual amount of Net Proceeds as at 31 March 2020	Revised allocation of Net Proceeds as disclosed in the Announcement I	Further revised allocation of Net Proceeds as disclosed in the Announcement II	Further revised allocation of Net Proceeds as disclosed in the Announcement III	Actual amount utilised as at 31 March 2021	Amount of Unutilised Net Proceeds as at 31 March 2021	Expected timeline for the intended use
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	
Acquire certain properties and facilities in Hong Kong as logistics center to compliment and coordinate the Group's existing business and production as well as that in Vietnam	22.1	22.1	22.1	22.1	21.5	0.6	End of 2021
Increase production capacity by investing or setting up production facilities in Vietnam	21.1	11.1	11.1	–	–	–	N/A
Set up a sales office in the U.S.	5.7	3.7	–	–	–	–	N/A
Repayment of bank borrowings	5.7	5.7	5.7	16.8	16.8	–	N/A
Development of online business platform	–	–	3.7	3.7	0.7	3.0	End of 2021
Working capital and general corporate purposes	2.3	14.3	14.3	14.3	14.3	–	N/A
	56.9	56.9	56.9	56.9	53.3	3.6	

As at 31 March 2021, the unutilised Net Proceeds were placed in licensed banks in Hong Kong.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Chong Sik (莊碩先生) ("Mr. S Chong"), aged 53, is one of the co-founders of the Group and incorporated KNT Limited ("KNT") in February 1993. Mr. S Chong is currently the chairman, chief executive officer and executive Director. He is also a director of KNT Group Limited ("KNTGL"), KNT International Holdings Limited ("KNT Int'l"), MyStyle Limited ("MyStyle") (formerly known as KNT MyStyle Limited), KNT Global Trading Limited ("KNT Global") and the legal representative of Dongguan KNT E-commerce & Technology Company Limited* (東莞嘉藝電商貿易有限公司). He was appointed as a Director on 5 July 2016 and re-designated as an executive Director on 23 April 2018. He is the younger brother of Mr. Chong Pun ("Mr. P Chong"). He is primarily responsible for the Group's overall strategic planning, corporate management and business development.

Mr. S Chong was awarded the Professional Diploma in Diagnostic Radiography from the Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic) in November 1991. He commenced his start-up business in 1993 by incorporating KNT together with Mr. P Chong and since then has accumulated over 25 years of experience in bridal wear and special occasion dresses business.

In January 2003, Mr. S Chong further established Dong Guan HYG Garment Limited Company* (東莞泓藝製衣有限公司) ("HYG") together with Mr. P Chong to meet the business expansion needs and develop a design and manufacturing capacity with a view to provide one-stop solutions to our customers.

Mr. S Chong is currently a member of Chinese People's Political Consultative Conference ("CPPCC") Yunfu Committee, a member of standing committee of CPPCC Yunfu Committee, a president of The Friendship Liaison Association of the CPPCC Hong Kong Members of Yunfu City Limited and a council member of Yunfu Public Diplomacy Association.

Mr. Chong Pun (莊斌先生), aged 56, is an executive Director and one of the co-founders of the Group. He was appointed as a Director on 9 August 2016 and re-designated as an executive Director on 23 April 2018. Mr. P Chong is the elder brother of Mr. S Chong. He is also a director of KNTGL, KNT Int'l, MyStyle, KNT Global and the legal representative of HYG. He is responsible for the overall management of the Group's operations, general administration and compliance matters in China.

Mr. P Chong received secondary school education in China and graduated in 1978. During the period from 1983 to 1992, he worked as a factory manager in Florist Trading Company (H.K.) Limited, of which the principal business is manufacturing of festival decorative products. He set up KNT together with Mr. S Chong in February 1993 and has been a director of KNT since April 1993. In January 2003, Mr. P Chong, together with Mr. S Chong, established HYG to meet the business expansion needs and since then has been the legal representative of HYG. He possesses over 25 years of experience in the bridal wear and special occasion dresses business.

Mr. Lam Chi Yuen (林志遠先生), aged 47, is an executive Director and the chief operating officer of the Group. He was appointed as an executive Director on 23 April 2018. He is responsible for overseeing the daily operation of the Group, including but not limited to procurement, production, shipping and marketing.

Mr. Lam was awarded a Bachelor of Arts degree with second class honours in Clothing Studies from the Hong Kong Polytechnic University in November 1996. He joined the Group in July 1996 as junior merchandiser. He was promoted as senior merchandiser in April 2003 and was further promoted as merchandising manager in July 2007. He was subsequently promoted as the chief operating officer in April 2017. Mr. Lam possesses over 20 years of experience in the bridal wear and special occasion dresses business.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(CONTINUED)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Martin Oh Man (梁傲文先生), aged 40, was appointed as an independent non-executive Director on 31 January 2019. Mr. Leung graduated from the University of Toronto with a Bachelor of Commerce degree in November 2002. He was admitted as a certified public accountant of the Hong Kong Institute of Certified Public Accountants ("HKICPA") in July 2006 and a member of the Hong Kong Institute of Surveyors in January 2014. He is currently registered as a certified public accountant (practising) of HKICPA.

Mr. Leung has over 15 years of experience in the field of financing, financial management, accounting, auditing and valuation. He worked with Deloitte Touche Tohmatsu from March 2003 to March 2011, where he was principally responsible for audit related matters and was also engaged with accounting and taxation related matters. He is currently serving as the general manager of TL Property Consultants International Limited responsible for making and execution of the company's strategy and management of human resources and daily operation.

Mr. Leung has been serving as an independent non-executive director of Global Strategic Group Limited (a company listed on the GEM of the Stock Exchange, stock code: 8007) since October 2014. He also is serving various social responsibilities, including member of the CPPCC of Xuhui District of Shanghai, fellow member of the professionals committee of Shanghai Chinese Overseas Friendship Association, founding member of the Hong Kong Professionals and Senior Executives Association and director of the International Nature Loving Association Limited.

Mr. Lau Koong Yep (劉冠業先生), aged 44, was appointed as an independent non-executive Director on 31 January 2019. Mr. Lau was awarded a Bachelor of Business Administration degree in Quantitative Analysis for Business Student (minoring Finance) from the City University of Hong Kong in July 1999. He was in the direct selling and social commerce industry for over 16 years. Mr. Lau currently works with Viiva, LLC and serves as the chief executive officer. He worked with Lotus Wellness Limited* (荷康人體博物館管理服務(馬鞍山)有限公司) from June 2020 to June 2021 with his last position as the chief executive officer. He worked with Jason Pharmaceuticals Inc., a wholly owned subsidiary of Medifast, Inc. (a company listed in the New York Stock Exchange with stock code: MED) from October 2018 to June 2020 with his last position as the market vice president of business development for Asia Pacific. He worked with WeMedia Shopping Network Technology Co. Limited ("WeMedia") from February 2017 to October 2017 with his last position as the chief operating officer. Before Mr. Lau joined WeMedia, he worked with NU SKIN Enterprises Hong Kong, LLC from June 2012 to December 2016 with his last position as a vice president, executive partners Greater China. He also worked with USANA Hong Kong Limited from 2011 to 2012, Market Hong Kong Limited from 2007 to 2010 and Herbalife International of Hong Kong Limited from 2001 to 2004.

Mr. Lau is also dedicated to various social responsibilities. He is currently a member of the National Committee of the CPPCC of Guilin and a director of the Hong Kong Shanxi Chamber of Commerce.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(CONTINUED)*

Mr. Yuen King Sum (袁景森先生), aged 57, was appointed as an independent non-executive Director on 31 January 2019. Mr. Yuen graduated from Hang Seng School of Commerce (now known as The Hang Seng University of Hong Kong) with a Diploma in Business Studies in July 1984. He was admitted as a Fellow of Life Management Institute in 1987.

Mr. Yuen has over 30 years of experience in the operation, marketing and management of insurance companies. He worked with Hong Kong Family Insurance Co., Ltd as an administrative assistant from August 1984 to July 1987, and subsequently worked with the American International Underwriters, Limited (now known as AIG Insurance Hong Kong Limited) from November 1987 to March 2010 as an insurance agent. Since July 2010, Mr. Yuen has been working with Finexis Advisory (HK) Limited and is presently holding the position as chief agency officer.

Mr. Yuen has been serving as an adjunct lecturer of Executive Development Centre of The Hang Sang University of Hong Kong since September 2017.

Mr. Lau Kwok Fan (劉國勳先生), aged 40, was appointed as an independent non-executive Director on 31 January 2019. Mr. Lau was awarded a Bachelor of Arts degree in Public Administration and Management from De Montfort University in June 2006 and a Master of Arts degree in Sociology from the Chinese University of Hong Kong in December 2010.

Mr. Lau is currently a member of the Legislative Council of Hong Kong. In February 2018 he was appointed by the Chief Executive of Hong Kong as a member of the Betting and Lotteries Commission. Mr. Lau serves as a member of the university council of the Chinese University of Hong Kong. Meanwhile, he is a board member of Hong Kong Cyberport Management Company Limited. Mr. Lau is also a member of the Beijing Committee of the CPPCC and a member of the Jiangmen Committee of the CPPCC.

SENIOR MANAGEMENT

Ms. Chan Nga Chun (陳雅珍女士), aged 42, is the chief financial officer and company secretary. Ms. Chan joined the Group in June 2017 as the chief financial officer and was further appointed as the Company's company secretary on 23 April 2018, and is responsible for the overall accounting, financial management and reporting, and company secretarial matters of the Group.

Ms. Chan obtained a bachelor's degree in accountancy from The Hong Kong Polytechnic University in November 2001. She is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Ms. Chan has over 15 years of experience in accounting and auditing. Ms. Chan worked at various accounting firms in the audit department during August 2001 to December 2004. From January 2005 to August 2008, Ms. Chan worked at Deloitte Touche Tohmatsu and her last position was a senior in the audit department. From January 2009 to May 2013 and January 2014 to December 2016, Ms. Chan worked at SHINEWING (HK) CPA Limited and her last position was a senior audit manager.

The English translation of terms or names in Chinese which are marked with "" is for identification purposes only. In the events of any inconsistency, the Chinese terms or names shall prevail.*

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "Directors") of the Company (the "Board") is pleased to report to the shareholders on the corporate governance of the Company for the year ended 31 March 2021 (the "Reporting Period").

CORPORATE GOVERNANCE PRACTICES

The Board of the Company is committed to maintaining good corporate governance standards.

The Board believes that good corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") as the basis of the Company's corporate governance practices.

The Board is of the view that throughout the Reporting Period, the Company has complied with the code provisions as set out in the CG Code, except for code provision A.2.1 (the details of which are set forth below).

DIRECTORS' SECURITIES TRANSACTIONS

The Company has devised its own Code of Ethics and Securities Transactions (the "Code of Ethics") regarding dealings in the Company's securities by directors and the relevant employees who are likely to be in possession of inside information of the Company on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Code of Ethics throughout the Reporting Period.

No incident of non-compliance of the Code of Ethics by the employees was noted by the Company.

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board Composition

The Board of the Company currently comprises the following Directors:

Executive Directors

Mr. Chong Sik *(Chairman, Chief Executive Officer)*
Mr. Chong Pun
Mr. Lam Chi Yuen

Independent Non-executive Directors

Mr. Leung Martin Oh Man
Mr. Lau Koong Yep
Mr. Yuen King Sum
Mr. Lau Kwok Fan

The biographical information (including age, positions held with the Company, experience, length of service, etc.) of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 11 to 13 of the Annual Report for the year ended 31 March 2021.

The relationships between the Directors are disclosed in the respective Director's biography under the section "Biographical Details of Directors and Senior Management" on page 11 to 13.

Board Meetings and Directors' Attendance Records

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors. Notice of at least 14 days was given to all Directors for all regular Board meetings and a formal agenda was address to the Directors together with the notice.

Board minutes are kept by the company secretary of the Company (the "Company Secretary") and are open for inspection by the Directors. Every Board member is entitled to have access to Board papers and related materials and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required.

The attendance records of each Director at the Board meetings and the general meeting of the Company held during the Reporting Period is set out below:

	Attendance/ Number of Meetings	
Name of Directors	**Board Meetings**	**Annual General Meeting**
Executive Directors		
Mr. Chong Sik *(Chairman, Chief Executive Officer)*	9/9	1/1
Mr. Chong Pun	9/9	1/1
Mr. Lam Chi Yuen	9/9	1/1
Independent Non-executive Directors		
Mr. Leung Martin Oh Man	9/9	1/1
Mr. Lau Koong Yep	9/9	1/1
Mr. Yuen King Sum	9/9	1/1
Mr. Lau Kwok Fan	9/9	1/1

Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

The Chairman and Chief Executive Officer of the Company are held by Mr. Chong Sik who is one of the co-founders of the Group and has extensive experience in the industry.

The Board believes that Mr. Chong Sik can provide the Company with strong and consistent leadership that allows for effective and efficient planning and implementation of business decisions and strategies.

The Board is of the view that given that Mr. Chong Sik had been responsible for leading the strategic planning and business development of the Group, the arrangement would allow for effective and efficient planning and implementation of business decisions and strategies under the strong and consistent leadership, and should be overall beneficial to the management and development of the Group's business.

Independent Non-executive Directors

During the Reporting Period, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the Independent Non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-executive Directors are independent.

Appointment and Re-election of Directors

The Independent Non-executive Directors of the Company are appointed for a specific term of three years, subject to renewal after the expiry of the current term.

All the Directors of the Company are subject to retirement by rotation and re-election at the annual general meetings. Under the Articles of Association of the Company, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Company's Articles of Association also provides that all Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment. The retiring Directors shall be eligible for re-election.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The Independent Non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate.

The training records of the Directors for the year ended 31 March 2021 are summarized as follows:

Name of Directors	**Attending Internally-facilitated Briefings or Training, Attending seminars, Reading materials**
Executive Directors	
Mr. Chong Sik *(Chairman, Chief Executive Officer)*	✓
Mr. Chong Pun	✓
Mr. Lam Chi Yuen	✓
Independent Non-executive Directors	
Mr. Leung Martin Oh Man	✓
Mr. Lau Koong Yep	✓
Mr. Yuen King Sum	✓
Mr. Lau Kwok Fan	✓

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

The list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2.

Audit Committee

The Audit Committee consists of four Independent Non-executive Directors, namely Mr. Leung Martin Oh Man, Mr. Lau Koong Yep, Mr. Yuen King Sum and Mr. Lau Kwok Fan. Mr. Leung Martin Oh Man is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The responsibility of the Audit Committee is to assist the Board in fulfilling its audit duties through the review and supervision of the Company's financial reporting system and internal control procedures; and in reviewing the design and operational adequacy and effectiveness of the Company's risk management and internal control systems and the monitoring results. The Audit Committee shall have the following responsibilities and powers:

1. Relationship with the Company's auditor;

2. Review of the Company's financial information; and

3. Oversight of the Company's financial reporting system, risk management and internal control systems.

The Audit Committee held four meetings to review, the annual results and annual report for the year ended 31 March 2020 and the interim financial results and reports for the six months ended 30 September 2020, major audit findings and significant issues on the financial reporting, the effectiveness of the risk management and internal control systems and re-appointment of auditors of the Company.

The attendance record of the members of the Audit Committee are as follows:

Name of Members of the Audit Committee	Attendance/ Number of Meetings
Mr. Leung Martin Oh Man *(Chairman)*	4/4
Mr. Lau Koong Yep	4/4
Mr. Yuen King Sum	4/4
Mr. Lau Kwok Fan	4/4

Remuneration Committee

The Remuneration Committee consists of four Independent Non-executive Directors, namely Mr. Lau Koong Yep, Mr. Yuen King Sum, Mr. Leung Martin Oh Man and Mr. Lau Kwok Fan. Mr. Lau Koong Yep is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The duties and power of the Remuneration Committee include:

1. to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

2. to make recommendations to the Board on the remuneration packages of all individual Executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board on the remuneration of Non-executive Directors of the Company. The Remuneration Committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, and employment conditions elsewhere in the Group and desirability of performance-based remuneration;

3. to review and approve the management's performance-based remuneration proposals with reference to the Board's corporate goals and objectives from time to time;

4. to review and approve compensation payable to Executive Directors and senior management of the Company for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

5. to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with the relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;

6. to ensure that no Director of the Company or any of his/her associates is involved in deciding his/her own remuneration;

7. to advise shareholders on how to vote with respect to any service contracts of Directors that require shareholders' approval under the Listing Rules; and

8. to accommodate a model where the Remuneration Committee performs an advisory role to the Board, with the Board retaining the final authority to approve Executive Directors' and senior management's remuneration.

The Remuneration Committee held two meetings for the years ended 31 March 2021 and 31 March 2022 to review and make recommendation to the Board on the remuneration policy and structure of the Company and the remuneration packages of the Directors and senior management and other related matters.

The attendance record of the members of the Remuneration Committee are as follows:

Name of Members of the Remuneration Committee	**Attendance/ Number of Meetings**
Mr. Lau Koong Yep *(Chairman)*	2/2
Mr. Yuen King Sum	2/2
Mr. Leung Martin Oh Man	2/2
Mr. Lau Kwok Fan	2/2

The remuneration of the Directors and the senior management by band for the year ended 31 March 2021 is set out below:

Annual Income	**Number of Persons**
Nil to HK$1,000,000	5
HK$1,000,001 to HK$1,500,000	2
HK$1,500,001 to HK$2,000,000	1

Nomination Committee

The Nomination Committee consists of one Executive Director, namely Mr. Chong Sik and four Independent Non-executive Directors, namely Mr. Lau Koong Yep, Mr. Lau Kwok Fan, Mr. Leung Martin Oh Man and Mr. Yuen King Sum. Mr. Chong Sik is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The duties and power of the Nomination Committee include:

1. to review the structure, size and diversity (including without limitation, gender, age, culture and educational background, skills, knowledge and professional experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

2. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships in identifying suitable candidates, the Nomination Committee shall consider candidates on merits and objective criteria, with due regard to the Diversity Policy (as defined below);

3. to assess the independence of INEDs;

4. to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors of the Company, in particular the chairman of the Board and the Chief Executive Officer of the Company; and

5. to develop and review the policy of the Board on diversity (the "Board Diversity Policy") and to make disclosure on the Board Diversity Policy in Company's annual report.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The Nomination Committee meeting held one meeting for the year ended 31 March 2021 to assess the independence of the Independent Non-executive Directors, to consider and recommend to the Board on the re-election of directors and to review the structure, size and composition of the Board. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

Name of Members of the Nomination Committee	**Attendance/ Number of Meetings**
Mr. Chong Sik *(Chairman)*	1/1
Mr. Lau Koong Yep	1/1
Mr. Lau Kwok Fan	1/1
Mr. Leung Martin Oh Man	1/1
Mr. Yuen King Sum	1/1

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board to enhance corporate governance and the Board effectiveness.

Pursuant to the Board Diversity Policy, selection of candidates will be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, language, cultural and educational background, ethnicity, professional experience, skills, knowledge, industry experience and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee will report annually on the Board's composition under diversified perspectives, any measurable objects that it has set for implementing the Board Diversity Policy and progress on achieving those objectives, and monitor the implementation of the Board Diversity Policy. To ensure the effectiveness of the Board Diversity Policy, the Nomination Committee will review the Board Diversity Policy and the measurable objectives from time to time and at least annually to ensure its continued effectiveness. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

At present, the Nomination Committee considered that the Board is sufficiently diverse.

