SATU

SATU HOLDINGS LIMITED
舍圖控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8392

2017/18
ANNUAL REPORT

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Mr. She Leung Choi
(Chairman and Chief Executive Officer)
Ms. Chan Lai Yin
Mr. She Leung Ngai Alex

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Ho Kim Ching
Mr. Chan Ching Sum Sam
Ms. Fan Pui Shan

COMPANY SECRETARY
Ms. Tsang Wing Kiu *(CPA)*

AUTHORIZED REPRESENTATIVES
Mr. She Leung Choi
Ms. Tsang Wing Kiu

AUDIT COMMITTEE
Mr. Ho Kim Ching *(Chairman)*
Mr. Chan Ching Sum Sam
Ms. Fan Pui Shan

REMUNERATION COMMITTEE
Mr. Chan Ching Sum Sam *(Chairman)*
Mr. She Leung Choi
Mr. Ho Kim Ching

NOMINATION COMMITTEE
Mr. Chan Ching Sum Sam *(Chairman)*
Mr. She Leung Choi
Mr. Ho Kim Ching

RISK MANAGEMENT COMMITTEE
Ms. Chan Lai Yin *(Chairman)*
Mr. She Leung Ngai Alex
Ms. Fan Pui Shan

COMPLIANCE OFFICER
Mr. She Leung Choi

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COMPANY WEBSITE
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STOCK CODE
8392

THREE-YEAR FINANCIAL SUMMARY

A summary of the results, and of the assets, liabilities and non-controlling interest of the Company and its subsidiaries (the "**Group**") for the last three financial years, as extracted from the published audited financial statements or published prospectus of the Company is set out below.

RESULTS

	Year ended 31 March		
	2016	2017	**2018**
	HK$'000	*HK$'000*	***HK$'000***
Revenue	85,669	65,224	**67,934**
Cost of sales	(58,025)	(39,492)	**(43,969)**
Gross profit	27,644	25,732	**23,965**
Other income and net gains	236	429	**1,245**
Selling and distribution expenses	(10,847)	(6,053)	**(6,697)**
Administrative and other operating expenses	(5,765)	(7,381)	**(21,958)**
Profit/(loss) from operations	11,268	12,727	**(3,445)**
Finance costs	(72)	(28)	**(74)**
Profit/(loss) before tax	11,196	12,699	**(3,519)**
Income tax expense	(1,890)	(2,363)	**(1,415)**
Profit/(loss) for the year	9,306	10,336	**(4,934)**
Attributable to:			
Owners of the Company	9,432	10,347	**(4,934)**
Non-controlling interests	(126)	(11)	**–**
	9,306	10,336	**(4,934)**

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 March		
	2016	2017	**2018**
	HK$'000	*HK$'000*	***HK$'000***
TOTAL ASSETS	21,288	29,504	**61,519**
TOTAL LIABILITIES	8,214	6,113	**3,621**
TOTAL EQUITY	13,074	23,391	**57,898**

The shares of the Company were initially listed on the GEM of the Stock Exchange on 16 October 2017. No financial statements of the Group for the years ended 31 March 2014 and 2015 have been published.

CHAIRMAN'S STATEMENT

Dear shareholder,

On behalf of the board of Directors (the "**Board**") of the Company, I am pleased to present the annual results of the Group for year ended 31 March 2018, representing the first annual report since its listing.

LISTING

2017 was a remarkable year in which our Group reached an important milestone with the shares of our Company being successfully listed on GEM of the Stock Exchange on 16 October 2017. With the net proceeds of approximately HK$31.3 million, the Group's reputation was enhanced, our financial position was strengthened, and we can implement our business plans smoothly. I would like to take this opportunity to express my sincere gratitude to all professional parties and the Group's management for their joint efforts contributing to the Company's successful listing.

BUSINESS OVERVIEW AND PROSPECT

The Group has been actively focused on developing and expanding business in the global homeware market and e-commerce business. During the financial year, the Group reported moderate growth in revenue with approximately HK$67.9 million, representing a surge of 4.1% from the previous financial year, in which approximately 27.7% of growth was recorded from e-commerce business comparing to previous financial year.

As a provider of homeware products, we aimed to increase our market share not only in the existing market but also new markets. This year, an America marketing team was set up and started to develop relationship with North/South America's potential customers. We believe the America expansion project will drive our business into a new era.

In 2018, the Group pushed forward our investment plan to optimize our business, including the commencement of refurbishing of our office and showroom in the People's Republic of China (the "**PRC**") and the establishment of a quality control laboratory in order to enhance our design and development capabilities. We believed, with the new-look of our showroom and a newly established quality control laboratory, we can diversify our products and enhance our design and product development to broaden our revenue base.

We are not satisfied with our constant success of homeware business. With the establishment of the quality control laboratory, the Group will strengthen our product portfolio with home electronic products like lamps and diffusers. We will continue to expand our production capabilities, strengthen our marketing effort and will continuously make alignment to our business plan to grasp every opportunity to growth.

To promote our corporate reputation and brand recognition, we will participate in three renowned trade fairs, namely the ASD Fair in Las Vegas, the Maison & Objet fair in Paris and the Ambiente Fair in Frankfurt, which will be held in July 2018, September 2018 and February 2019 respectively. The Group believes that by joining these trade fairs, our capacities of sales and marketing team will be enhanced, thus, bringing us invaluable and durable customer relationships and expansion into new markets.

Facing the challenging future in 2018 and onwards, the Group will continue to exert rigorous control over our business operations and strategies. I am very confident about the Group's future development and expect further growth in the future.

CHAIRMAN'S STATEMENT

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my greatest appreciation to all our shareholders, business partners and customers for their invaluable support, as well as to our management team and staff for their dedication and commitment throughout this challenging year.

She Leung Choi
Chairman
Hong Kong, 8 June 2018

The Board of the Company is pleased to present the audited consolidated results of the Group for the year ended 31 March 2018 (the "**Year**"), together with the comparative figures for the year ended 31 March 2017 (the "**Previous Year**"). The information should be read in conjunction with the prospectus of the Company dated 29 September 2017 (the "**Prospectus**").

BUSINESS REVIEW AND OUTLOOK

The Group is a provider of homeware products with headquarters in Hong Kong. We are principally engaged in the design, development and production management of a wide variety of homeware products with operations in the PRC and Hong Kong, and has built a diverse global customer portfolio comprising international brand owners and licensee, chain supermarkets and renowned department stores. Our homeware products were exported overseas, with Europe being our major shipment destination. Our Group also commenced the sales of our own branded products which are being sold through third party e-commerce platform since August 2016.

The Group's competitive strengths include (i) well-established relationships with our major customers which are international brand owners and licensee, chain supermarkets and renowned department stores; (ii) strong and established product design and development capabilities; (iii) streamlined business model which allows us to manage our cost effectively; (iv) stringent quality assurance system and (v) experienced and dedicated management team with extensive industry experience.

The shares of the Company (the "**Shares**") were listed on the GEM of the Stock Exchange on 16 October 2017 (the "**Listing**").

Looking forward, we will continue to seize opportunities to strengthen our position in the homeware products industry by (i) broadening the existing customer base, increasing our market share in the existing target markets and expanding into new market; (ii) enhancing design and development capabilities; (iii) enhancing brand recognition and awareness and promoting our corporate reputation; and (iv) enhancing our quality assurance system.

The future plans of our Group are detailed in the section headed "Future Plans and Use of Proceeds" in the Prospectus. During the Year, there was no material adverse change in the general economic and market conditions in the PRC and Hong Kong or the industry in which the Group operates that had affected or would affect the business operation or financial condition materially and adversely.