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a director nomination policy (the "Director Nomination Policy") which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy;
- Any measurable objectives adopted for achieving diversity on the Board;
- Requirement for the Board to have independent directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules;
- Any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;
- Willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company; and
- Such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code. During the year, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Code of Ethics, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

RISK MANAGEMENT AND INTERNAL CONTROLS

The main features of the risk management and internal control systems are to provide a clear governance structure, policies and procedures, as well as reporting mechanism to facilitate the Group to manage it risks across business operations.

The Group has established a risk management framework, which consists of the Board, the Audit Committee and the Risk Management Taskforce. The Board determines the nature and extent of risks that shall be taken in achieving the Group's strategic objectives, and has the overall responsibility for monitoring the design, implementation and the overall effectiveness of risk management and internal control systems.

The Group has formulated and adopted Risk Management Policy in providing direction in identifying, evaluating and managing significant risks. At least on an annual basis, the Risk Management Taskforce identifies risks that would adversely affect the achievement of the Group's objectives, and assesses and prioritizes the identified risks according to a set of standard criteria. Risk mitigation plans and risk owners are then established for those risks considered to be significant.

In addition, the Group has engaged an independent professional firm to assist the Board and the Audit Committee in ongoing monitoring of the risk management and internal control systems of the Group. Deficiencies in the design and implementation of internal controls are identified and recommendations are proposed for improvement. Significant internal control deficiencies are reported to the Audit Committee and the Board on a timely basis to ensure prompt remediation actions are taken.

Risk management report and internal control report are submitted to the Audit Committee and the Board at least once a year. The Board had performed annual review on the effectiveness of the Group's risk management and internal control systems, including but not limited to the financial, operational and compliance controls for the year ended 31 March 2021. The Board considers the Group's risk management and internal control systems are effective. The annual review also covered the financial reporting and internal audit function.

The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group complies with requirements of Securities & Futures Ordinance ("SFO") and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the Safe Harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 March 2021.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 62 to 67.

AUDITOR'S REMUNERATION

An analysis of the remuneration paid to the external auditor of the Company, Deloitte Touche Tohmatsu, in respect of audit services for the year ended 31 March 2021 is set out below:

Service Category	**Fees Paid/ Payable** HK$'000
Audit services	1,000
Non-audit services (professional fees for tax, internal control, risk management and environmental, social and governance)	210
	1,210

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 62 to 67.

COMPANY SECRETARY

The Company Secretary is Ms. Chan Nga Chun, who fulfils the qualification requirements laid down in the Listing Rules. Biographical details of Ms. Chan Nga Chun are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report. During the year ended 31 March 2021, Ms. Chan Nga Chun has taken not less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS

The Company engages with shareholders through various communication channels.

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting

Pursuant to Articles 58 of the Company's Articles of Association, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Proposals at General Meetings

There is no provision allowing shareholders to move new resolutions at general meetings under the Cayman Islands Companies Law or the Articles of Association of the Company. Members who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

Putting Forward Enquiries to the Board

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.

Contact Details

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

Address: 30th Floor, EW International Tower, No. 120 Texaco Road, Tsuen Wan, New Territories, Hong Kong (For the attention of the Company Secretary)

Email: info@knt.com.hk

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, apart from the registered office of the Company, 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 3655-9688 for any assistance.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company is endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

During the year under review, the Company has not made any changes to its Articles of Association. An up to date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

Policies relating to Shareholders and Dividend Policy

The Company has in place a Shareholders' Communication Policy to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

The Company has adopted a dividend policy (the "Dividend Policy") on payment of dividends. The Company do not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the shareholders' approval.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

This is the third Environmental, Social and Governance ("ESG") report (the "Report") published by KNT Holdings Limited (HKEx stock code: 1025, together with its subsidiaries as "KNT", the "Group" or "We"). This Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide ("HKEx ESG Reporting Guide") contained in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

This Report aims to communicate with all stakeholders of the Group on our sustainable development visions and missions, policies and performance, as well as commitments and goals in relation to the Group's environmental and social aspects. The Group strives to continuously improve our reporting methodology, the accuracy of data disclosure and the transparency of our ESG performances in the future published reports.

Unless otherwise specified, this Report covers the Group's sales and manufacturing of high quality bridesmaid dresses, bridal gowns and special occasion dresses to brand apparel companies based mainly in the U.S. from April 1, 2020 to March 31, 2021 (the "Reporting Period"), covering mainly offices and manufacturing sites in Hong Kong, Shenzhen and Dongguan, China.

We welcome and value any feedback on this Report as we see them as driver to improvement. Please contact us at ir@knt.com.hk for comments or suggestions.

For further information on the Group's financial performances and corporate governance, please refer to the Group's Annual Report.

OUR ESG COMMITMENT

The Group not only commits to maintaining compliance with all relevant laws and regulations, but has also been continuously advocating the integration of sustainability into business practices and engaging our stakeholders to operate responsibly in regards of the environmental, social and economic perspectives.

In addition, cooperation and support from all of our employees are essential to fulfil our ESG commitment. They play a key role in ensuring the Group's sustainability initiatives being thoroughly implemented through the daily operations among all business practices. Therefore, the Group will continue to enhance our employees' awareness on environmental and social issues, from production activities to daily office operations.

We aim to enhance the positive impacts we are making on the environment and the communities, provide responsible products and excellent services to our customers, and fulfil our environmental and social responsibilities through creating a strong and sustainable community.

ESG GOVERNANCE

The Group has established the ESG committee during the Reporting Period, which includes the participation of the Board, senior management, managers and employees. Their dedicated roles and responsibilities are listed as below:

ESG Committee structure	Roles and responsibilities
Chairman, Executive Directors and Chief Operating Officer	• Evaluate and determine ESG-related risks and opportunities • Oversee and ensure that appropriate and effective ESG risk identification, management and internal control systems are in place • Actively engage in formulating and implementing the Group's ESG management approach, strategy, priorities and objectives • Review the Group's performance on ESG matters periodically • Approve disclosures in the Group's ESG report
Chief Financial Officer	• Responsible for developing and reviewing sustainable development strategies across the Group's operations, as well as reporting progress to the Board • Promote approved ESG measures in accordance with the strategic direction set by the Board • Organize department discussions and analysis on issues relating to ESG • Organize green activities for employees as sustainable and CSR education • ESG report review and approval
Managers, the Administrative Department	• Implement sustainable measures throughout daily operations • Monitor energy and resources consumption • Monitor occupational health and safety management • Community outreach work • Department-based ESG data collection • Communicate ESG data with other departments' ESG working groups

The ESG Committee conducts an official meeting once every six months to ensure the ESG measures are implemented properly and within a dedicated timeline. If necessary, the ESG Committee will engage external sustainability experts to provide professional opinions to further enhance the Group's ESG performance.

STAKEHOLDER ENGAGEMENT

The Group values the interests and needs of our stakeholders to develop the most suitable strategies that balance the benefits of the Group as well as the expectations of our stakeholders. To maintain efficient and regular communication with our stakeholders, particularly the ones that are directly involved in our daily operations, the Group has established multiple channels to share the latest information of the Group, understand their priorities and expectations, and to receive feedbacks in a timely manner.

In the future, the Group will continue to actively engage our stakeholders through maintaining and improving effective methods of communication.

Stakeholder	Methods of communication
Shareholders and Investors	• Annual and interim reports • Annual meetings • Press releases and announcements
Employees	• Company events • Meetings and conferences • Performance appraisals
Suppliers	• Personal contacts • Quality reviews
Contractors	• Personal contacts • Quality reviews • Safety training
Community	• Charity events • Sponsorships • Volunteer activities
Customers	• Compliance check • Personal contacts • Website and social media
Media	• Annual meetings • Interviews • Press releases
Government	• Public consultations

MATERIALITY ASSESSMENT

To assist the Board in understanding and identifying the internal and external sustainability issues the Group could be facing during the Reporting Period, a materiality assessment has been conducted to assess the Group's sustainability risks, challenges and opportunities through different perspectives from our stakeholders. Our goal is to achieve a balance between opinions in regard to ESG matters that could impose significant impacts on our business and stakeholders.

During this Reporting Period, we have engaged internal as well as external stakeholders through questionnaires to assess the importance of various sustainability topics in order for the Board and senior management to establish the most suitable sustainability strategies.

The materiality assessment criteria was set up based on analysing the Group's current operations, referencing to the current reporting standards, and benchmarking within the industry. It was also important to include aspects including environmental, social, operational, and community investment.

The results and feedbacks of the materiality assessment were communicated in depth throughout all levels of our ESG governance framework. The summary of the assessment is outlined in the table below:

Material aspects		
	Social	**Environment**
Highly important	• Communication with employees • Occupational health and safety • Employee training and development • Diversity and equal opportunities • The Group's COVID-19 measures • Supply chain management • Product responsibility • Staff recruitment and dismissal • Employee remuneration, welfare and benefits • Child and forced labour prevention • Customer service quality • Customer data protection • Anti-corruption	• Packaging material usage • Energy and water consumption and efficiency • Wastewater discharge • Climate change and greenhouse gas emissions • Hazardous waste
Important	• Community investment	• Air emissions • Non-hazardous waste

EMPLOYMENT

Without the dedication and support from our management and staff, the Group would not be able to continue our growth and development. We are committed to providing a healthy and safe working environment for the wellbeing of our employees, and help uplift our productivity.

To realise the potential of our employees, we are dedicated to creating a pleasant, safe, motivated and respectful workplace environment, and to support their continuous growth and development. We believe that developing and maximizing our employees' potential is the key to sustain our successive business growth, and simultaneously enhance the job satisfaction of our employees. We will continue to invest and provide opportunities for our employees to learn and develop through a series of training and focus on broadening their knowledge, skills and organizational capabilities.

In addition to career growth, the Group has developed strict policies to make sure all employees are treated fairly. Through continuous education, we aim to educate all of our employees to embrace diversity among themselves, and to create an inclusive and supportive working environment for all.

During the Reporting Period, the Group has complied with all relevant labour laws and regulations as set out by local labour departments, including but not limited to the Employment Ordinance, Employees' Compensation Ordinance and Minimum Wage Ordinance of Hong Kong, as well as the Labour Law, the Labour Contract Law, the Trade Union Law, the Social Insurance Law, and the Law of the People's Republic of China ("PRC") on the Protection of Rights and Interests of Women, no cases of violation were identified.

Recruitment and dismissal

The Group has developed a set of internal Human Resources policy to govern the recruitment, dismissal, promotion, discipline, working hours, leaves and other benefits of our employees, in accordance with the relevant laws and regulations.

Meanwhile, our Group respects cultural and individual diversity. We believe that no one should be treated less favourably based on their personal characteristics such as gender, pregnancy, marital status, disability, family status, and race. We open equal employment and career development opportunities to all qualified employees and strictly prohibit any form of discrimination in workplace. During the recruitment process, we strive to ensure that every qualified candidate is provided with objective, fair and transparent assessments and that the job position is awarded to the candidate with the most suitable qualification. Furthermore, employees are encouraged to report any discrimination case to management with private channels if they find anyone being treated unfairly or unfavourably.

As at 31 March 2021, the total headcount of the Group was 295. The details of our workforce as at the end of the Reporting Period are as below:

	Hong Kong		**Mainland China**	
	31 March 2021	**31 March 2020**	**31 March 2021**	**31 March 2020**
Gender				
Male	8	7	121	148
Female	11	12	155	210
Employment level				
Management	8	8	3	3
Administrative	11	11	102	130
Production	0	0	171	225
Age				
25 or below	2	0	10	30
26-29	1	1	24	35
30-39	2	3	68	100
40-49	8	8	105	125
50 and above	6	7	69	68
Total	19	19	276	358

Remuneration, welfare and benefits

The Group values the rights of employees and hopes to improve work satisfaction in all employment levels. We have established an employee handbook to document all human resources related policies, including compensation and welfare, dismissal procedures, working hours and rest periods. To improve the living standard of our employees, we also offer numerous basic benefits including mandatory provident fund, medical insurance, as well as long service awards, and special allowances. The Group understands that the success of our business depends on our employees and their contributions, thus we continue to keep an open dialogue and engage our employees in regular communications in ways they feel respected and confident that their voices would be heard and acknowledged within workplace.

To retain our valued talents, the Group has provided a competitive remuneration package that is no lower than local minimum wage. All employees are also entitled to medical insurance, allowances and compensations. We also continue to work towards strengthening employee welfare such as annual performance review to properly determine their compensation packages and benefits with reference to the market standard. A wide range of benefits including comprehensive medical insurance, and mandatory provident fund are also provided to employees. We also place heavy emphasis on training and development opportunities as well as social activities to all our employees in order to promote work-life balance amongst employees.

LABOUR STANDARDS

Respecting human rights is considered one of the most important foundation of a successful business. The Group values human rights protection and believes that no one should be forced to work by any means, such as physical abuse, detention, trafficking and any other unethical means. Hence, the Group strictly adheres to local labour policies and ensures that no child labour or forced labour is identified within our operations.

All employees are required to provide valid identification documents upon accepting the recruitment offer. Our management ensures that they sign their employment contracts voluntarily. Background checks are also performed on every candidate by our Human Resources Department during the recruitment process to ensure no child and forced labour are hired. If any child or forced labour is suspected, the case must be reported to management for immediate action.

During the Reporting Period, the Group has complied with all relevant labour laws and regulations as set out by local labour departments, including but not limited to the Employment Ordinance and Protection of Children and Juveniles Ordinance of Hong Kong, the Labour Law, the Law on the Protection of Minors, the Law on the Protection of Disabled Persons, the provisions of special labour protection of female employees and underage labourers under the Labour Law, and the Provisions on the Prohibition of Using Child Labour of the PRC. No cases of child or forced labour were identified within the Group. The Group will continue to work with internal departments and government authorities to strengthen the existing policies and measures to prevent all potential violations.

OCCUPATIONAL HEALTH AND SAFETY

The Group places occupational health and safety ("OHS") as a high priority and an important part of our business. Hence, we are committed to monitoring all OHS related risks and providing a healthy and safe working environment for our employees, as well as all other persons likely to be affected by our operations and activities. We believe that our employees are our key to a successful business and that a safe working environment would help improve work performance as well as benefits to our employees.

The Group strictly complies with all relevant occupational health and safety laws and regulations, including but not limited to the Occupational Safety and Health Ordinance of Hong Kong, the Production Safety Law, the Regulation on Work-Related Injury Insurances, the Social Insurance Law, and the Law of the PRC on the Prevention and Treatment of Occupational Diseases. In addition, the Group has also established a series of measures to maintain a safe workplace for all of our employees and to minimize any adverse impact on occupational health and safety from our business operations.

During the Reporting Period, there were no cases of major work-related injury or fatality case identified, and the Group has complied with all health and safety related laws and regulations, and no cases of violation were identified.

Safety measures

The Group requires that all personnel within the production and warehouse facilities take full precaution with appropriate safety requirement and standards that were previously communicated to all employees. Our goal is to control, eliminate OHS hazards, prevent occupational diseases, and to protect our employees.

For instance, production line workers are required to wear disposable face masks every shift when performing their work duties to protect them from inhaling air particles such as dust when handling fabrics. For production workers that handle laser technology, the Group has arranged to assess the potential effect of laser on their eyes and skin during the Reporting Period to ensure their health is not affected by their job duties.

During the Reporting Period, the Group has engaged a qualified external service provider to conduct an assessment on hazardous elements within our production facility in Mainland China that could lead to occupational diseases, to ensure the health and safety of employees. The scope of assessment included detectable air particles, noise and radiation emitted through machinery along the production line. The assessment results concluded that all of the tested elements were within acceptable standards and according to local government standards.

If any significant occupational disease or work-related injury is identified, Group will assist the affected employees to seek proper medical treatment, perform thorough investigation, and establish appropriate measures to avoid similar incident from happening. Our management is also responsible to report to local authority as required. In addition, investigations are to be conducted on all OHS accidents.

During the Reporting Period, there were no fatality or injury cases within the operations of the Group. Since the Group has started publishing the annual ESG reports, a zero fatality rate has been maintained.

The Group will continue to regularly maintain our protection equipment and facilities to improve the health and safety of the working environment especially for our production line workers to identify and prevent any potential occupational health and safety hazards. For instance, the Group will continue to maintain effective ventilation, to educate employees the correct way to use personal protective equipment, and to regularly update safety precaution signage for hazardous chemicals and issue reminder to wear appropriate personal protective equipment. All employees are encouraged to report any suspected workplace hazards to their supervisors or management directly for appropriate actions to be applied more timely.

COVID-19 measures

As the COVID-19 pandemic has affected both Mainland China and Hong Kong during the Reporting Period, the Group implemented various measures to ensure that all of our employees were well protected at workplace including ongoing communications of related information to our employees.

For our factory in Dongguan, we sanitized the entire facility before reopening. All production workers were given a log sheet to record their temperatures daily. Before entering the factory, all workers would need to spray their shoes with disinfectants, be recorded with their body temperatures and wash their hands. They were also provided with one face mask per person per day. Cardboard was also used as a partition between each seat in the factory canteen to minimize interactions among workers.

For our office in Hong Kong, all employees were required to spray their shoes before entering the office. We also set up a sanitizer dispenser at the reception area and gave out face masks in bulk to our employees. All employees within our factory and office areas were required to wear face mask at all times to reduce the risk of spreading any virus. In addition, employees were required to have their temperatures taken upon entering the building as instructed by the building management office. They were also required to wear facemasks properly and maintain appropriate social distance with others inside the office building at all times, as well as to maintain hand hygiene regularly to protect themselves and others from the virus. Employees who were unwell were recommended to refrain from work and seek medical advice.

Safety training

As one of our management approaches to promoting OHS awareness is through education for employees, the Group aims to increase the total number of OHS training sessions and training hours for production workers through establishing a yearly training plan. The types of training include relevant health and safety regulation compliance, first aid training, handling of chemicals, as well as the operation of fire safety equipment within factory and dormitory areas.

During the Reporting Period, a factory wide fire drill was arranged and conducted for workers to learn how to operate fire safety equipment as well as to enhance their awareness on fire safety. This fire drill was not announced in advance to assess the ability of workers on handling emergency situations. The Group will continue to enhance safety education and raise awareness among workers.

In addition, specific safety training sessions that target new workers and special equipment operators were also conducted. For instance, new workers were required to attend a session on fire safety prevention, compliance and risk control prior to their first day of work, with a departmental safety training once they started, and followed by a more detailed training tailored to their everyday tasks. As for special equipment operators, the Group would arrange an external training necessary for them to renew their licenses.

TRAINING AND DEVELOPMENT

In addition to health and safety related trainings, the Group also values career, ethics and integrity training for our employees. It is our responsibility to ensure all our employees have been communicated with the Group's internal strategies and policies.