As the unemployment rate remains at a multi-year low and the industrial production market condition soars, it is expected that the Eurozone's economy will gain its momentum and see a prosperous future in the upcoming year. Riding on the favorable market environment, our Group will attempt to expand our footprint in Europe, our largest market, by participating in trade fairs. Together with our strong design and product development capabilities, our Group is optimistic to capture the opportunity in Europe's quality homeware market.

We expect that the coming years should continue to be challenging for the keen competition in our homeware sector in the European market, in view of the intense price competition for our products. To cope with the new market situation, the Group seizes the opportunity to work closer with our main customers by enhancing our quality and design services, and diversifying our product range. On the other side, we are establishing an America marketing team to explore more business opportunity in North/South American market and strengthening our e-commerce team to enlarge the market share in the fast-growing online distribution channel in the European and American markets.

FINANCIAL REVIEW

Revenue

The Group's revenue for the Year was approximately HK$67.9 million, representing an increase of approximately 4.1% as compared to that of approximately HK$65.2 million for the Previous Year. Such growth in revenue was primarily due to increase in sales orders from two major customers and increase in sales through third party e-commerce platform during the Year.

Cost of Sales

The Group's cost of sales increased by approximately 11.4% from approximately HK$39.5 million for the Previous Year to approximately HK$44.0 million for the Year. This was mainly attributable to the increase in sales volume procured by certain major customers and through third party e-commerce platform during the Year.

Gross Profit

Gross profit decreased by approximately 6.6% to approximately HK$24.0 million for the Year as compared to approximately HK$25.7 million for the Previous Year. The gross profit margin dropped from approximately 39.5% for the Previous Year to approximately 35.3% for the Year because the Group has offered a relatively lower price to certain major customers for their increase in procurement volume during the Year.

Selling and Distribution Expenses

During the Year, selling and distribution expenses increased to approximately HK$6.7 million, representing an increase of approximately 9.8%, from approximately HK$6.1 million for the Previous Year. Such increase was in line with the growth of revenue during the Year.

Administrative and Other Operating Expenses

The Group's administrative and other operating expenses increased by approximately 197.3% from approximately HK$7.4 million for the Previous Year to approximately HK$22.0 million for the Year. Such increase was mainly due to the increase in salaries, allowances and other benefits as a result of the Group's expansion on management team, the increase in one-off Listing expenses, and the increase in recurring incidental expenses for Listing, such as provision for the audit fee and other legal and professional fee.

During the Year, the Group incurred listing expenses of approximately HK$13.5 million, which was non-recurring in nature.

Income Tax Expense

The Group's income tax expense was approximately HK$1.4 million, decreased by approximately 41.7% as compared to approximately HK$2.4 million for the Previous Year, which was mainly due to the decrease in profit before tax.

Loss/(Profit) for the Year

The Group recorded loss of approximately HK$4.9 million for the Year, while profit of approximately HK$10.3 million for the Previous Year was recorded, after deducting the one-off listing expenses of approximately HK$13.5 million and HK$1.7 million respectively. Taking no account of the impact of the listing expenses, the Group recorded profit of approximately HK$8.6 million for the year, representing a year-on-year decrease of approximately 28.3%. The decrease was mainly attributable to the increase in selling and distribution expenses and administrative and other operating expenses, in particular the staff costs and the recurring incidental expenses for Listing.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's policy is to regularly monitor its current and expected liquidity requirements and its relationship with its bankers to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

As at 31 March 2018, the Group had bank and cash balances of approximately HK$41.6 million (31 March 2017: HK$9.2 million). As at 31 March 2018, the Group's indebtedness comprised finance lease payables of approximately HK$0.7 million, while the Group's indebtedness comprised bank borrowings of approximately HK$0.4 million and amount due to a shareholder of approximately HK$1.1 million as at 31 March 2017.

Gearing ratio is calculated as total debts divided by total equity as at the respective year. As at 31 March 2018, the gearing ratio was 1.1%, which remained stable as compared to that of 6.7% as at 31 March 2017.