A series of training programme including in-house training, regular sharing sessions and on-the-job coaching are provided to our employees on a regular basis to ensure they are equipped with the necessary skills to perform their tasks with optimum efficiency. During the Reporting Period, a series of training sessions about our production process was provided to enhance the operational skills and efficiency of our production line workers. For machines that require specific skillsets, the Group sends the responsible employees to attend professional external trainings to properly operate our machines, and to also avoid any unnecessary work injuries that would put our employees at risk.

We believe that adequate trainings could enhance our employees' competency in performing their jobs. The Group will continue to encourage and support all of our employees in personal and professional training to not only benefit the business operations of the Group, but also their personal and career growth.

During the Reporting Period, 100% of our employees participated in our training programme, and the percentage breakdown for trained employees in various categories were based on the total number of employees trained is demonstrated below:

By gender	**Male**	**Female**		**Total**
	43.7%	56.3%		100%
By employment level	**Management**	**Office**	**Production**	**Total**
	3.7%	38.3%	58.0%	100%
By location	**Hong Kong**	**Mainland China**		**Total**
	6.4%	93.6%		100%
By age group	**25 or below**	**26 – 29**	**30 – 39**	
	4.1%	8.5%	23.7%	
	40 – 49	**50 or above**		**Total**
	38.3%	25.4%		100%

With a total number of employees of 295 and the total number of training hours of 3,456 hours, the average training hours per employee accounted for is 11.7 hours. The table below shows the average training hours for employees in relevant categories based on the number of employees in that specified category:

By gender	**Male**	**Female**	
	14.4	9.6	
By employment level	**Management**	**Office**	**Production**
	3.1	7.3	15.2
By location	**Hong Kong**	**Mainland China**	
	1.4	12.4	
By age group	**25 or below**	**26 – 29**	**30 – 39**
	20.2	14.0	11.7
	40 – 49	**50 or above**	
	10.1	12.0	

SUPPLY CHAIN MANAGEMENT

Dedicated to adhering to industry standards, we strive to maintain an open and fair sourcing practice that includes environmental, social and economic aspects into considerations in order to maintain a sustainable supply chain. Through our supply chain management policy, the Group also requires the procurement team to take cost competitiveness in mind, in parallel with the sustainable and ethical practices of our supplier candidates to make sure that their operations are consistent with our principles and values.

To ensure the quality of our sourced materials, the Group has established a series of pre-engagement evaluation to assess the various aspects of suppliers, including the quality of raw materials, the efficiency of logistics, their compliance on legal and regulatory requirement, the health and safety of their workers, and labour standards. Therefore, our supplier management team is responsible to communicate our values and requirement on sustainable and ethical operations with our suppliers. Suppliers are then monitored closely in order for our Group to operate in a fair, equitable, transparent and competitive manner. If any non-compliance is identified in our suppliers, we will immediately remove them from our supplier list. In the near future, we will investigate the possibility to include international verifications as one of the supplier assessment criteria to maintain consistency in supplier standards, as well as the well-being of their workers.

In addition, the Group devotes to maintaining excellent relationships with our suppliers through constant communications, transparent transactions and compliance. To satisfy our business needs and contribute to our competitive advantage through our green procurement processes, we seek to continuously improve our product quality with responsible purchasing and the using of environmentally preferable materials and products that possess less adverse impact on our environment.

PRODUCT RESPONSIBILITY

Over the years, the Group has built excellent reputation and gained customers' recognition from our dedication to provide our customers with one-stop solutions and consistently high quality products. Our commitment to customer service quality enabled us to maintain our market position as one of the leading manufacturers in Mainland China. We value all opinions and feedbacks from our customers as they drive our continuous product development and service quality, as well as to maintain our trusting relationships. While customer satisfaction is the Group's material concern, the Group also adheres to various international standards and local government regulations in all of our operations, production and quality management activities.

Quality assurance

Product and service quality are of utmost importance to the Group. The Group emphasizes the importance of the quality control of our sourcing practices, production line, post-sales services, and defines our high standard on product quality and customer satisfaction.

The Group conducts quality inspections of raw materials delivered by our suppliers to ensure that their quality meets our standards. We also have stringent criteria in monitoring the production process and carry out quality inspection of our finished products to identify any defects and to ensure all products comply with local government regulations as well as our customers' expectations. We have also developed a standard complaint handling policy, and are committed to resolving the issues raised by customers timely.

The Group has also complied with product quality and service related laws and international standards, including but not limited to the Product Quality Law, Tort Law, and the Law of the PRC on the Protection of Consumer Rights and Interests, as well as the General Principles of the Civil Law of the PRC. Fraud, misleading, cheating, or any acts that destroy customer confidence or infringe customer rights are strictly prohibited. During the Reporting Period, there has not been any recall on any of our products, and no non-compliance cases of product quality and intellectual property right related laws and regulations were noted.

The Group will continue to provide professional and top-notch services to our customers and to strive to be the best within the industry. We will also continue to invest in innovation to meet our customers' ever-changing expectations, in order to maintain a strong and long-lasting relationship with our customers.

Customer data protection

The Group understands the importance of maintaining confidentiality of personal data, and we are committed to protecting our stakeholders' information with care. To ensure that customer privacy is well protected, the Group only collects personal data that we believe to be relevant and are required to conduct our business operations. Such collected personal data would only be used for the same purpose for which data are collected or for a directly related purpose only if consent is obtained.

All employees are trained to comply with the internal guidelines on the collection, processing, retention and disposal of personal data, and are obliged to follow our code of conduct to protect confidential information. No one is allowed to transfer or disclose any personal data to any entity that is not a member of the Group without consent unless it is required by law or it was previously notified. Except dedicated personnel, other employees do not have access to information that is irrelevant to their job responsibilities.

During the Reporting Period, the Group has complied with laws and regulations related to data privacy and other product responsibility related matters including the Personal Data (Privacy) Ordinance in Hong Kong and was not aware of any non-compliance cases related to the breaches of personal privacy.

ANTI-CORRUPTION

Integrity, honesty and fairness have always been part of the main components of our business management and the Group takes all measures necessary to avoid the breach of any code of conduct, as well as local laws and regulations. The Group enforces strict ethics and integrity policies not only on our employees, but also on all of our communications and transactions with our business partners.

The Group has a zero tolerance policy against all bribery, extortion, fraud, and money laundering. We have established a Staff Code of Conduct and we require our employees to strictly follow the guidelines.

In addition, we have established a whistle-blowing channel as a private communication channel for our employees to report suspicious fraudulent actions to the Group's management directly. Ongoing review of the effectiveness of the internal control systems is also conducted on a regular basis to prevent any occurrence of corruption activities. If any suspected case is reported or identified, the Group will conduct further investigation and if necessary, disciplinary and legal actions will be taken.

The Group has complied with all relevant laws and regulations, including but not limited to the Prevention of Bribery Ordinance of Hong Kong, the Criminal Law, the Criminal Procedure Law, the Interim Provisions on Banning Commercial Bribery, and the Anti-Money Laundering Law of the PRC. During the Reporting Period, there were no case of non-compliance noted by the Group on integrity-related laws and regulations.

ENVIRONMENT

As a clothing manufacturing company, the Group understands that our operations could bring adverse environmental impacts to our surrounding communities. Hence, we are always seeking ways to balance business growth and reduce environmental impacts. We understand that environmental issues could also lead to significant risks to our business, hence, we strive to minimize adverse impacts on the environment and maximize resources efficiency in our operations. We encourage our employees to participate in environmental protection and energy conservation through promoting concepts of green office throughout operations and establishing initiatives.

Given our business nature of manufacturing and sales, air emission control, waste management as well as energy management are the core parts of our environmental strategies. We strive to comply with all relevant environmental laws and regulations including but are not limited to the Environmental Protection Law, the Atmospheric Pollution Prevention and Control Law, the Water Pollution Prevention and Control Law, the Integrated Emission Standard of Air Pollutants, the Directory of National Hazardous Wastes, the Measures for the Disclosure of Environmental Information by Enterprises and Public Institutions, and the Environmental Impact Assessment Law of the PRC. During the Reporting Period, there were no case of non-compliance noted by the Group on environment-related laws and regulations.

Due to the COVID-19 pandemic, the Group noted increases in some air emissions and carbon emission intensity. This is due to the travel restrictions and revenue loss, among other COVID-19 related measures that the Group made adjustments to. The Group will continue to refine our environmental policies and establish appropriate prevention as well as mitigation strategies to help mitigate the changing climate.

Emissions

Due to our business nature as a manufacturer, the Group has produced the following direct air emissions[1] by our factory-owned vehicles during the Reporting Period. The emissions of nitrogen oxides and particulate matter increased during this Reporting Period. This is due to the expansion of business in Shenzhen and thus the increased regular domestic travelling between Dongguan and our newly established offices in Shenzhen, which in turn increased the total travel distance during the Reporting Period. On the other hand, the increased emissions are also due to the enhanced reporting mechanism the Group has adopted during the Reporting Period to demonstrate a more comprehensive calculation to our stakeholders.

	Year ended 31 March 2021	**Year ended 31 March 2020**
Nitrogen oxides (NO_x) in kg	33.0	23.1
Sulphur oxides (SO_x) in kg	0.1	0.1
Particulate Matter (PM) in kg	13.7	2.2

1 Calculation of air emissions including NO_x, SO_x and PM is based on the Reporting Guidance on Environmental KPIs published by Hong Kong Stock Exchange and the US Nonroad Diesel Engines Exhaust Emission Standards.

Moreover, our major greenhouse gas emissions sources are from the use of energy, namely, electricity at our production plant and offices. During the Reporting Period, the Group has produced the below greenhouse gas ("GHG") emissions[2] in tonnes of carbon dioxide equivalent ("tCO_2e") and emission intensity.

During the Reporting Period, the Group was affected by the COVID-19 pandemic in both internal operations and business performance. As a result, despite the reduced carbon emissions as shown in the table below, the total carbon emission intensity per million HKD revenue was noted a significant increase due to the year-on-year loss in revenue the Group experienced compared to the previous year.

	Year ended 31 March 2021	**Year ended 31 March 2020**
Scope 1 emission in tCO_2e	71.8	80.1
Scope 2 emission in tCO_2e	440.4	634.3
Total emission (scope 1 and 2) in tCO_2e	512.2	714.4
Intensity (tCO_2e per million HKD revenue)	8.2	4.2

During the Reporting Period, the Group has engaged an external professional institution to conduct an assessment based on the environmental impacts our operations might have imposed, such as noise, dust, laser and other potential chemical hazard in order to secure a safe and harmless working environment for our production line workers. All of our emission levels were within a safe range to the environment as well as human health based on the results of the assessment, however, as a responsible employer and producer, the Group will continue to closely monitor our emission levels from our factory operations to ensure the least possible adverse impacts onto the surrounding environment and our workers, and will continue to reduce our carbon footprints.

Hazardous and non-hazardous waste

The Group upholds the principles of waste management and is committed to the proper handling and disposal of all wastes generated. All waste handling practices shall comply with the relevant laws and shall have no harmful effect on the environment and human health.

Due to the nature of business, the Group did not generate any significant amount of hazardous waste during the Reporting Period. For non-hazardous wastes, the Group monitors and reviews our waste production on a regular basis, such as collecting different types of waste materials for recycling, including papers and ink cartridges. We also focus on the awareness of our employees by promoting electronic communication channels for both internal and external uses in order to replace paper needed for printing, as well as encouraging the use of duplex printing for internal documents.

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2 Calculation and emission factors of total GHG emission are based on the Reporting Guidance on Environmental KPIs published by Hong Kong Stock Exchange, CLP Sustainability Report 2020, 2019 中國區域電網基準線排放因子 – 生態環境部, and 工業其他行業企業溫室氣體排放核算方法與報告指南（試行） by the National Development and Reform Commission of the PRC.

During the Reporting Period, the Group has generated the following non-hazardous wastes including office wastes, production waste, paper waste and discarded fabrics. A 79% reduction in waste production was noted when compared to the amount of waste generated last year. This is due to the mandatory shut down of factories in China during 2020 from the government, as well as reduced operations during the pandemic.

	Year ended 31 March 2021	**Year ended 31 March 2020**
Total non-hazardous wastes in tonnes	1.4	6.7

During the Reporting Period, the Group has continued to refine its waste data collection process and identified more types of wastes for recycling including toner, cardboard boxes, plastic bottles, and paper etc, amounting 1.15 tonnes in total.

The Group will continue to strengthen our waste management policy, monitor and reduce the generation of wastes from our operations and their handling, and increase the proportion of waste to be recycled and reduce the amount of waste sent to landfill. If any hazardous waste is identified, the Group will engage licensed third party contractors to responsibly handle and process any hazardous waste generated.

Energy and water consumption

It is one of the goals for the Group to conserve natural resources for environmental and operating efficiency purposes. We have established a set of energy conservation manuals and have also implemented a number of mitigating actions to control the use of resources in our operations.

The majority of resources consumed by the Group was electricity and water during the manufacturing process. To further reduce the use of resources, the Group has increased the use of LED lights, as well as energy efficient air-conditioning systems. Employees are also encouraged to always turn off lights and other electrical appliances when not in use while supervisors and managers are responsible to ensure all electronic appliances have been turned off at the end of each workday. The Group also actively promotes awareness on water usage and conservation through internal communication regularly. In the near future, the Group aims to set up a group-wide energy and water consumption targets to continue to monitor and reduce the use of resources within our operations and promote positive impacts on the environment.

During the Reporting Period, the Group purchased and consumed the following resources:

	Year ended 31 March 2021	**Year ended 31 March 2020**
Electricity in MWh	888.4	1,175.0
Intensity per million HKD revenue	14.2	7.0
Diesel in Litres	25,240.9	28,270.0
Intensity per million HKD revenue	402.8	167.8
Petrol in Litres	1,800.0	1,954.0
Intensity per million HKD revenue	28.7	11.6
Water in cubic meters	23,716.0	27,822.0
Intensity per million HKD revenue	378.5	165.1

The Group was noted to have consumed less resources during the Reporting Period due to the reduced manufacturing operations with the COVID-19 pandemic restrictions.

During the Reporting Period, water assessments were conducted by external consultants on both drinking water and discharged domestic waste water from our factory in Dongguan.

For drinking water in dormitories and factory area in Dongguan, the Group has conducted an assessment on drinking water through an external organization based on government standards to ensure our factory workers have access to clean drinking water at any time. On the other hand, within our manufacturing processes, no dying process is necessary in our production line, hence no major water pollution was noted. Both the assessment results were noted to be all within acceptable range of the local government standard. The Group will continue to strive for a more satisfactory result not only to fulfil the requirement of local government, but also the wellbeing of our surrounding community.

In addition, our production process includes the packaging of finished products before transporting to our customers. Hence, various types of material, namely, card boxes and plastic bags were used in the process. The table below shows the total amount of card boxes and plastic bags used for packaging during the Reporting Period.

	Year ended 31 March 2021	**Year ended 31 March 2020**
Card boxes in tonnes	14.9	131.1
Plastic bags in tonnes	1.0	6.0

As operations reduced during the pandemic period, less packaging material was needed, hence the significant decrease. Nonetheless, the Group has continued to seek ways to reduce the amount of packaging used without affecting the quality of product protection during transportation. In the near future, the Group will start to source biodegradable plastic bags as packaging to help mitigate environmental impacts at the end of supply chain.

The environment and natural resources

The Group will continue to manage and mitigate any identified environmental risks that are related to our operations, and to proactively implement preventive measures for effective risk control. Negative impacts to the environment and natural resources are always taken into account when making investment decisions and future development plan. We also work closely with our business partners as well as our own employees to enhance our environmental performance so we could develop better communications with our stakeholders.

On the other hand, due to our business nature as a clothing manufacturer located in China, we cannot omit the fact that our machines generate noises that might disturb our surrounding community. Therefore, the noise level of our operations was also assessed by a third party contractor during the Reporting Period. Noise assessments were conducted on the four sides of our factory compound at various production line positions during day time as well as at night. As our factory does not operate overnight, the noise levels recorded at night were therefore significantly lower than the ones of day time. Nonetheless, the assessment results were satisfactory and the Group will also continue to maintain our high environmental standard and continue to minimize our impact on the environment and nuisance to the neighbourhood.

In addition, our Group has always been seeking ways to contribute to reducing and mitigating environmental impacts. Thus, during the Reporting Period, our Group has collaborated with a company to participate in the Renewable Energy Feed-in Tariff scheme by CLP to install a solar power renewable energy system on our rooftop in our Hong Kong office, this will generate electricity to be sold back to CLP and contribute to the renewable electricity generation in Hong Kong. We believe the rebate we obtain from the program will be an incentive and motivation for our other offices, as well as other stakeholders to participate and implement more energy saving initiatives.

COMMUNITY INVESTMENT

As a socially responsible corporate citizen, the Group strives to continuously contribute back to the communities we operate in. While achieving business growth, we continue to support initiatives that create positive impacts and we aim to create social values to the local communities by exerting our influence. With an aim to stay connected with our local community, strengthen our relationship with community members, and contribute to the local economy, the Group always proactively participates in community events. Our community engagements include participation in volunteering and fundraising activities including donations, sponsorships, charitable contributions and voluntary commitments that underpin our community investment attributes to the industry, society and environment as a whole. Our employees are encouraged to contribute their time, skills and experience towards the further development of the local community.

In the selection of charities the Group supports, we first evaluate the vision and background of the targeted charity organization. In order to prevent misuse of our donation, charities with unclear financial position, and conflict of interest with the Group will not be considered. During the Reporting Period, the Group has supported organizations with various causes, some examples have been listed below:

- Lions Club of Central
- Lions Education Foundation
- Orbis
- Hong Kong St. John's Ambulance

The Group will continue to support community causes through our diverse developed network, fulfil our social responsibility, in order to give back to our community and work towards a more sustainable future with our stakeholders.

REPORT OF THE DIRECTORS

The board (the "Board") of directors (the "Directors") of KNT Holdings Limited (the "Company") is pleased to present this report together with the audited consolidated financial statements of the Group for the year ended 31 March 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of the subsidiaries are manufacturing and trading garments.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the future business development of the Group are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 3 to 4 and pages 5 to 10 of this annual report respectively. Description of the principal risks and uncertainties facing the Group and key financial performance indicators are set out in section headed "Management Discussion and Analysis" on pages 5 to 10 of this annual report.

RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS

The Group understands the importance of maintaining good relationship with its customers and suppliers to fulfill its immediate and long-term goals. During the year ended 31 March 2021, there was no material and significant dispute between the Group and its customers and suppliers.

RESULTS

The results of the Group for the year ended 31 March 2021 are set out in the consolidated statement of profit or loss on page 68 of this annual report.

DIVIDENDS

The Board did not recommend the payment of a final dividend for the year ended 31 March 2021.

Annual general meeting

The annual general meeting of the Company will be held on Friday, 20 August 2021 (the "AGM"). The notice of AGM will be sent to shareholders at least 20 clear business days before the AGM.

Closure of register of members for entitlement to attend and vote at AGM

For the purpose of determining shareholders who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 17 August 2021 to Friday, 20 August 2021, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 16 August 2021.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 132.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

BANK OVERDRAFTS AND LOANS

Details of bank overdrafts and loans of the Group as at 31 March 2021 are set out in note 26 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 March 2021 are set out in note 28 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group and of the Company during the year ended 31 March 2021 are set out in the consolidated statement of changes in equity and in note 37 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2021, the reserves of the Company available for distribution to its Shareholders amounted to approximately HK$33.6 million (2020: HK$37.1 million) as calculated in accordance with the provisions of the Companies Law of the Cayman Islands.

CHARITABLE DONATIONS

During the year ended 31 March 2021, the Group made charitable donations totalling approximately HK$61,000.

PRE-EMPTIVE RIGHTS

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

RELIEF OF TAXATION

The Company is not aware of any relief from taxation available to the shareholders by reason of their holding of the shares.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

EQUITY-LINKED AGREEMENTS

No equity-linked agreements that will or may result in the Company issuing Shares, or that require the Company to enter into any agreements that will or may result in the Company issuing Shares, were entered into by the Company during the year or subsisted at the end of the year.

DIRECTORS

The directors of the Company during the year and up to the date of this annual report were:

Executive Directors
Mr. Chong Sik *(Chairman and Chief Executive Officer)*
Mr. Chong Pun
Mr. Lam Chi Yuen

Independent Non-executive Directors
Mr. Leung Martin Oh Man
Mr. Lau Koong Yep
Mr. Yuen King Sum
Mr. Lau Kwok Fan

DIRECTORS *(CONTINUED)*

Pursuant to article 84(1) of the Articles of Association of the Company, at each annual general meeting, one third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. According to article 84(2) of the Articles of Association of the Company, the Directors to retire by rotation shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been the longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. At the AGM, Mr. Chong Sik, Mr. Chong Pun and Mr. Lau Kwok Fan will retire from office as Directors by rotation and, being eligible, will offer themselves for re-election.

CONFIRMATION OF INDEPENDENCE

The Company has received an annual confirmation of independence from each of the independent non-executive Directors, pursuant to the Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management of the Company are set out on pages 11 to 13 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for an initial fixed term of three years, and renewable automatically until terminated by either party thereto giving to the other party not less than three months' prior notice in writing.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years commencing on the date of listing, which will continue subject to re-election at the Company's general meeting, and such letter of appointment could be terminated by giving not less than three months' prior notice in writing.

Save as disclosed above, none of the Directors, including those to be re-elected at the forthcoming AGM, has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save for otherwise disclosed, there was no other transactions, arrangements or contracts of significance in relation to the business of the Company and its subsidiaries to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save for otherwise disclosed, there was no other transactions, arrangements or contracts of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholders or any of its subsidiaries during the year.

MANAGEMENT CONTRACTS

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

CONTINUING CONNECTED TRANSACTIONS

The Company has entered into the following continuing connected transactions during the year ended 31 March 2021. Details of these transactions are set out in note 29 to the consolidated financial statements and below:

Fully-exempt Continuing Connected Transactions

Leases of premises from controlling shareholders

On 21 December 2017, HYG as tenant entered into tenancy agreements with Mr. S Chong and Mr. P Chong as landlords (collectively the "Leases"), pursuant to which Mr. S Chong and Mr. P Chong agreed to lease and HYG agreed to take the factory and staff dormitory situated at No.2 Industrial Area, Jiu Men Zhai, Humen Town, Dongguan City, Guangdong Province, the PRC* (中國廣東省東莞市虎門鎮九門寨第二工業區) (the "Leased Site") for a term of three years commencing from 1 April 2018 and expiring on 31 March 2021 at the monthly rent of RMB97,600 for the first year, RMB117,120 for the second year and RMB126,880 for the third year for the lease of the factory and RMB41,108.76 for the first year, RMB48,939 for the second year and RMB52,854.12 for the third year for the lease of the staff dormitory.

The rents paid/payable under the Leases and the rents paid by HYG for the abovementioned leases of premises from Mr. S Chong and Mr. P Chong for the year ended 31 March 2021 were negotiated on an arm's length basis and determined with reference to the market rent of the premises in similar location as at the commencement date of such leases. The Directors (including the independent non-executive Directors) are also of the view that the Leases are fair and reasonable, on normal commercial terms and in the interests of the Group and Shareholders as a whole.

Subsequent to the end of the reporting period, on 1 April 2021, HYG entered into a tenancy agreement with Mr. S Chong and Mr. P Chong for renewing the lease of the Leased Site for a term of one year commencing from 1 April 2021 and expiring on 31 March 2022 at a monthly rental of RMB146,400 for the lease of the factory and RMB60,684.36 for the lease of the staff dormitory.

CONTINUING CONNECTED TRANSACTIONS *(CONTINUED)*

Fully-exempt Continuing Connected Transactions *(continued)*

Leases of premises from controlling shareholders *(continued)*

In view of the continuous adverse impact from COVID-19 on the business environment and financial performance of the Group, on 30 April 2021, HYG entered into a supplementary agreement with Mr. S Chong and Mr. P Chong to agree and waive the rental for the lease of the factory and the staff dormitory from 1 May 2021 to 31 March 2022.

Each of Mr. S Chong and Mr. P Chong is the executive Director and Controlling Shareholder and is a connected person of the Company. Accordingly, the transactions contemplated under the Leases will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the total amount of rents payable by HYG under the Leases for the year ended 31 March 2021 was less than HK$3 million and each of the applicable percentage ratios mentioned in Rule 14.07 of the Listing Rules (other than the profits ratio) for the Leases will be less than 5%, the Leases are fully exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76(1) of the Listing Rules.

License agreements with Mr. P Chong and MPBG Limited

On 4 November 2020, KNTGL as licensee entered into license agreements with Mr. P Chong and MPBG Limited as licensors respectively, pursuant to which the licensors are the legal and beneficial owners of certain trademarks, domain names and logos (collectively, the "IP Rights") and agreed to grant to KNTGL, including its majority-owned holding companies, wholly-owned subsidiaries or affiliated companies, the exclusive right and license to use the IP Rights for the sale of bridesmaid dresses, bridal gowns, special occasion dresses, fashion apparels or other related products in the whole areas of The People's Republic of China (including Hong Kong but excluding Taiwan) for a period commencing from 4 November 2020 and expiring on 3 November 2023, renewable at the end of each three year term subject to agreement between the licensee and the licensors. The license fee payable by the licensee to each of the licensors is HK$1 per year.

Non-exempt Continuing Connected Transactions

Sale of bridal gowns, bridesmaid dresses and special occasion dresses to Veromia Limited

During the year ended 31 March 2021, the Group sold bridal gowns, bridesmaid dresses and special occasion dresses to Veromia Limited ("Veromia"). On 31 January 2019, KNT and Veromia entered into a sales framework agreement (the "Sales Framework Agreement"), pursuant to which the Group agreed to sell and Veromia agreed to purchase bridal gowns, bridesmaid dresses and special occasion dresses from the Group for the period commencing from the Listing Date and expiring on 31 March 2021 (the "Veromia Sales Transactions").

For the year ended 31 March 2021, the sales to Veromia amounted to approximately HK$2.9 million.

The price charged by KNT for the sale of bridal gowns, bridesmaid dresses and special occasion dresses to Veromia was determined on an arm's length basis between KNT and Veromia having regards to the quality, quantity and delivery timeline of the bridal gowns, bridesmaid dresses and special occasion dresses supplied. The gross profit margins of the sales to Veromia for the year ended 31 March 2021 were comparable to the gross profit margins of the Group's overall sales for the year.

CONTINUING CONNECTED TRANSACTIONS *(CONTINUED)*

Non-exempt Continuing Connected Transactions *(continued)*

Sale of bridal gowns, bridesmaid dresses and special occasion dresses to Veromia Limited *(continued)*

The annual caps of sales (the "Sales Annual Caps") under the Sales Framework Agreement for each of the three years ending 31 March 2019, 31 March 2020 and 31 March 2021 are HK$6.0 million, HK$6.0 million and HK$6.0 million, respectively. The Directors (including the independent non-executive Directors) confirmed that the Sale Annual Caps were determined on normal commercial terms after taking into account (i) the terms of the Sales Framework Agreement; (ii) the relevant historical transaction amounts; and (iii) the future business needs and expected growth of Veromia ascertained through discussion with the management of Veromia, and were therefore fair and reasonable and in the interest of the Company and the Shareholders as a whole. Veromia is a limited company incorporated in the United Kingdom and wholly-owned by Mr. S Chong. As Mr. S Chong is the executive Director and a Controlling Shareholder, Veromia is an associate of his and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Sales Framework Agreement will constitute continuing connected transactions under Chapter 14A of the Listing Rules.

Since all the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules are less than 25% and each of the Sales Annual Caps is less than HK$10.0 million, the transactions contemplated under the Sales Framework Agreement are subject to the reporting, annual review and announcement but are exempted from circular (including independent financial advice) and independent shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

In order to continue the sale of bridal gowns, bridesmaid dresses and special occasion dresses to Veromia, on 1 April 2021, KNT and Veromia entered into a sales framework agreement (the "2021 Sales Framework Agreement"), pursuant to which KNT has agreed to continue to sell bridal gowns, bridesmaid dresses and special occasion dresses to Veromia for a period commencing from 1 April 2021 and expiring on 31 March 2024. The Sales Annual Caps under the 2021 Sales Framework Agreement for each of the three years ending 31 March 2022, 31 March 2023 and 31 March 2024 are HK$6.0 million, HK$7.0 million and HK$8.0 million, respectively.

Application for waiver of the non-exempt continuing connected transactions

The Company has applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules in connection with the Veromia Sales Transactions, provided that the annual transaction amounts in respect of the Veromia Sales Transactions do not exceed the Sales Annual Caps.

The Group had complied with the relevant requirements under Chapter 14A of the Listing Rules, including the Sales Annual Caps, and will comply with the relevant rules of Chapter 14A of the Listing Rules if the waiver from the Stock Exchange expires or any of the Sales Annual Caps are exceeded, or when the Sales Framework Agreement is renewed or when there is a material change to the terms of the Sales Framework Agreement.

Confirmation of Independent Non-executive Directors

The Audit Committee, comprising four independent non-executive Directors, has reviewed the above non-exempt continuing connected transactions and confirmed that these transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on term no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and

(c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

CONTINUING CONNECTED TRANSACTIONS *(CONTINUED)*

Confirmation from Auditor of the Company

The Board of Directors has received an unqualified letter issued by the auditor of the Company in accordance with Hong Kong Standards on Assurance Engagement 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants containing its findings and conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Listing Rules.

A copy of the letter has been provided by the Company to the Stock Exchange.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 March 2021, none of the Directors and their respective associates had any interests in any business, apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

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

As at 31 March 2021, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Model Code, were as follows:

Long position in the Shares

Name of Directors	Capacity/ Nature of Interest	Number of Shares Held	Percentage of Shares in Issue (Note 1)
Mr. Chong Sik	Interest in controlled corporation (Note 2)	235,950,000	45.375%
Mr. Chong Pun	Interest in controlled corporation (Note 3)	154,050,000	29.625%

Notes:

1. The percentage is calculated based on the total number of 520,000,000 shares in issue as at 31 March 2021.

2. These shares were held by Strategic Elite Limited ("Strategic Elite"), a company in which beneficially and wholly-owned by Mr. Chong Sik. Mr. Chong Sik was deemed to be interested in all the shares held by Strategic Elite by virtue of the SFO.

3. These shares were held by Total Clarity Investments Limited ("Total Clarity"), a company in which beneficially and wholly-owned by Mr. Chong Pun. Mr. Chong Pun was deemed to be interested in all the shares held by Total Clarity by virtue of the SFO.

Save for those disclosed above, as at 31 March 2021, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2021, so far as known to the Directors or the chief executive of the Company, the following corporations or individuals (other than the Directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 5% or more of any class of share capital carrying rights to vote in all circumstances at the general meetings of the Company or which were recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO or had otherwise notified to the Company and the Stock Exchange:

Long Position in the Shares

Name of Substantial Shareholders	Capacity/Nature of Interest	Number of Shares Held	Percentage of Shares in Issue (Note 1)
Strategic Elite	Beneficial owner	235,950,000	45.375%
Ms. Lok Pui Yee, Fanny	Interest of spouse (Note 2)	235,950,000	45.375%
Total Clarity	Beneficial owner	154,050,000	29.625%
Ms. Tsang Kit Fong	Interest of spouse (Note 3)	154,050,000	29.625%

Notes:

1. The percentage is calculated based on the total number of 520,000,000 shares in issue as at 31 March 2021.

2. Ms. Lok Pui Yee, Fanny is the spouse of Mr. Chong Sik and is deemed to be interested in all the shares indirectly held or interested in by Mr. Chong Sik through Strategic Elite pursuant to the SFO.

3. Ms. Tsang Kit Fong is the spouse of Mr. Chong Pun and is deemed to be interested in all the shares indirectly held or interested in by Mr. Chong Pun through Total Clarity pursuant to the SFO.

Save as disclosed above, as at 31 March 2021, the Directors are not aware of any other corporation or individual (other than the Directors or chief executive of the Company) who had any interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of any class of share capital carrying rights to vote in all circumstances at the general meetings of the Company, or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") pursuant to a written resolution of the shareholders passed on 31 January 2019. A summary of the principal terms of the Share Option Scheme is set out as follows:

(1) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable the Board to grant options to eligible persons (as defined below) as incentives or rewards for their contribution or potential contribution to the Group and to recruit and retain high caliber eligible persons and attract human resources that are valuable to the Group.

(2) Participants of the Share Option Scheme

The participants of the Share Option Scheme shall be:

(i) any employee or proposed employee (whether full time or part time, including any director) of any member of the Group or invested entity; and

(ii) any supplier of goods or services, any customer, any person or entity that provides research, development or other technological support, any shareholders or other participants who contributes to the development and growth of the Group or any invested entity.

(3) Total number of shares available for issue under the Share Option Scheme together with the percentage of the issued shares that it represents as at the date of this annual report

(i) The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not, in aggregate, exceed 30% of the total number of shares in issue from time to time.

(ii) The total number of shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 52,000,000 shares (representing 10% of the issued shares as at the date of this annual report), being 10% of the total number of shares in issue on the Listing Date (the "Scheme Limit") unless approved by the shareholders pursuant to paragraph (iv) below. Options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company shall not be counted for the purpose of calculating the Scheme Limit.

(iii) The Company may seek separate approval of the shareholders in general meeting for refreshing the Scheme Limit provided that such limit as refreshed shall not exceed 10% of the total number of shares (assuming no options are granted under the Share Option Scheme) in issue as at the date of the approval of the shareholders on the refreshment of the Scheme Limit. Options previously granted under the Share Option Scheme or any other share option schemes of the Company (including options outstanding, cancelled, lapsed in accordance with the terms of the Share Option Scheme or any other share option scheme of the Company or exercised) will not be counted for the purpose of calculating the limit as refreshed.

For the purpose of seeking the approval of shareholders, a circular containing the information as required under the Listing Rules shall be sent by the Company to the shareholders.

SHARE OPTION SCHEME *(CONTINUED)*

(3) Total number of shares available for issue under the Share Option Scheme together with the percentage of the issued shares that it represents as at the date of this annual report *(continued)*

(iv) The Company may seek separate approval of the shareholders in general meeting for granting options beyond the Scheme Limit provided that the Options in excess of the Scheme Limit are granted only to Eligible Persons specifically identified by the Company before such approval is sought and that the proposed grantee(s) and his close associates (or his associates if the proposed grantee is a connected person) shall abstain from voting in the general meeting. For the purpose of seeking the approval of the shareholders, the Company shall send a circular to the shareholders containing a generic description of the specified proposed grantees of such options, the number and terms of the options to be granted, the purpose of granting such options to the proposed grantees with an explanation as to how the terms of options serve such purpose and any other information as required under the Listing Rules.

(v) The shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company at any time shall not exceed 30% of the shares in issue from time to time. No options under any schemes may be granted if this will result in the 30% limit being exceeded.

(4) Maximum entitlement of each participant

The maximum number of shares issued and to be issued upon exercise of the options granted and to be granted pursuant to the Share Option Scheme and any other share option schemes of the Company to each participant of the Share Option Scheme in any 12-month period up to and including the date of grant of the options shall not exceed 1% of the total number of shares in issue.

(5) Period within which the shares must be taken up under an option

The period within which the options must be exercised will be specified by the Company at the time of grant. This period shall not be longer than 10 years from the relevant date of grant.

(6) Minimum period for which an option must be held before it can be exercised

There is no minimum period in which an option must be held before the exercise of any option save as otherwise imposed by the Board in the relevant offer of options.

(7) Payment on acceptance of option offer

A consideration of HK$1 is payable on acceptance of the offer of grant of an option where the grantee should accept or decline the offer of grant of an option within the date as specified in the offer letter issued by the Company, being a date not later than 21 days inclusive of, and from the date upon which it is made.

(8) Basis of determining the subscription price

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as determined by the Board, and shall be at least the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a trading day; and (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant.

SHARE OPTION SCHEME *(CONTINUED)*

(9) Remaining life of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of ten years commencing on 31 January 2019.

During the year ended 31 March 2021, no options had been granted, exercised or cancelled or lapsed under the Share Option Scheme. There were no outstanding options under the Share Option Scheme as at 31 March 2021.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, subject to the applicable laws, every Director shall be entitled to be indemnified out of the assets of the Company against all losses and liabilities which he/she may sustain or incur in or about the execution of his/her office or otherwise in relation thereto. The Company has arranged for appropriate insurance for the Directors and officers of the Group in respect of legal actions against them arising from corporate activities of the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and within the best knowledge of the Directors, during the year ended 31 March 2021 and up to the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

NON-COMPETITION UNDERTAKING

In accordance with the non-competition undertakings set out in the deed of non-competition dated 31 January 2019 (the "Deed of Non-competition") executed by the controlling shareholders of the Company (the "Controlling Shareholders") in favour of the Company (for itself and as trustee for its subsidiaries), save and except the exceptional circumstances, the Controlling Shareholders have undertaken to the Company that they shall not carry on any business which is in competition with the business of the Group in Hong Kong, Macau and any other country or jurisdiction, the principal terms of which are set out in the section headed "Relationship with Controlling Shareholders" of the prospectus of the Company.

The Company has received an annual declaration from each of the Controlling Shareholders confirming that they complied with the undertakings during the year ended 31 March 2021. The Controlling Shareholders also confirmed in the said annual declaration that none of them had any interest in a business, other than business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group during the year ended 31 March 2021.

NON-COMPETITION UNDERTAKING *(CONTINUED)*

The following corporate governance measures have been adopted to monitor the compliance of the Deed of Non-competition during the year ended 31 March 2021:

(i) The Controlling Shareholders had procured the independent non-executive Directors to review, on an annual basis, the compliance with the non-competition undertakings by the Controlling Shareholders under the Deed of Non-competition.

(ii) The Controlling Shareholders had promptly provided all information requested by the Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-competition.

(iii) The Controlling Shareholders had provided to the Company a written confirmation relating to the compliance of the Deed of Non-competition and declared that they had complied with the Deed of Non-competition during the year ended 31 March 2021.

(iv) The independent non-executive Directors, having reviewed the relevant information and the written confirmation provided by the Controlling Shareholders, decided that the undertakings in respect of the Deed of Non-competition had been duly enforced and complied with by the Controlling Shareholders during the year ended 31 March 2021.