As at 31 March 2018, the Group's total assets amounted to approximately HK$61.5 million (31 March 2017: HK$29.5 million) and net assets amounted to approximately HK$57.9 million (31 March 2017: HK$23.4 million).

As at 31 March 2018, current ratio and quick ratio of the Group increased to 19.0 and 18.7 respectively, as compared to that of 4.7 and 4.5 as at 31 March 2017 respectively. This was mainly attributable to the net proceeds of approximately HK$31.3 million from Listing raised which increased the current assets as at 31 March 2018.

Our Company was incorporated in the Cayman Islands on 27 March 2017 with an authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each. On the same date, one nil paid Share was allotted and issued to the initial subscriber, which was transferred to Hearthfire Limited ("**Hearthfire**") and further two nil paid Shares were allotted and issued to Top Clay Limited ("**Top Clay**") and Present Moment Limited ("**Present Moment**"). On 21 September 2017, 30,969,999 Shares, 2,659,999 Shares and 4,369,999 Shares were issued and allotted to Hearthfire, Top Clay and Present Moment respectively.

On 22 September 2017, written resolutions of all the then shareholders of the Company were passed to approve, among other things, the increase of the authorised share capital of the Company from HK$380,000 divided into 38,000,000 Shares to HK$100,000,000 divided into 10,000,000,000 Shares by the creation of an additional 9,962,000,000 Shares. On 16 October 2017, pursuant to the capitalisation issue of the Company passed by all the then shareholders of the Company on 22 September 2017, additional 712,000,000 Shares were allotted and issued to Hearthfire, Top Clay and Present Moment, in proportion to their then respective percentage of shareholding in the Company prior to Listing.

The Company listed its Shares on the GEM of the Stock Exchange on 16 October 2017 and issued a total of 250,000,000 Shares by way of public offer and placing at a price of HK$0.22 each upon Listing.

As at 31 March 2018 and the date of this annual report, the issued share capital of the Company was HK$10,000,000 divided into 1,000,000,000 Shares of HK$0.01 each.

SEGMENTAL INFORMATION

Segmental information is presented for the Group in note 7 of the audited consolidated financial statements.

HUMAN RESOURCES

As at 31 March 2018, the Group had a total of 30 full-time employees (including three executive Directors), and the total employee benefit expenses and Directors' emoluments paid to the executive Directors for the Year amounted to approximately HK$5.8 million (Previous Year: HK$4.7 million). The Group determines the remuneration of its employees based on, among other factors, each employee's qualifications, experience and past performance.

The Group recognises the importance of having good relationship with our employees, and believes our working environment and employee development opportunities have contributed to good employee relations and employee retention. The Group recruits our employees based on a number of factors such as their work experience, educational background and our needs. The Company established a remuneration committee on 22 September 2017, which will regularly review and make recommendations to the Board on the overall remuneration policy, compensation package and structure for our Directors and senior management.

FOREIGN CURRENCY EXPOSURE

The Group is exposed to currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong Dollars ("**HKD**"), Renminbi, British Pound and United States Dollars ("**USD**"). The Group's sales and purchases are primarily denominated and settled in USD. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities but would monitor the foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

SHARE OPTION SCHEME

The Company's share option scheme (the "**Share Option Scheme**") was adopted pursuant to a resolution of the then shareholders of the Company on 22 September 2017 to enable the Company to grant options to eligible participants as incentives and rewards for their contribution to the Group. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. No option has been granted up to the date of this annual report.

PLEDGE OF ASSETS

The finance lease obligation as at 31 March 2018 was secured against a motor vehicle with carrying amounts of approximately HK$0.7 million.

OPERATING LEASE COMMITMENTS

As at 31 March 2018, the Group had commitments for future minimum lease payments of approximately HK$4.1 million under the non-cancellable leases (31 March 2017: HK$2.4 million).

CAPITAL COMMITMENT

As at 31 March 2018 and 2017, the Group did not have any capital commitment.