LOAN AGREEMENTS WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDERS

(1) On 28 April 2020, KNT, a wholly-owned subsidiary of the Company, as borrower, accepted a revised facility letter (the "Facility Letter A") issued by a bank (the "Bank A") offering for the grant of trade finance and a revolving loan facility of an aggregate amount HK$28,000,000 and a 16-month term loan of approximately HK$1,300,000 (the "Facility A"), which is subject to review by the Bank A from time to time.

Pursuant to the Facility Letter A, amongst other things, the Company had undertaken to the Bank A that the Controlling Shareholders shall at any time, directly or indirectly, maintain not less than 50% of the issued share capital of the Company and remain as the executive directors of the Company and shall notify the Bank A for the change of their directorship or if the aggregate beneficial interest of the Controlling Shareholders is dropped to less than 50%.

As at the date of this report, the aggregate beneficial interest of the Controlling Shareholders in the Company is 75%.

LOAN AGREEMENTS WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDERS *(CONTINUED)*

(2) On 27 May 2020, KNT, a wholly-owned subsidiary of the Company, as borrower, accepted a facility letter (the "Facility Letter B") issued by a bank (the "Bank B") offering for the grant of a 36 months non-revolving term loan facility of HK$4,000,000 (the "Facility B").

Pursuant to the Facility Letter B, amongst other things, the Controlling Shareholders, shall provide irrevocable and unconditional personal guarantee to the Facility B and that the Controlling Shareholders, shall at any time during the term of the Facility B, directly or indirectly, maintain at least 70% of the issued share capital of the Company.

On 28 October 2020, KNT accepted a supplementary facility letter (the "Facility Letter D") issued by the Bank B for the extension of repayment term from 36 months to 60 months and the change in personal guarantee requirements of the aggregate beneficial interest of the Controlling Shareholders from 75% to 50%.

On 26 May 2021, KNT accepted a supplementary facility letter (the "Facility F") issued by the Bank B for a further extension of repayment term from 60 months to 96 months.

As at the date of this report, the aggregate beneficial interest of the Controlling Shareholders in the Company is 75%.

(3) On 28 October 2020, KNT, a wholly-owned subsidiary of the Company, as borrower, accepted a facility letter (the "Facility Letter C") issued by the Bank B offering for the grant of a 60 months non-revolving term loan facility of HK$1,000,000 (the "Facility C").

Pursuant to the Facility Letter C, amongst other things, the Controlling Shareholders, shall provide irrevocable and unconditional personal guarantee to the Facility C and that the Controlling Shareholders, shall at any time during the term of the Facility C, directly or indirectly, maintain at least 50% of the issued share capital of the Company.

On 26 May 2021, KNT accepted a supplementary facility letter (the "Facility Letter G") issued by the Bank B for the extension of repayment term from 60 months to 96 months.

As at the date of this report, the aggregate beneficial interest of the Controlling Shareholders in the Company is 75%.

(4) On 26 May 2021, KNT, a wholly-owned subsidiary of the Company, as borrower, accepted a facility letter (the "Facility Letter E") issued by the Bank B offering for the grant of a 96 months non-revolving term loan facility of HK$1,000,000 (the "Facility E").

Pursuant to the Facility Letter E, amongst other things, the Controlling Shareholders, shall provide a joint and several irrevocable and unconditional personal guarantee to the Facility E and that the Controlling Shareholders, shall at any time during the term of the Facility E, directly or indirectly, maintain at least 50% of the issued share capital of the Company.

As at the date of this report, the aggregate beneficial interest of the Controlling Shareholders in the Company is 75%.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2021, the Group's largest customer accounted for approximately 38.1% of the Group's total revenue for the year and the Group's five largest customers accounted for approximately 81.3% of the Group's total revenue for the year.

During the year ended 31 March 2021, the Group's largest supplier accounted for approximately 13.5% of the Group's total purchases for the year and the Group's five largest suppliers accounted for approximately 37.2% of the Group's total purchases for the year.

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

EMOLUMENT POLICY

The emolument policy of the employees of the Group is determined by the management of the Group with reference to their qualifications, experience and performances of the employees. The emoluments of the Directors and senior management of the Company are recommended by the Remuneration Committee and approved by the Board having regard to the Company's operating results, individual performance and comparable market statistics.

RETIREMENT BENEFIT SCHEMES

Details of retirement benefit schemes of the Group as at 31 March 2021 are set out in note 31 to the consolidated financial statements.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 March 2021, there were no non-compliance with laws and regulations that would have a significant impact on the Group in relation to issues such as environmental protection, employment and labour practices, operating practices and the community.

CORPORATE GOVERNANCE

Details of the principal corporate governance practices adopted by the Company are set out in the "Corporate Governance Report" on pages 14 to 28 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

As a responsible corporate, the Group strives to minimise adverse impacts on the environment and maximise resources efficiency in the operations. We encourage the employees to participate environmental protection and energy conservation in daily operations. The Group will review its environmental practices from time to time and will consider implementing further practicable measures and practices to enhance environmental sustainability.

AUDITOR

The consolidated financial statements for the year ended 31 March 2021 were audited by Deloitte Touche Tohmatsu who will retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM. A resolution for re-appointment of Deloitte Touche Tohmatsu as the auditor of the Company will be proposed at the forthcoming AGM.

On behalf of the Board
Chong Sik
Chairman

Hong Kong, 29 June 2021

Deloitte. 德勤

TO THE SHAREHOLDERS OF KNT HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of KNT Holdings Limited ("Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 68 to 131, which comprise the consolidated statement of financial position as at 31 March 2021, and the consolidated statement of profit or loss and the 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 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 3.1 to the consolidated financial statements which indicates that as at 31 March 2021, the Group has net current liabilities of HK$7,321,000 and incurred a net loss of HK$44,737,000 for the year then ended. In order to improve the liquidity and financial position of the Group, the directors of the Company entered into a provisional sales and purchase agreement with an independent third party for the disposal of properties in Hong Kong at a consideration of HK$23,000,000 and have been implementing a number of measures. However, the ultimate success of the disposal could not be determined as of the date of the approval of these consolidated financial statements. This condition, along with other matters as set forth in note 3.1 to the consolidated financial statements, indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment on property, plant and equipment (other than leasehold land and buildings), right-of-use assets and deposits for acquisition of property, plant and equipment	
We identified the impairment assessment of property, plant and equipment (other than leasehold land and buildings), right-of-use assets and deposits for acquisition of property, plant and equipment as a key audit matter due to significant judgements exercised by management of the Group in determining the recoverable amount. As disclosed in note 14 to the consolidated financial statements, the management of the Group concluded there was impairment indication as at 31 March 2021 and conducted a review of the recoverable amounts of the property, plant and equipment (other than leasehold land and buildings), right-of-use assets and deposits for acquisition of property, plant and equipment. Management's impairment review was based on a value in use calculation which required the estimation of future cash flows based on the financial budgets approved by management of the Group and management's underlying assumptions, including budgeted revenue, gross profit margin and growth rates in order to determine the estimated recoverable amount. Based on the result of the assessment, management of the Group determined that the recoverable amounts of the property, plant and equipment (other than leasehold land and buildings) and deposits for acquisition of property, plant and equipment were less than their respective carrying amounts. As a result, impairment losses in respect of property, plant and equipment and deposits for acquisition for property, plant and equipment of HK\$284,000 and HK\$1,045,000, respectively, were recognised in profit or loss during the year ended 31 March 2021.	Our procedures in relation to impairment assessment on property, plant and equipment (other than leasehold land and buildings), right-of-use assets and deposits for acquisition of property, plant and equipment included: • Obtaining an understanding of the key controls over the assessment of impairment of property, plant and equipment (other than leasehold land and buildings), right-of-use assets and deposits for acquisition of property, plant and equipment; • Evaluating the management's assessment of impairment indicator of property, plant and equipment (other than leasehold land and buildings), right-of-use assets and deposits for acquisition of property, plant and equipment based on the financial information of the Group; • Evaluating the appropriateness of the valuation model used by the management of the Group to determine the recoverable amount; and • Assessing the reasonableness of the estimation of future cash flows of the Group, and evaluating the appropriateness of management's underlying assumptions, including budgeted revenue, gross profit margin and growth rates, with reference to the historical performance of the Group, sales orders on hand and market trend.

KEY AUDIT MATTERS *(CONTINUED)*

Key audit matter	How our audit addressed the key audit matter
Valuation of raw materials	
We identified the valuation of raw materials as a key audit matter because of its significance to the consolidated financial statements, and the significant judgement exercised by management in identifying slow-moving raw materials that are no longer suitable for use in production and determining the appropriate levels of write down of raw materials. As set out in note 4 to the consolidated financial statements, in determining the provision of slow-moving raw materials, the management reviews the ageing of raw materials and carries out a review on an item-by-item basis with reference to subsequent usage of raw materials, and expectation of future usage. The carrying amount of raw materials was approximately HK$5,712,000 as at 31 March 2021 and write down of raw materials of HK$10,685,000 was charged to profit or loss for the year ended 31 March 2021.	Our procedures in relation to valuation of raw materials included: • Understanding the Group's process in the identification of slow-moving raw materials; • Testing the accuracy of the Group's inventory ageing analysis, on a sample basis, by tracing to delivery documents or production notes; • Enquiring the management and the production team about any expected changes in plans for the usage of slow-moving raw materials; • Testing the net realisable value of raw materials with reference to usage of raw materials subsequent to the end of the reporting period and sales orders received from customers, on a sample basis; and • Evaluating the appropriateness of the management's assessment on estimated future utilisation of raw materials without subsequent usage, with reference to historical records and expectation of future usage considered by the management.

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 disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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 our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

As part of an audit in accordance with HKSAs, we exercise professional judgement 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.

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

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, actions taken to eliminate threats or safeguards applied.

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 Yu Kin Man.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29 June 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2021

	NOTES	**2021** **HK$'000**	2020 HK$'000
Revenue	5	**62,666**	168,509
Cost of sales		**(69,586)**	(155,725)
Gross (loss) profit		**(6,920)**	12,784
Other income	6	**1,327**	1,144
Other gain	7	**47**	15
Administrative expenses		**(28,784)**	(45,480)
Impairment loss on trade receivables, net		**(7,343)**	(7,050)
Impairment loss recognised in respect of property, plant and equipment and deposits	14	**(1,329)**	(4,022)
Impairment loss recognised in respect of right-of-use assets	15	**–**	(2,332)
Finance costs	8	**(1,610)**	(2,124)
Loss before taxation		**(44,612)**	(47,065)
Income tax (expense) credit	9	**(125)**	20
Loss for the year	10	**(44,737)**	(47,045)
Basic loss per share (HK cents)	13	**(8.6)**	(9.0)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

	2021 HK$'000	2020 HK$'000
Loss for the year	**(44,737)**	(47,045)
Other comprehensive income (expense)		
Items that will not be reclassified to profit or loss:		
Gain on revaluation of leasehold land and buildings	**33,026**	–
Deferred taxation relating to revaluation of leasehold land and buildings	**(5,325)**	–
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operation	**2,374**	(2,005)
Other comprehensive income (expense) for the year	**30,075**	(2,005)
Total comprehensive expense for the year	**(14,662)**	(49,050)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2021

	NOTES	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment	14	**57,411**	4,305
Right-of-use assets	15	**738**	945
Intangible asset	16	**104**	130
Deposits and prepayment	19	**–**	4,245
		58,253	9,625
Current assets			
Inventories	17	**16,596**	38,726
Trade receivables	18	**4,226**	20,809
Prepayment, deposits and other receivables	19	**1,577**	1,856
Amount due from a related company	20	**4,473**	1,802
Income tax recoverable		**471**	460
Pledged bank deposit	21	**2,000**	9,500
Bank balances and cash	21	**8,452**	48,669
		37,795	121,822
Current liabilities			
Trade payables	22	**2,398**	9,295
Other payables and accruals	23	**4,845**	5,864
Contract liabilities	24	**2,333**	4,002
Lease liabilities	25	**227**	2,520
Bank overdrafts and loans	26	**35,313**	49,235
		45,116	70,916
Net current (liabilities) assets		**(7,321)**	50,906
Total assets less current liabilities		**50,932**	60,531

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)*

At 31 March 2021

	NOTES	**2021 HK$'000**	2020 HK$'000
Non-current liabilities			
Lease liabilities	25	**528**	755
Deferred tax liabilities	27	**5,585**	295
		6,113	1,050
Net assets		**44,819**	59,481
Capital and reserves			
Share capital	28	**5,200**	5,200
Reserves		**39,619**	54,281
Total equity		**44,819**	59,481

The consolidated financial statements on pages 68 to 131 were approved and authorised for issue by the Board of Directors on 29 June 2021 and are signed on its behalf by:

CHONG PUN
DIRECTOR

CHONG SIK
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2021

	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000 (Note (a))	Translation reserve HK$'000	Revaluation reserve HK$'000	Shareholders distribution reserve HK$'000 (Note (c))	Statutory reserve HK$'000 (Note (b))	Retained profits (accumulated losses) HK$'000	Total HK$'000
At 1 April 2019	5,200	81,871	19,520	2,699	–	(1,419)	2,538	17,882	128,291
Loss for the year	–	–	–	–	–	–	–	(47,045)	(47,045)
Other comprehensive expense	–	–	–	(2,005)	–	–	–	–	(2,005)
Total comprehensive expense for the year	–	–	–	(2,005)	–	–	–	(47,045)	(49,050)
Dividends recognised as distribution (note 12)	–	(19,760)	–	–	–	–	–	–	(19,760)
At 31 March 2020	5,200	62,111	19,520	694	–	(1,419)	2,538	(29,163)	59,481
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(44,737)**	**(44,737)**
Other comprehensive income	**–**	**–**	**–**	**2,374**	**27,701**	**–**	**–**	**–**	**30,075**
Total comprehensive income (expense) for the year	**–**	**–**	**–**	**2,374**	**27,701**	**–**	**–**	**(44,737)**	**(14,662)**
Transfer to accumulated losses	**–**	**–**	**–**	**–**	**(750)**	**–**	**–**	**750**	**–**
At 31 March 2021	**5,200**	**62,111**	**19,520**	**3,068**	**26,951**	**(1,419)**	**2,538**	**(73,150)**	**44,819**

Notes:

(a) Other reserve represents (i) the transfer of HK$16,500,000 as a result of the transfer of the entire shareholding in Dong Guan HYG Garment Limited Company ("HYG"), one of the operating subsidiaries established in the People's Republic of China ("PRC"), from Mr. Chong Sik ("Mr. S Chong") and Mr. Chong Pun ("Mr. P Chong"), the directors of the Company, in the previous year to KNT International Holdings Limited ("KNT Int'l"), a company incorporated in Hong Kong and wholly owned by Mr. S Chong and Mr. P Chong, at nil consideration, HYG is then wholly-owned by KNT Int'l since the completion of transfer; and (ii) the transfer of HK$3,020,000 as a result of the transfer of the entire shareholding in KNT Int'l and KNT Limited ("KNT"), one of the operating subsidiaries incorporated in Hong Kong, from Mr. S Chong and Mr. P Chong in the previous year.

(b) As stipulated by the relevant PRC laws and regulations, the subsidiary established in the PRC shall set aside 10% of its net profit to the statutory reserve. The statutory reserve can only be used upon approval by the board of directors of the relevant subsidiary and by the relevant authority, to offset previous year's losses or convert into additional capital of the PRC subsidiary.

(c) The shareholders distribution reserve represents the share issue cost of the shares to be offered for sale by the shareholders of the Company, which was borne by the Group and deemed as shareholders' distribution.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2021

	2021 HK$'000	2020 HK$'000
OPERATING ACTIVITIES		
Loss before taxation	**(44,612)**	(47,065)
Adjustments for:		
Bank interest income	**(47)**	(1,093)
Depreciation of property, plant and equipment	**1,477**	1,114
Depreciation of right-of-use assets	**207**	2,332
Amortisation of intangible asset	**26**	26
Finance costs	**1,610**	2,124
Write down of inventories	**13,617**	6,669
Impairment loss on trade receivables, net	**7,343**	7,050
Impairment loss recognised in respect of property, plant and equipment and deposits	**1,329**	4,022
Impairment loss recognised in respect of right-of-use assets	**–**	2,332
Operating cash flows before movements in working capital	**(19,050)**	(22,489)
Decrease (increase) in inventories	**10,888**	(4,291)
Decrease (increase) in trade receivables	**9,516**	(8,283)
Decrease (increase) in prepayment, deposits and other receivables	**345**	(651)
Increase in amount due from a related company	**(2,671)**	(891)
(Decrease) increase in trade payables	**(7,057)**	6,586
Decrease in other payables and accruals	**(1,255)**	(2,387)
(Decrease) increase in contract liabilities	**(1,669)**	849
Cash used in operations	**(10,953)**	(31,557)
Income tax paid	**(160)**	(2,404)
NET CASH USED IN OPERATING ACTIVITIES	**(11,113)**	(33,961)
INVESTING ACTIVITIES		
Placement of pledged bank deposit	**(2,000)**	(9,500)
Withdrawal of pledged bank deposit	**9,500**	–
Payments for acquisition of property, plant and equipment	**(300)**	(4,245)
Purchase of property, plant and equipment	**(18,341)**	(1,309)
Bank interest received	**47**	1,093
NET CASH USED IN INVESTING ACTIVITIES	**(11,094)**	(13,961)

CONSOLIDATED STATEMENT OF CASH FLOWS *(CONTINUED)*

For the year ended 31 March 2021

	2021 HK$'000	2020 HK$'000
FINANCING ACTIVITIES		
New bank borrowings raised	**51,654**	98,869
Repayments of bank borrowings	**(57,605)**	(91,260)
Dividends paid	**–**	(19,760)
Repayments of lease liabilities	**(2,520)**	(2,272)
Interest paid	**(1,610)**	(2,124)
NET CASH USED IN FINANCING ACTIVITIES	**(10,081)**	(16,547)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(32,288)**	(64,469)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**32,715**	97,235
Effect of foreign exchange rate changes	**42**	(51)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**469**	32,715
Represented by:		
Bank balances and cash	**8,452**	48,669
Bank overdrafts	**(7,983)**	(15,954)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**469**	32,715

1. GENERAL

KNT Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's registered office and principal place of business are disclosed in the "Corporate Information" section to this annual report.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries of the Company is manufacturing and trading garment.

The consolidated financial statements are presented in Hong Kong dollar ("HK$"), whereas the functional currency of the Company is United States Dollar ("US$"). The management of the Company and its subsidiaries (collectively, the "Group") considered that selecting HK$ as its presentation currency is more beneficial for the users of the consolidated financial statements as the Company's shares are listed on the Stock Exchange.

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

2.1 Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and 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 Group's annual period beginning on 1 April 2020 for the preparation of the consolidated financial statements:

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

Except as described below, the application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year has 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.

Impacts on application of Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

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

2.2 New and amendments to HKFRSs in issue 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	Insurance Contracts and related Amendments[5]
Amendments to HKFRS 3	Reference to the Conceptual Framework[4]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[6]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions[1]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[5]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[5]
Amendments to HKAS 8	Definition of Accounting Estimates[5]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[5]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[4]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020[4]

1 Effective for annual periods beginning on or after 1 June 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after 1 April 2021
4 Effective for annual periods beginning on or after 1 January 2022
5 Effective for annual periods beginning on or after 1 January 2023
6 Effective for annual periods beginning on or after a date to be determined

The directors of the Company anticipate that the application of the other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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

2.3 Change in accounting policies – Revaluation of leasehold land and buildings

During the year ended 31 March 2021, the Group re-assessed its accounting policies for property, plant and equipment with respect to measurement of leasehold land and buildings after initial recognition. The Group had previously measured all property, plant and equipment using the cost model whereby, after initial recognition, the asset was carried at cost less accumulated depreciation and accumulated impairment losses, if any.

With effect from 30 June 2020, the Company changed its accounting policies to recognise leasehold land and buildings from using cost model to revaluation model, in accordance with HKAS 16 "Property, Plant and Equipment". The directors of the Company believed that such change in accounting policies will result in more faithfully representative and relevant information being provided in the financial statements as the historical costs of the leasehold land and buildings are considered as outdated. As a result, a revaluation surplus of HK$21,490,000 (net of deferred taxation of HK$4,246,000) arising from revaluation of property, plant and equipment is recognised in other comprehensive income and accumulated in the revaluation reserve. The opening balance of accumulated losses is not adjusted and comparatives are not restated.

After adoption of revaluation model, leasehold land and buildings are subsequently measured at their revalued amounts, being fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

3. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of the consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRS issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that as at 31 March 2021, the Group has net current liabilities of HK$7,321,000 and incurred a net loss for the year of HK$44,737,000 for the year then ended.

In order to improve the liquidity and financial position, the Group entered into a provisional sales and purchase agreement with an independent third party to dispose of properties in Hong Kong at a consideration of HK$23,000,000, as set out in note 39. In addition, the Group has been implementing a number of measures, including (1) reducing central corporate expenses, such as expenses relating to marketing and promotion activities; (2) considering to disposal of the Group's existing properties; and (3) obtaining financial support from controlling shareholders.

3. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.1 Basis of preparation of the consolidated financial statements *(continued)*

By taking the above measures, the directors of the Company believe that the Group has sufficient working capital to meet the financial obligations when they fall due and the consolidated financial statements are prepared on going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the ultimate success of the disposal and the implementation of the above measures, should the Group be unable to operate as a going concern, adjustments would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for financial liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively, if applicable. The effects of these adjustments have not been reflected in the consolidated financial statements.

After taking into account of the above measures, the directors of the Company have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future at the time of approving the consolidated financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties that are measured at revalued amounts or fair values at the end of the reporting period, as explained in the 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", 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".

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.

3. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Group. 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.

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

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

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.

3. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.2 Significant accounting policies *(continued)*

Revenue from contracts with customers *(continued)*

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.

Revenue is measured based on the consideration specified in a contract with customer and excluded amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of goods and service to a customer.

The Group recognises revenue mainly from the sales of garment products (including bridesmaid dresses, bridal gowns and special occasion dresses).

Sales of garment products

Revenue from the sales of garment products is recognised at a point in time when the control of goods has transferred, being when the goods have been shipped to the customers' specific location. Transportation and other related activities that occur before customers obtains control of the related products are considered as fulfilment activities.

A receivable is recognised by the Group when the goods are delivered to the customers as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

3. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.2 Significant accounting policies *(continued)*

Leases

Definition of a lease

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

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

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.

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.

3. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.2 Significant accounting policies *(continued)*

Leases *(continued)*

The Group as a lessee (continued)

Right-of-use assets *(continued)*

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 are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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

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 payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

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 or there is a change in the assessment of exercise of a purchase option, 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 on the consolidated statement of financial position.

3. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.2 Significant accounting policies *(continued)*

Leases *(continued)*

The Group as a lessee (continued)

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 receivables, 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.

3. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.2 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 "Financial Instruments" and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

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 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.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's 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 expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

3. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.2 Significant accounting policies *(continued)*

Retirement benefit costs

Payments to state-managed retirement benefits schemes and the Mandatory Provident Fund Scheme ("MPF Scheme") 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.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction on 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 at the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted for the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in finance costs in the period in which they are incurred.

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 are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable 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".

3. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.2 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 taxation' 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 (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 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.

Current and deferred tax are recognised in profit or loss.

3. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.2 Significant accounting policies *(continued)*

Property, plant and equipment

Property, plant and equipment other than leasehold land and buildings are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period. Any revaluation increase arising from revaluation of leasehold land and buildings is recognised in other comprehensive income and accumulated in revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on revaluation of such leasehold land and building is recognised in profit or loss to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated losses.

Depreciation is recognised so as to write off the cost or valuation of items of property, plant and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

3. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.2 Significant accounting policies *(continued)*

Intangible asset

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of the reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss in the period when the asset is derecognised.

Impairment losses on property, plant and equipment, right-of-use assets, deposits for acquisition of property, plant and equipment and intangible assets other than goodwill

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

The recoverable amount of property, plant and equipment, right-of-use assets, deposits for acquisition of property, plant and equipment and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, the recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal 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.

3. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.2 Significant accounting policies *(continued)*

Impairment losses on property, plant and equipment, right-of-use assets, deposits for acquisition of property, plant and equipment and intangible assets other than goodwill *(continued)*

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. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. 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 or the group of cash-generating units. 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 or the group of cash-generating units. An impairment loss is recognised as an expense immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) 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 or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted-average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

3. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.2 Significant accounting policies *(continued)*

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 "Revenue from contracts with Customers". 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 or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

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.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL").

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

3. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Amortised cost and interest income

Interest income is recognised using the effective interest method for debt instruments 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.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, deposits and other receivables, amount due from a related company, pledged bank deposit and bank balances), which are subject to impairment assessment 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 and factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always assesses lifetime ECL for trade receivables and amount due from Veromia Limited and the ECL on these assets are assessed individually for each debtor. The ECL on those financial assets are estimated by applying a probability-weighted estimate of the credit loss for each debtor. The probability-weighted estimate of the credit loss is determined based on the Group's historical credit loss experience and factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as forecast direction of conditions at the end of the reporting period, including time value of money where appropriate.

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

3. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets *(continued)*

(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 the 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; and
- 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 more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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

3. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets *(continued)*

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

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

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or

- 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).

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events 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:

- significant financial difficulty of the issuer or the borrower;

- a breach of contract, such as a default or past due event;

- 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; or

- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

3. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets *(continued)*

(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, or in the case of accounts receivable, when the amounts are over two years past due, whichever occurs sooner. 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 and 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.

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 receivables where the correspondence 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.

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. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments 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 an entity 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 payables, other payables and accruals and bank overdrafts and loans) are subsequently measured at amortised cost, using the effective interest method.

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. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the management of the Group is 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 underlying 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.

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(CONTINUED)*

Estimated impairment assessment of property, plant and equipment (other than leasehold land and buildings), right-of-use assets and deposits for acquisition of property, plant and equipment

Property, plant and equipment (other than leasehold land and buildings) and right-of-use assets are stated at cost less accumulated depreciation and impairment, if any. Deposits for acquisition of property, plant and equipment are stated at costs less accumulated 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 the asset has suffered an impairment loss; (2) whether the carrying value of an asset is less than its estimated recoverable amount; and (3) 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, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs (including allocation of corporate assets). Changing the assumptions and estimates, including the discount rates or the growth rates in the cash flow projections, could materially affect the estimated recoverable amount and may result in additional impairment losses.

As at 31 March 2021, the carrying amount of property, plant and equipment (other than leasehold land and buildings) is HK$11,000 (2020: nil), after taking into account the impairment loss of HK$284,000 (2020: HK$4,022,000). An impairment loss of HK$1,045,000 on deposits for acquisition of property, plant and equipment have been recognised for the year ended 31 March 2021 (2020: an impairment loss of HK$2,332,000 on right-of-use assets). Details of the impairment assessment are set out in note 14.

Net realisable value of inventories

Management of the Group determines provision for obsolete and slow-moving raw materials that are no longer suitable for use in production based on the ageing of inventories and carries out a review on an item-by-item basis with reference to subsequent usage of raw materials, current market condition and expectation of future usage.

Net realisable value of inventories other than raw materials is the estimated selling price in the ordinary course of business, less estimated selling expenses necessary to make the sales. These estimates are based on the current market condition and the historical experience of selling products of similar nature. Management of the Group reassesses the estimations on a product-by-product basis at the end of the reporting period and provision for obsolete inventories will be made when necessary.

As at 31 March 2021, the carrying amounts of inventories are HK$16,596,000 (2020: HK$38,726,000) and write down of inventories of HK$13,617,000, including write down of raw materials, work in progress and finished goods of HK$10,685,000, HK$2,547,000 and HK$385,000, respectively (2020: write down of inventories of HK$6,669,000, including write down of raw materials and work in progress of HK$6,265,000 and HK$404,000, respectively) was charged to profit or loss during the year.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(CONTINUED)*

Provision of ECL for trade receivables and amount due from a related party

The Group assesses lifetime ECL on trade receivables and amount due from Veromia Limited, a related company, on an individual basis under the ECL model. The estimation on ECL is required in assessing probability-weighted estimate of the credit loss within the relevant time band which is based on the Group's historical credit loss experience and the factors that are specific to the debtors, general economic conditions and forward-looking information that is reasonable and supportable available without undue costs or effort. If there is a significant increase in credit risk on the customers of the Group or Veromia Limited since initial recognition, additional ECL may be required.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in note 33.

As at 31 March 2021, the carrying amount of trade receivables is HK$4,226,000 (2020: HK$20,809,000) and amount due from a related party is HK$4,473,000 (2020: HK$1,802,000), and an impairment loss on trade receivables of HK$7,343,000 (2020: HK$7,050,000) was charged to profit or loss during the year.

5. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable for goods sold by the Group, net of discounts.

The following is an analysis of the Group's revenue:

	2021	2020
	HK$'000	HK$'000
Sales of garment products recognised at a point in time		
Bridesmaid dresses	**44,137**	79,826
Bridal gowns	**7,040**	3,469
Special occasion dresses	**8,717**	84,059
Others (Note)	**2,772**	1,155
Total	**62,666**	168,509

Note: Others include sales of fashion apparels, fabrics and accessories.

5. REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

	2021 HK$'000	2020 HK$'000
Geographical markets		
United States of America	**49,286**	147,597
Europe	**6,343**	12,605
Australia	**1,773**	2,075
Others	**5,264**	6,232
Total	**62,666**	168,509

Transaction price allocated to the remaining performance obligations

The following table shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at the end of the reporting period.

	2021 HK$'000	2020 HK$'000
Sales of garment products	**8,485**	31,238

Segment information

The Group's operation is solely derived from manufacturing and trading of garment products during the year. For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the executive directors of the Company) reviews overall results and financial position of the Group as a whole based on same accounting policies set out in note 3. Accordingly, the Group has only one single operating segment and no further analysis of this single segment information is presented.

Geographical information

The Group's operations are mainly located in Hong Kong and the PRC.

Non-current assets by geographical location of assets are detailed below:

	2021 HK$'000	2020 HK$'000
Hong Kong	**58,253**	9,625
PRC	**–**	–
	58,253	9,625

The Group's revenue from external customers based on the location of customers are disclosed above in this note.

5. REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

Segment information *(continued)*

Information about major customers

Revenue from customers individually contributing over 10% of the Group's revenue during the year are as follows:

	2021	2020
	HK$'000	HK$'000
Customer A	**23,866**	41,517
Customer B	**6,286**	75,479
Customer C	**12,378**	N/A*

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

6. OTHER INCOME

	2021	2020
	HK$'000	HK$'000
Bank interest income	**47**	1,093
Government grants (Note)	**806**	–
Rental income	**464**	–
Sundry income	**10**	51
	1,327	1,144

Note: During the year ended 31 March 2021, the Group recognised government grants of HK$806,000 in respect of the Employment Support Scheme launched by the Hong Kong government.

7. OTHER GAIN

	2021	2020
	HK$'000	HK$'000
Net exchange gain	**47**	15

8. FINANCE COSTS

	2021	2020
	HK$'000	HK$'000
Interest on bank overdrafts and loans	**1,517**	1,942
Interest on lease liabilities	**93**	182
	1,610	2,124

9. INCOME TAX EXPENSE (CREDIT)

	2021 HK$'000	2020 HK$'000
Under provisions in prior years		
– Hong Kong Profits Tax	**–**	9
– PRC Enterprise Income Tax	**160**	93
	160	102
Deferred tax credit (note 27)	**(35)**	(122)
Income tax expense (credit)	**125**	(20)

Under the two-tiered profits tax rates regime in Hong Kong, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

No Hong Kong Profits Tax has been provided in the consolidated financial statements for both years as the subsidiaries of the Group operating in Hong Kong are either suffering from tax losses or did not incur assessable profits.

Under the Law of the People's Republic of China on Enterprise Income Tax ("EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% for both years. No PRC Enterprise Income Tax has been provided in the consolidated financial statements for both years as the PRC subsidiaries are either suffering from tax losses or did not incur assessable profits.

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

	2021 HK$'000	2020 HK$'000
Loss before taxation	**(44,612)**	(47,065)
Taxation at Hong Kong Profits Tax rate of 16.5% (Note)	**(7,361)**	(7,765)
Tax effect of expenses not deductible for tax purpose	**60**	47
Tax effect of income not taxable for tax purpose	**(140)**	(151)
Under provisions in prior years	**160**	102
Tax effect of deductible temporary difference not recognised	**329**	2,569
Tax effect of tax losses not recognised	**7,360**	5,178
Tax effect of utilisation of deductible temporary difference previously not recognised	**(283)**	–
Income tax expense (credit) for the year	**125**	(20)

Note: The income tax rate in the jurisdiction where the operations of the Group substantially based is used.

9. INCOME TAX EXPENSE (CREDIT) *(CONTINUED)*

As at 31 March 2021, the Group has deductible temporary differences and estimated unused tax losses of HK$15,845,000 (2020: HK$15,567,000) and HK$75,988,000 (2020: HK$31,382,000), respectively available for offset against future profits. No deferred tax asset has been recognised as at 31 March 2021 in respect of these deductible temporary differences and estimated unused tax losses as it is not probable that taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilised.

For the Group's PRC subsidiary, unrecognised tax losses of HK$31,552,000 (2020: HK$3,408,000) will expire in various dates up to 2026 (2020: 2025). The remaining unrecognised tax losses of the Group can be carried forward indefinitely.

10. LOSS FOR THE YEAR

	2021	2020
	HK$'000	HK$'000
Loss before taxation has been arrived at after charging:		
Auditor's remuneration	**1,075**	1,144
Directors' emoluments (note 11)	**4,736**	6,817
Other staff costs:		
– Salaries and other allowances	**23,596**	38,699
– Retirement benefits scheme contributions (Note)	**1,006**	2,566
Total staff costs	**29,338**	48,082
Less: Amount capitalised in inventories	**(13,133)**	(17,916)
	16,205	30,166
Depreciation of right-of-use assets	**207**	2,332
Depreciation of property, plant and equipment	**1,477**	1,114
Less: Amount capitalised in inventories	**–**	(2,562)
	1,684	884
Amortisation of intangible asset	**26**	26
Cost of inventories recognised as cost of sales (including write down of inventories of HK$13,617,000 (2020: HK$6,669,000))	**69,586**	155,725

Note: Amount excludes the retirement benefits scheme contributions for the directors of the Company which are set out in note 11.

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' and chief executive's remuneration

The remuneration paid or payable to the directors and chief executive of the Company by entities comprising the Group were as follows:

	Executive directors			Independent non-executive directors				
	Mr. S Chong HK$'000	Mr. P Chong HK$'000	Mr. Lam Chi Yuen HK$'000	Mr. Leung Martin Oh Man HK$'000	Mr. Lau Koong Yep HK$'000	Mr. Yuen King Sum HK$'000	Mr. Lau Kwok Fan HK$'000	Total HK$'000
2021								
Fee	–	–	–	120	120	120	120	480
Other remuneration:								
Salaries, allowances and other benefits	1,896	1,154	1,152	–	–	–	–	4,202
Retirement benefits scheme contributions	18	18	18	–	–	–	–	54
	1,914	1,172	1,170	120	120	120	120	4,736

	Executive directors			Non-executive director	Independent non-executive directors				
	Mr. S Chong HK$'000	Mr. P Chong HK$'000	Mr. Lam Chi Yuen HK$'000	Mr. Ting Chi Wai Roy HK$'000 (Note (iii))	Mr. Leung Martin Oh Man HK$'000	Mr. Lau Koong Yep HK$'000	Mr. Yuen King Sum HK$'000	Mr. Lau Kwok Fan HK$'000	Total HK$'000
2020									
Fee	–	–	–	105	180	180	180	360	1,005
Other remuneration:									
Salaries, allowances and other benefits	2,181	1,315	1,428	–	–	–	–	–	4,924
Performance bonus (Note (i))	372	320	142	–	–	–	–	–	834
Retirement benefits scheme contributions	18	18	18	–	–	–	–	–	54
	2,571	1,653	1,588	105	180	180	180	360	6,817

Notes:

(i) The discretionary bonus is determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.

(ii) The emoluments of executive directors stated above were for their services in connection with the management of the affairs of the Company and the Group. The emoluments of non-executive director and independent non-executive directors shown above were for their services as directors of the Company.

(iii) Mr. Ting Chi Wai Roy resigned as non-executive director of the Company on 1 November 2019.

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(CONTINUED)*

Employees' emoluments

The five highest paid employees of the Group during the year included three (2020: three) directors of the Company, details of whose remuneration are set out in the disclosures above. Details of the remuneration for the year of the remaining two (2020: two) highest paid employees are as follows:

	2021	2020
	HK$'000	HK$'000
Salaries and allowances	**1,264**	1,542
Performance bonus (Note)	**149**	934
Contributions to retirement benefits scheme	**36**	36
	1,449	2,512

Note: The discretionary bonus is determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	Number of employees	
	2021	2020
Nil to HK$1,000,000	**2**	1
HK$1,500,001 to HK$2,000,000	**–**	1

No emoluments were paid by the Group to any of the directors of the Company or the chief executive of the Group or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for both years. None of the directors waived any emoluments for both years.

12. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2021, nor has any dividend been proposed since the end of the reporting period.

During the year ended 31 March 2020, the Company declared and paid dividends of HK3.8 cents per share, in aggregate of HK$19,760,000 to ordinary shareholders of the Company. Pursuant to the approval by the ordinary shareholders of the Company on the annual general meeting held on 23 August 2019, the dividends were paid out of the share premium of the Company.

13. LOSS PER SHARE

The calculation of the basic loss per share attributable to owners of the Company is based on the following data:

Loss

	2021 **HK$'000**	2020 HK$'000
Loss for the purposes of basic loss per share		
Loss for the year attributable to owners of the Company	**(44,737)**	(47,045)

Number of shares

	2021 **'000**	2020 '000
Number of ordinary shares for the purposes of basic loss per share	**520,000**	520,000

No diluted loss per share was presented as there were no potential ordinary shares in issue during both years.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST OR VALUATION						
As at 1 April 2019	6,623	4,636	2,520	5,486	119	19,384
Additions	–	481	296	532	–	1,309
Disposal/written off	–	(223)	(2)	(527)	–	(752)
Exchange realignment	–	(306)	–	(158)	(8)	(472)
As at 31 March 2020	**6,623**	**4,588**	**2,814**	**5,333**	**111**	**19,469**
Additions	**21,500**	**24**	**53**	**252**	**12**	**21,841**
Disposal/written off	**–**	**(164)**	**–**	**(5)**	**–**	**(169)**
Surplus on revaluation	**29,277**	**–**	**–**	**–**	**–**	**29,277**
Exchange realignment	**–**	**384**	**–**	**201**	**10**	**595**
As at 31 March 2021	**57,400**	**4,832**	**2,867**	**5,781**	**133**	**71,013**
Comprising:						
At cost	–	4,832	2,867	5,781	133	13,613
At valuation	57,400	–	–	–	–	57,400
	57,400	4,832	2,867	5,781	133	71,013
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
As at 1 April 2019	2,152	2,582	2,427	3,887	97	11,145
Provided for the year	166	297	58	572	21	1,114
Eliminated on disposal/written off	–	(223)	(2)	(527)	–	(752)
Impairment loss recognised	–	2,157	331	1,534	–	4,022
Exchange realignment	–	(225)	–	(133)	(7)	(365)
As at 31 March 2020	**2,318**	**4,588**	**2,814**	**5,333**	**111**	**15,164**
Provided for the year	**1,431**	**2**	**6**	**37**	**1**	**1,477**
Eliminated on disposal/written off	**–**	**(164)**	**–**	**(5)**	**–**	**(169)**
Eliminated on revaluation	**(3,749)**	**–**	**–**	**–**	**–**	**(3,749)**
Impairment loss recognised	**–**	**22**	**47**	**215**	**–**	**284**
Exchange realignment	**–**	**384**	**–**	**201**	**10**	**595**
As at 31 March 2021	**–**	**4,832**	**2,867**	**5,781**	**122**	**13,602**
CARRYING VALUES						
As at 31 March 2021	**57,400**	**–**	**–**	**–**	**11**	**57,411**
As at 31 March 2020	4,305	–	–	–	–	4,305

14. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following:

Leasehold land and buildings	Over the shorter of the lease terms or 50 years
Plant and machinery	20% per annum
Furniture and fixtures	20% per annum
Office equipment	20% per annum
Motor vehicles	20% per annum

At 31 March 2021, the Group's leasehold land and buildings with carrying value of HK$55,400,000 (2020: HK$4,305,000) were pledged to secure certain banking facilities granted to the Group.

Impairment assessment

Due to the prolonged trade disputes between the United States and China and worsening of global economic outlook upon the outbreak of coronavirus disease, the management of the Group concluded that there was impairment indicator and conducted a review of the recoverable amount of the property, plant and equipment (other than leasehold land and buildings), right-of-use assets and deposits for acquisition of property, plant and equipment as at 31 March 2021 and 2020.

The recoverable amount of the leasehold land and buildings has been determined on the basis of its fair value less costs of disposal. The fair value of the leasehold land and building at the end of the reporting period was based on the valuation performed by independent qualified professional valuers. Details of the fair value measurement of the Group's leasehold land and buildings are set out below. As the leasehold land and buildings were measured at fair value as at 31 March 2021, no impairment loss was recognised on the leasehold land and buildings during the year ended 31 March 2021. As at 31 March 2020, the fair value of leasehold land and buildings was higher than its carrying amount and no impairment loss was recognised on the leasehold land and buildings during the year ended 31 March 2020.

For the purpose of the impairment assessment of other property, plant and equipment as well as the deposits for acquisition of property, plant and equipment and the leased properties under right-of-use assets as stated in note 15, management has determined that it was not possible to estimate the recoverable amount of these assets individually. The Group allocated these assets to the cash generating unit ("CGU") of sales of garment products, being the single CGU of the Group (including allocation of corporate assets).

The recoverable amount of the CGU has been determined based on a value in use calculation. The calculation uses cash flow projections based on the financial budgets approved by management covering a 5-year period and a discount rate of 16.2% (2020: 15.0%). Other key assumption for the value in use calculation relates to the estimation of cash inflows/outflows which include budgeted revenue, gross profit margin and growth rates during the forecast period, such estimation is based on the Group's historical performance, sales orders on hand and market trend.

Based on the value in use calculation, management of the Group determined that the estimated recoverable amount of the CGU is lower than the carrying amounts of the relevant assets. Accordingly, an impairment loss of HK$284,000 (2020: HK$4,022,000) on property, plant and equipment and an impairment loss of HK$1,045,000 (2020: nil) on deposits for acquisition of property, plant and equipment have been recognised for the year ended 31 March 2021 (2020: an impairment loss of HK$2,332,000 on right-of-use assets).

14. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

Fair value measurement of the Group's leasehold land and buildings

The Group's leasehold land and buildings were valued on 31 March 2021 by Roma Appraisals Limited, independent qualified professional valuers not related to the Group.

The fair value of the leasehold land and buildings was determined based on the direct comparable approach that reflects recent transaction prices for similar properties, adjusted for differences in the nature and location under review. There has been no change to the valuation technique during the year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The key unobservable inputs used in valuing the leasehold land and buildings was the adjusted price per square feet, which ranged from HK$4,271 to HK$4,464. A slight increase in the adjusted price per square feet used would result in a significant increase in the fair value measurement of the leasehold land and buildings, and vice versa.

The Group's leasehold land and buildings are located in Hong Kong and their fair value measurement is categorised as Level 3 fair value hierarchy. There were no transfers into or out of Level 3 during the year.

If the leasehold land and buildings had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation of HK$25,124,000 (2020: HK$4,305,000).

15. RIGHT-OF-USE ASSETS

	Leased properties HK$'000	Motor vehicles HK$'000	Total HK$'000
COST			
At 1 April 2019	4,643	–	4,643
Additions	–	1,149	1,149
Exchange realignment	(300)	–	(300)
At 31 March 2020	**4,343**	**1,149**	**5,492**
Exchange realignment	**368**	**–**	**368**
At 31 March 2021	**4,711**	**1,149**	**5,860**
ACCUMULATED DEPRECIATION AND IMPAIRMENT			
At 1 April 2019	–	–	–
Provided for the year	2,230	102	2,332
Impairment loss recognised	2,230	102	2,332
Exchange realignment	(117)	–	(117)
At 31 March 2020	**4,343**	**204**	**4,547**
Provided for the year	**–**	**207**	**207**
Exchange realignment	**368**	**–**	**368**
At 31 March 2021	**4,711**	**411**	**5,122**
CARRYING VALUES			
At 31 March 2021	**–**	**738**	**738**
At 31 March 2020	–	945	945

The Group leases factory premises, staff dormitories and motor vehicles for its operations. Lease contracts are entered into for fixed term of 3 to 5 years, but has a termination option for the lease contracts of its factory premises and staff dormitories as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group reassesses whether it is reasonably certain not to exercise the termination option upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the year ended 31 March 2021, there is no such triggering event and the Group has not exercised any termination option included in the Group's lease contracts.

15. RIGHT-OF-USE ASSETS *(CONTINUED)*

Details of the lease maturity analysis of lease liabilities are set out in notes 25 and 33.

Lease liabilities of HK$755,000 (2020: HK$3,275,000) are recognised with related right-of-use assets with aggregate cost of HK$1,149,000 (2020: HK$5,492,000) as at 31 March 2021. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Impairment assessment on right-of-use assets is disclosed in note 14.

16. INTANGIBLE ASSET

	Golf membership HK$'000
COST	
At 1 April 2019, 31 March 2020 and 31 March 2021	**520**
AMORTISATION	
At 1 April 2019	364
Provided for the year	26
At 31 March 2020	**390**
Provided for the year	**26**
At 31 March 2021	**416**
CARRYING VALUES	
At 31 March 2021	**104**
At 31 March 2020	130

The golf membership is amortised over 20 years.

17. INVENTORIES

	2021 **HK$'000**	2020 HK$'000
Raw materials	**5,712**	17,501
Work in progress	**9,201**	18,693
Finished goods	**1,683**	2,532
	16,596	38,726

18. TRADE RECEIVABLES

	2021	2020
	HK$'000	HK$'000
Trade receivables	**6,268**	27,859
Less: Loss allowance	**(2,042)**	(7,050)
	4,226	20,809

As at 1 April 2019, the trade receivables were amounted to HK$19,300,000.

The credit terms normally granted by the Group to customers upon delivery of goods range from 0 – 90 days. For a major customer of the Group, a credit term up to 135 days from the invoice date would be allowed.

The following is an ageing analysis of trade receivables (net of loss allowance) of the Group presented based on the invoice dates, which approximates to the dates of delivery of goods on which revenue was recognised, at the end of the reporting period:

	2021	2020
	HK$'000	HK$'000
Within 30 days	**2,868**	11,543
31 – 60 days	**41**	164
61 – 90 days	**178**	6,351
91 – 180 days	**290**	1,822
181 – 365 days	**–**	16
Over 365 days	**849**	913
	4,226	20,809

The Group applies simplified approach to provide for ECL of trade receivables prescribed by HKFRS 9. To measure the ECL, trade receivables have been assessed individually. Details of the assessment are set out in note 33.

As at 31 March 2021, out of the past due balances, HK$849,000 (2020: HK$929,000) has been past due over 90 days or more and is not considered as in default since the directors of the Company are of the opinion that the balances are still considered recoverable due to the management's historical experience on the settlement pattern or record from these debtors.

19. PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES

	2021	2020
	HK$'000	HK$'000
Deposits and prepayment for acquisition of property, plant and equipment	**–**	4,245
Other receivables	**441**	320
Other tax receivables	**272**	502
Prepayment	**478**	647
Deposits paid to suppliers	**168**	97
Other deposits	**218**	290
	1,577	6,101
Presented as non-current assets	**–**	4,245
Presented as current assets	**1,577**	1,856
	1,577	6,101

20. AMOUNT DUE FROM A RELATED COMPANY

The balance represents the amount due from Veromia Limited, which is a private limited liability company incorporated in the United Kingdom and Mr. S Chong is the director and sole shareholder.

The balance is trade in nature and no interest is charged on the amount due from Veromia Limited. Credit terms of 0 – 90 days are granted by the Group to Veromia Limited upon delivery of goods.

The following is an ageing analysis presented based on the invoice dates, which are approximate to the dates of delivery of goods on which revenue was recognised, at the end of the reporting period:

	2021	2020
	HK$'000	HK$'000
Within 30 days	**649**	209
31 – 60 days	**1**	294
61 – 90 days	**9**	1,299
91 – 180 days	**417**	–
181 – 365 days	**1,823**	–
Over 365 days	**1,574**	–
	4,473	1,802

The Group assessed loss allowance on amount due from Veromia Limited on lifetime ECL basis. Details of the assessment are set out in note 33.

20. AMOUNT DUE FROM A RELATED COMPANY *(CONTINUED)*

As at 31 March 2021, out of the past due balances, HK$3,814,000 (2020: nil) has been past due over 90 days or more and is not considered as in default since the directors of the Company are of the opinion that the balances are still considered recoverable due to the guarantee provided by Mr. S Chong. Subsequent to the end of the reporting period, HK$1,574,000 of the outstanding balance was settled.

21. PLEDGED BANK DEPOSIT/BANK BALANCES AND CASH

The pledged bank deposit carries fixed interest rate of 0.1% (2020: 1.95%) per annum as at 31 March 2021. Pledged bank deposit is pledged to secure banking facilities granted to the Group.

Bank balances carry interest at market rates which range from 0.001% to 0.3% (2020: 0.001% to 0.3%) per annum as at 31 March 2021.

22. TRADE PAYABLES

The credit period on purchase of goods ranged from 0 to 60 days. The ageing analysis of the trade payables of the Group presented based on the invoice dates at the end of the reporting period is as follows:

	2021 **HK$'000**	2020 HK$'000
Within 30 days	**1,785**	7,780
31 – 60 days	**358**	858
61 – 90 days	**240**	401
91 – 180 days	**2**	233
181 – 365 days	**2**	–
Over 365 days	**11**	23
	2,398	9,295

23. OTHER PAYABLES AND ACCRUALS

	2021 **HK$'000**	2020 HK$'000
Other payables and accruals	**4,830**	5,839
Other tax payables	**15**	25
	4,845	5,864

24. CONTRACT LIABILITIES

	2021 **HK$'000**	2020 HK$'000
Deposits received in relation to sales of garment products	**2,333**	4,002

As at 1 April 2019, the contract liabilities were amounted to HK$3,153,000.

Contract liabilities represent the deposits received from customers in advance of the transfer of control of garment products.

For the contract liabilities as at 31 March 2020 and 1 April 2019, the entire balances were recognised as revenue during the years ended 31 March 2021 and 2020 respectively.

25. LEASE LIABILITIES

	2021 **HK$'000**	2020 HK$'000
Lease liabilities payable		
Within one year	**227**	2,520
More than one year but not more than two years	**237**	227
More than two years but not more than five years	**291**	528
	755	3,275
Less: Amount due for settlement within 12 months shown under current liabilities	**(227)**	(2,520)
Amount due for settlement after 12 months shown under non-current liabilities	**528**	755

26. BANK OVERDRAFTS AND LOANS

	2021 **HK$'000**	2020 HK$'000
Unsecured and guaranteed:		
Bank overdrafts	**–**	7,996
Bank loans	**5,000**	16,239
	5,000	24,235
Secured and guaranteed:		
Bank overdrafts	**7,983**	7,958
Bank loans	**22,330**	17,042
	30,313	25,000
Total	**35,313**	49,235
Carrying amounts of bank overdrafts and bank loans which based on scheduled repayment dates set out in the loan agreements and classified as current due to repayment on demand clause:		
Within one year	**20,478**	44,260
More than one year but not more than two years	**8,584**	1,217
More than two years but not more than five years	**5,440**	2,512
More than five years	**811**	1,246
Amounts shown under current liabilities	**35,313**	49,235

The variable-rate bank overdrafts and loans of HK$35,313,000 (2020: HK$49,235,000) bear interest ranged from Hong Kong Prime Rate minus 3% to Hong Kong Prime Rate (2020: Hong Kong Prime Rate minus 3% to Hong Kong Prime Rate) per annum.

26. BANK OVERDRAFTS AND LOANS *(CONTINUED)*

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2021	2020
Effective interest rate:		
Variable-rate bank loans	**2.25% – 5.00%**	2.25% – 5.34%
Variable-rate bank overdrafts	**5.00% – 5.25%**	5.13% – 5.38%

The Group entered into several banking facilities with banks in Hong Kong. The banking facilities are secured by assets held by the Group and/or guaranteed by related parties, details of which is set out as follows:

(a) Corporate guarantee from the Company;

(b) Personal guarantee from controlling shareholders;

(c) Leasehold land and buildings of the Group; and

(d) Pledged bank deposit as disclosed in note 21.

27. DEFERRED TAX LIABILITIES

The following is the deferred tax liabilities recognised and movements thereon during the year:

	Accelerated tax depreciation HK$'000	**Revaluation of leasehold land and buildings** HK$'000	**Total** HK$'000
At 1 April 2019	417	–	417
Credit to profit or loss for the year (note 9)	(122)	–	(122)
At 31 March 2020	**295**	**–**	**295**
Credit to profit or loss for the year (note 9)	**(35)**	**–**	**(35)**
Charge to other comprehensive income	**–**	**5,325**	**5,325**
At 31 March 2021	**260**	**5,325**	**5,585**

28. SHARE CAPITAL

	Number of shares	HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 April 2019, 31 March 2020 and 31 March 2021	10,000,000,000	100,000
Issued and fully paid:		
At 1 April 2019, 31 March 2020 and 31 March 2021	520,000,000	5,200

29. RELATED PARTY TRANSACTIONS

Saved as disclosed elsewhere in the consolidated financial statements, the Group entered into the following transactions with related parties:

Name of related party	Nature of transaction	2021 HK$'000	2020 HK$'000
Veromia Limited	Sales of garment products	**2,896**	5,575
Mr. S Chong and Mr. P Chong	Interest expense on lease liabilities (Note)	**53**	140

Note: Certain lease contracts were entered into with Mr. S Chong and Mr. P Chong for the use of factory premises and staff dormitories during both years.

Compensation of key management personnel

The remuneration of key management personnel was as follows:

	2021 HK$'000	2020 HK$'000
Short-term benefits	**5,627**	8,477
Post-employment benefits	**72**	74
	5,699	8,551

30. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted, pursuant to a resolution passed on 31 January 2019 which became effective and unconditional on 28 February 2019, for the purpose of providing incentives to any employee or proposed employee (whether full time or part time, including any director) of any member of the Group or invested entity; and any supplier of goods or services, any customer, any person or entity that provides research, development or other technological support, any shareholder or other participants who contributes to the development and growth of the Group or any invested entity. Unless otherwise terminated or amended, the Scheme will remain in force for 10 years.

Pursuant to the Scheme, the aggregate number of shares which may be issued upon exercise of all options to be granted under the Scheme, and other schemes offered by the Company, as from the date of adoption of the Scheme, shall not exceed 52,000,000 shares, being 10% of the shares in issue on the date of Listing. The overall limit on the number of shares which shall be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme, and other schemes offered by the Company, shall not exceed 30% of the issued share capital of the Company from time to time. The total number of shares issued, and to be issued, upon exercise of options granted in accordance with the Scheme to each eligible participant in any 12-month period shall not exceed 1% of the issued share capital of the Company. The option shall remain open for acceptance by the eligible participant for a period as specified in the offer letter issued by the Company, being not later than 21 days inclusive of, and from the date upon which it is made. A consideration of HK$1 shall be payable by the participants on acceptance of the offer of the Scheme.

The exercisable period of the share options granted is determinable by the directors of the Company, but no later than 10 years from the date of grant of the options. The subscription price for the shares in respect of which options are granted is determinable by directors of the Company, but shall be no less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the options, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant of the options; and (iii) the nominal value of a Company's share.

No share option has been granted, exercised, expired, cancelled or lapsed under Scheme since its adoption by the Company and up to 31 March 2021.

31. RETIREMENT BENEFITS SCHEME

The Group participates the MPF Scheme for all its qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees.

For members of the MPF Scheme, the Group contributes the lower of HK$1,500 or 5% of relevant payroll costs per person to the MPF Scheme, which contribution is matched by the employees.

The employees of the subsidiary in the PRC are members of the pension scheme operated by the PRC government. The relevant PRC subsidiary is required to contribute a certain percentage of the relevant portion of these employees' basis salaries to the pension to fund the benefits.

The only obligation of the Group with respect to these retirement benefits schemes is to make the specified contributions. During the year, the total amounts contributed by the Group to the schemes and costs charged to the profit or loss represents contributions paid or payable to the scheme by the Group at rates specified in the rules of the scheme.

At 31 March 2021 and 2020, there were no significant forfeited contributions which arose upon employees leaving the schemes before they are fully vested in the contributions and which are available to reduce the contributions payable by the Group in the future.

The retirement benefits scheme contributions made by the Group are disclosed in notes 10 and 11.

32. 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 overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debts, which includes lease liabilities and bank overdrafts and loans as disclosed in notes 25 and 26, net of cash and cash equivalents, and equity attributable to owner of the Company, comprising share capital as disclosed in note 28 and reserves as disclosed in consolidated statement of changes in equity.

The management of the Group reviews the capital structure regularly. As part of the review, the directors of the Company consider the cost and the risks associated with each class of the capital. Based on the recommendations of the directors of the Company, the Group will balance its overall capital structure through issue of new shares, issue of new debt and redemption of existing debts.

33. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2021 **HK$'000**	2020 HK$'000
Financial assets		
Amortised cost	**19,697**	81,315
Financial liabilities		
Amortised cost	**42,541**	64,369

Financial risk management objectives and policies

The Group's financial instruments include trade receivables, deposits and other receivables, amount due from a related company, pledged bank deposit and bank balances and cash, trade payables, other payables and accruals and bank overdrafts and loans.

Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risks (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 of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

The Group has foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 9.8% (2020: 5.7%) of the Group's sales are denominated in foreign currency other than the functional currency of the group entities, whilst almost 6.6% (2020: 5.8%) of purchase of goods are denominated in currencies other than the functional currency of the group entities during the year ended 31 March 2021.

The Group currently does not have a foreign currency hedging policy. However, management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

33. FINANCIAL INSTRUMENTS *(CONTINUED)*

Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

Currency risk (continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	HK$		British Pound ("GBP")		Australian Dollar ("AUD")		Euro ("EUR")		Renminbi ("RMB")	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
Trade receivables	**3,512**	–	**–**	–	**185**	475	**529**	90	**–**	–
Deposits and other receivables	**245**	131	**–**	–	**–**	–	**–**	–	**–**	–
Amount due from a related company	**–**	–	**4,473**	1,802	**–**	–	**–**	–	**–**	–
Bank balances and cash	**2,122**	19,767	**6**	5,736	**–**	–	**3**	2,628	**–**	–
Trade payables	**(418)**	(735)	**–**	–	**–**	–	**(2)**	–	**(875)**	(5,201)
Other payables and accruals	**(1,068)**	(2,405)	**–**	–	**–**	–	**(7)**	(16)	**–**	–
Bank loans	**(25,784)**	(16,672)	**–**	–	**–**	–	**–**	–	**–**	–
Bank overdrafts	**(7,983)**	(15,954)	**–**	–	**–**	–	**–**	–	**–**	–

Sensitivity analysis

Since the exchange rate of HK$ is pegged to US$, the Group does not expect significant movement in the US$/HK$ exchange rate, therefore HK$ is not considered in the sensitivity analysis.

In the opinion of the management of the Group, no sensitivity analysis is provided on other currencies as the management of the Group considers that the impact on exchange rate fluctuation is minimal.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to fair value interest rate risk in relation to fixed-rate pledged bank deposits and lease liabilities. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (see note 21 for details) and bank overdrafts and loans (see note 26 for details).

The Group's cash flow interest rate risk is mainly concentrated on the fluctuations of the HIBOR, standard bills rate quoted by bank, Hong Kong Best Lending Rate or Hong Kong Prime Rate arising from the Group's floating-rate bank overdrafts and loans or other market rates from bank balances.

The Group currently does not have interest rate risk hedging policy. However, the management of the Group closely monitors its exposure to future cash flow interest rate risk as a result of change on market interest rate and will consider hedging changes in market interest rates should the need arise.

33. FINANCIAL INSTRUMENTS *(CONTINUED)*

Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

Interest rate risk (continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank overdrafts and loans. The analysis is prepared assuming the amount of bank overdrafts and loans outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points increase is used for bank overdrafts and loans, which represents management's assessment of reasonably possible changes in interest rates.

For bank overdrafts and loans, if interest rate increases/decreases by 50 basis points and all other variables were held constant, the post-tax loss for the year will increase/decrease by HK$147,000 (2020: HK$206,000).

In management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

No sensitivity analysis is provided on bank balances as the management of the Group considers that the interest rate fluctuation on bank balances is minimal.

Credit risk and impairment assessment

The Group's credit risk is primarily attributable to trade receivables, deposits and other receivables, amount due from a related company, pledged bank deposit and bank balances.

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position at the end of the reporting period.

Trade receivables and amount due from a related company

In order to minimise the credit risk, the 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. Before accepting any new customer, the Group uses an internal credit rating system to assess the potential customer's credit quality and defines credit limits by customer. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The Group applies simplified approach on trade receivable and amount due from a related company to provide for ECL prescribed by HKFRS 9. To measure the ECL, trade receivables and amount due from a related company have been assessed individually.

As at 31 March 2021, the Group had concentration of credit risk as 20.0% (2020: 73.3%) of the total trade receivables was due from the Group's largest debtor. The Group's concentration of credit risk on the top five largest debtors accounted for 74.0% (2020: 91.3%) of the total trade receivables as at 31 March 2021.

33. FINANCIAL INSTRUMENTS *(CONTINUED)*

Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

Deposits and other receivables

For deposits and other receivables, the management of the Group makes periodic collective assessment as well as individual assessment on the recoverability of these balances based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information. The management of the Group believes that there is no material credit risk inherent in the Group's outstanding balance of deposits and other receivables. Based on assessment by the management of the Group, the ECL for deposits and other receivables is insignificant.

Bank balances/pledged bank deposit

The management of the Group considers that the credit risks on bank balances and pledged bank deposit are limited because the banks are financial institutions with high credit ratings assigned by international credit-rating agencies. The Group assessed 12-month ECL by reference to probability of default, loss given default by the relevant credit rating grades published by international credit rating agencies and concluded that the ECL is insignificant.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables / amount due from a related party	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	Debtor frequently repays after due dates but usually settle in full	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	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

33. FINANCIAL INSTRUMENTS *(CONTINUED)*

Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

The tables below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

Financial assets	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amounts	
					2021	2020
					HK$'000	HK$'000
Amortised cost						
Trade receivables	18	N/A	Low risk	Lifetime ECL	**3,381**	4,470
			Watch list	Lifetime ECL	**856**	934
			Doubtful	Lifetime ECL	**–**	19,602
			Loss	Lifetime ECL	**2,031**	2,853
Amount due from a related company	20	N/A	Low risk	Lifetime ECL	**–**	1,802
			Watch list	Lifetime ECL	**4,473**	–
Deposits and other receivables	19	N/A	Low risk	12-month ECL	**659**	610
Pledged bank deposit	21	A3 – A1	N/A	12-month ECL	**2,000**	9,500
Bank balances	21	Aa3 – Aa1	N/A	12-month ECL	**7,517**	45,732
		A3 – A1	N/A	12-month ECL	**262**	437
		SG	N/A	12-month ECL	**560**	2,425

As part of the Group's credit risk management, the Group applies internal credit rating for its customers. The debtors are assessed individually by reference to past default experience and current past due exposure of the debtor, and an analysis of the debtor's current financial position.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and forward-looking information (for example, the current and forecasted economic growth rates in Europe and the United States of America, which reflect the general economic conditions of the industry in which the debtors operate) that is available without undue cost or effort. Such forward-looking information is used by the management of the Group to assess both the current as well as the forecast direction of conditions at the reporting date. The grouping is regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated. There has been no change in the estimation techniques or significant assumptions made for both years.

33. FINANCIAL INSTRUMENTS *(CONTINUED)*

Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

Based on the assessment by the management of the Group, the ECL rates for not credit-impaired trade receivables are estimated at a range of 0.01% to 1.27% (2020: 0.1% to 21.3%) as at 31 March 2021. In addition, the ECL for amount due from a related company, which is estimated based on the ECL rate of 0.1% (2020: 0.1%) was insignificant as at 31 March 2021.

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

	Lifetime ECL		
	not credit-impaired	**credit-impaired**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 April 2019	–	–	–
Changes due to financial instruments recognised as at 1 April 2019:			
– Impairment losses recognised	–	1,486	1,486
New financial assets originated or purchased	4,197	1,367	5,564
At 31 March 2020	**4,197**	**2,853**	**7,050**
Changes due to financial instruments recognised as at 1 April 2020:			
– Transferred to credit-impaired	**(2,309)**	**2,309**	**–**
– Impairment losses recognised	**–**	**9,220**	**9,220**
– Impairment loss reversed	**(1,877)**	**–**	**(1,877)**
– Write-offs	**–**	**(12,351)**	**(12,351)**
At 31 March 2021	**11**	**2,031**	**2,042**

33. FINANCIAL INSTRUMENTS *(CONTINUED)*

Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

During the year ended 31 March 2020, there was a significant increase in credit risk in respect of one of the Group's major customers with gross carrying amount of HK$19,602,000 due to delayed repayments since March 2020 and certain negative media coverage on this debtor. Thus, the Group recognised an impairment loss of HK$4,176,000 on this debtor during the year ended 31 March 2020. On 4 May 2020, this debtor announced that its parent company filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the Eastern District of Virginia in the United States of America. Accordingly, the outstanding debts from this debtor were considered as credit-impaired and impairment loss of HK$9,092,000 on trade receivables was recognised during the year ended 31 March 2021.

In addition, an impairment loss of HK$2,853,000 on trade receivables was recognised for credit-impaired debtors who were (i) in the process of winding up; or (ii) defaulted in repayment continuously and minimal settlement was made by these debtors during the year ended 31 March 2020.

During the year ended 31 March 2021, the Group had written-off trade receivables of HK$12,351,000 as these counterparties had been placed under liquidation or entered into bankruptcy proceedings and the directors of the Company concluded that there was no realistic prospect of recovery for these receivables.

Liquidity risk

In management of the liquidity risk, the Group monitors and maintain levels of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management also monitors the utilisation of bank overdrafts and loans to ensure compliance with loan covenants. At the end of the reporting period, the Group has also taken appropriate measures as set out in note 3.1 to mitigate future liquidity risk.

The following table details the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank overdrafts and loans 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 financial liabilities are based on the agreed repayment dates. The table include both interest and principal cash flows. To the extent that interest rates are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

33. FINANCIAL INSTRUMENTS *(CONTINUED)*

Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

Liquidity tables

	Weighted average effective interest rate %	Repayable on demand HK$'000	Less than 1 year HK$'000	Between 1 to 2 years HK$'000	Between 2 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
As at 31 March 2021							
Trade payables	**N/A**	**255**	**2,143**	**–**	**–**	**2,398**	**2,398**
Other payables and accruals	**N/A**	**–**	**4,830**	**–**	**–**	**4,830**	**4,830**
Bank loans	**3.04**	**27,330**	**–**	**–**	**–**	**27,330**	**27,330**
Bank overdrafts	**5.19**	**7,983**	**–**	**–**	**–**	**7,983**	**7,983**
Lease liabilities	**2.42**	**–**	**256**	**256**	**299**	**811**	**755**
		35,568	**7,229**	**256**	**299**	**43,352**	**43,296**

	Weighted average effective interest rate %	Repayable on demand HK$'000	Less than 1 year HK$'000	Between 1 to 2 years HK$'000	Between 2 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
As at 31 March 2020							
Trade payables	N/A	23	9,272	–	–	9,295	9,295
Other payables and accruals	N/A	–	5,839	–	–	5,839	5,839
Bank loans	4.15	33,281	–	–	–	33,281	33,281
Bank overdrafts	5.25	15,954	–	–	–	15,954	15,954
Lease liabilities	4.50	–	2,611	256	555	3,422	3,275
		49,258	17,722	256	555	67,791	67,644

The amount included above for variable interest instruments for financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

33. FINANCIAL INSTRUMENTS *(CONTINUED)*

Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

Bank loans with a repayment on demand clause are included in the ''repayable on demand" time band in the above maturity analysis. As at 31 March 2021, the aggregate carrying amounts of these bank loans were HK$27,330,000 (2020: HK$33,281,000).

Taking into account the Group's financial position, the management of the Group does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The management of the Group believes that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

For the purpose of managing liquidity risk, the management of the Group reviews the expected cash flow information of the Group's bank loans based on the scheduled repayment dates set out in the bank loans agreements as set out in the table below:

	Weighted average effective interest rate	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total undiscounted cash flows	Total carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Bank loans							
As at 31 March 2021	**3.04**	**4,555**	**8,563**	**14,541**	**820**	**28,479**	**27,330**
As at 31 March 2020	4.15	22,198	6,420	3,999	1,268	33,885	33,281

Fair value of the Group's financial assets and financial liabilities that are measured at amortised cost

The directors of the Company consider that the carrying amounts of the financial assets and financial liabilities of the Group recorded at amortised cost in the consolidated financial statements at the end of the reporting period approximate their fair values.

34. COMMITMENTS

Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided in the consolidated financial statements amounted to HK$720,000 (2020: HK$1,020,000).

On 20 February 2020, the Group entered into a provisional sales and purchase agreement with an independent third party for the acquisition of properties in Hong Kong at a consideration of HK$20,000,000. As at 31 March 2020, deposits of HK$2,000,000 and stamp duty of HK$1,500,000 were paid and the remaining consideration of HK$18,000,000 shall be paid upon completion of the acquisition of the properties.

35. MAJOR NON-CASH TRANSACTIONS

For the year ended 31 March 2021

On 15 April 2020, the Group completed the acquisition of properties in Hong Kong and HK$3,500,000 of deposits and prepayment for acquisition of the properties paid as at 31 March 2020 were transferred to property, plant and equipment.

For the year ended 31 March 2020

During the year, the Group entered into new leases in respect of motor vehicles for 5 years. On the lease commencement date, the Group recognised HK$1,149,000 of right-of-use assets and HK$1,149,000 of lease liabilities.

36. MOVEMENT ON GROUP'S 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 flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividends payable	**Lease liabilities**	**Bank loans**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2019	–	4,643	25,672	30,315
Financing cash flows	(19,760)	(2,454)	5,667	(16,547)
New lease entered (note 35)	–	1,149	–	1,149
Finance costs	–	182	1,942	2,124
Dividends declared	19,760	–	–	19,760
Exchange realignment	–	(245)	–	(245)
At 31 March 2020	**–**	**3,275**	**33,281**	**36,556**
Financing cash flows	**–**	**(2,613)**	**(7,468)**	**(10,081)**
Finance costs	**–**	**93**	**1,517**	**1,610**
At 31 March 2021	**–**	**755**	**27,330**	**28,085**

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2021 **HK$'000**	2020 HK$'000
Current assets		
Prepayments	**211**	535
Amount due from subsidiaries	**51,921**	30,400
Bank balances and cash	**34**	12,284
	52,166	43,219
Current liabilities		
Other payables and accruals	**649**	902
Amount due to subsidiaries	**12,689**	–
	13,338	902
Net assets	**38,828**	42,317
Capital and reserves		
Share capital	**5,200**	5,200
Reserves	**33,628**	37,117
Total equity	**38,828**	42,317

Reserves of the Company:

	Share premium HK$'000	**Shareholders distribution reserve** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
At 1 April 2019	81,871	(1,419)	(19,014)	61,438
Loss and total comprehensive expense for the year	–	–	(4,561)	(4,561)
Dividends recognised as distribution	(19,760)	–	–	(19,760)
At 31 March 2020	**62,111**	**(1,419)**	**(23,575)**	**37,117**
Loss and total comprehensive expense for the year	**–**	**–**	**(3,489)**	**(3,489)**
At 31 March 2021	**62,111**	**(1,419)**	**(27,064)**	**33,628**

38. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Place of incorporation/ establishment	Place of operation	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group as at 31 March		Principal activities
				2021 **%**	2020 %	
KNTGL	BVI	Hong Kong	US$1	**100**	100	Investment holding
KNT	Hong Kong	Hong Kong	Ordinary shares HK$3,000,000	**100**	100	Manufacturing and trading garments
KNT Int'l	Hong Kong	Hong Kong	Ordinary shares HK$20,000	**100**	100	Investment holding
東莞泓藝製衣有限公司 HYG (Note)	PRC	PRC	Registered capital HK$16,500,000	**100**	100	Manufacturing and trading garments
MyStyle Limited (formerly known as KNT MyStyle Limited)	Hong Kong	Hong Kong	Ordinary shares HK$20,000	**100**	–	Retailing of garments
KNT Global Trading Limited	Hong Kong	Hong Kong	Ordinary shares HK$20,000	**100**	–	Inactive
深圳嘉藝國際服飾有限公司 SZ KNT (Note)	PRC	PRC	Registered capital HK$5,000,000	**100**	–	Inactive
東莞嘉藝電商貿易有限公司 DG KNT (Note)	PRC	PRC	Registered capital HK$5,000,000	**100**	–	Inactive
深圳德思馳國際服飾有限公司 SZ DZage (Note)	PRC	PRC	Registered capital HK$5,000,000	**100**	–	Inactive

Note: The entity is registered as wholly foreign owned enterprises under the PRC law. The English translation of the company name is for identification only.

Except for KNTGL, which is directly held by the Company, all other subsidiaries are indirectly held by the Company.

Except for HYG, SZ KNT, DG KNT and SZ DZage, which adopted 31 December as their financial year end date, the Company and all other subsidiaries have adopted 31 March as their financial year end date.

None of the subsidiaries had issued any debt securities at the end of the year.

39. EVENTS AFTER THE REPORTING PERIOD

Lease modification

On 1 April 2021, the Group modified leases entered into with Mr. S Chong and Mr. P Chong for the use of factory premises and staff dormitories to extend for one year ending 31 March 2022, with monthly lease payments of approximately HK$218,000. On 30 April 2021, Mr. S Chong and Mr. P Chong granted rent concessions to the Group and agreed to waive such lease payments from 1 May 2021 to 31 March 2022.

Disposal of properties

On 21 June 2021, the Group entered into a provisional sales and purchase agreement with an independent third party for the disposal of properties in Hong Kong at a consideration of HK$23,000,000. Deposits of HK$500,000 was received and a further deposit of HK$1,800,000 shall be received on or before 20 September 2021 and the remaining consideration of HK$20,700,000 shall be received upon completion of the disposal of the properties. Details of the disposal of properties were disclosed in the announcement of the Company dated 21 June 2021. The directors of the Company consider that the disposal will be completed in October 2021 and net proceeds from the disposal will be amounted to HK$15,600,000 in aggregate after settlement of the secured bank borrowings pledged against the properties.

Financial support from controlling shareholders

Subsequent to the end of the reporting period, the Group obtained financial support from controlling shareholders and obtained a long-term loan of HK$5,000,000 in order to improve the Group's financial position.

FINANCIAL SUMMARY

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

RESULTS

	Year ended 31 March				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**62,666**	168,509	225,580	208,403	169,284
(Loss) profit before taxation	**(44,612)**	(47,065)	19,510	30,512	29,377
Income tax (expense) credit	**(125)**	20	(7,346)	(6,695)	(5,545)
(Loss) profit for the year	**(44,737)**	(47,045)	12,164	23,817	23,832

ASSETS AND LIABILITIES

	As at 31 March				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**96,048**	131,447	170,950	124,458	108,857
Total liabilities	**(51,229)**	(71,966)	(42,659)	(83,203)	(70,029)
Total equity	**44,819**	59,481	128,291	41,255	38,828

KNT

KNT HOLDINGS LIMITED

嘉藝控股有限公司*