CONTINGENT LIABILITIES

As at 31 March 2018 and 31 March 2017, the Group did not have any contingent liabilities.

MATERIAL ACQUISITIONS OR DISPOSAL

Upon completion of the reorganisation of the Company (the "**Reorganisation**"), the Company became the holding company of the companies now comprising the Group. Details of the Reorganisation are set out in the paragraph headed "Reorganisation" in the section headed "History, Development and Reorganisation" of the Prospectus. Save as aforesaid, during the Year, the Group had no material acquisitions and disposals of subsidiaries, associates or joint ventures.

DIVIDENDS

During the Year, a subsidiary of the Company had declared a dividend of HK$7.0 million to its then shareholders in proportion to their respective shareholdings. The dividend of HK$7.0 million was paid in October 2017 prior to Listing.

The Board takes into account, among other factors, the Group's overall results of operation, financial position and capital requirements in considering the declaration of dividends. The Board does not recommend a payment of dividend for the Year.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. She Leung Choi (佘良材) ("**Mr. She**"), aged 48, is a founder of the Group, executive Director, chairman of the Board and chief executive officer. Mr. She is brother of Mr. Alex She, executive Director and son of Ms. Sze Sau Taap ("**Ms. Sze**"), a substantial shareholder of the Company. Mr. She was appointed as a Director on 27 March 2017 and was re-designated as an executive Director on 11 May 2017 and held various positions within the Group. Mr. She has been a director of B & C Industries Limited ("**B&C Industries HK**") since 2000 and has been involved in business and product development, marketing and the management of B&C Industries HK. Mr. She was involved in all aspects of and the day to day operation during the initial start-up stage of B&C Industries HK. As the business develops and the operation of B&C Industries HK expands over the years, Mr. She is now taking up a managerial role and is more focused on the overall business development, corporate strategic planning and corporate management of the Group.

Mr. She has over 16 years of management and operation experience in the homeware products export industry. Prior to establishing the first operating subsidiary, Mr. She set up B&C Enterprises Limited with his business partner, an independent third party of the Group, in October 1996 and served as one of its directors until its dissolution by way of deregistration in June 2002.

Mr. She obtained a degree of bachelor of business administration (honours) in management information systems from the Hong Kong Baptist University in December 1994.

Ms. Chan Lai Yin (陳麗燕) ("**Ms. Chan**"), aged 47, is a founder of the Group and executive Director. Ms. Chan was appointed as a Director on 27 March 2017 and was re-designated as an executive Director on 11 May 2017 and held various positions within the Group. Ms. Chan has been a director of B&C Industries HK since 2000 and has been involved in business and product development of B&C Industries HK. Ms. Chan is responsible for the business operation, corporate management, corporate strategy implementations and product development of the Group.

Ms. Chan has over 16 years of management, operation and sales experience in the homeware products export industry. Prior to joining the Group, Ms. Chan worked at Light Land International Limited, a Hong Kong company engaged in the fashion and apparel industry, from 1995 to 2000, as an assistant manageress primarily responsible for sales management, product selection and customer service. From 1993 to 1995, Ms. Chan worked at Prejecting 2500 Limited, a Hong Kong company, as a merchandiser primarily responsible for development of product lines, style design and the coordination of sales.

Ms. Chan obtained a degree of bachelor of business administration (honours) in applied economics from the Hong Kong Baptist College (currently known as Hong Kong Baptist University) in December 1993.

Mr. She Leung Ngai Alex (佘良霓) ("**Mr. Alex She**"), aged 47, is an executive Director. Mr. Alex She is brother of Mr. She and son of Ms. Sze. Mr. Alex She was appointed as a Director on 27 March 2017 and was re-designated as our executive Director on 11 May 2017 and held various positions within the Group. Mr. Alex She joined the Group as a senior merchandiser in April 2001 and was appointed as a director of B&C Industries HK in January 2003. Mr. Alex She has been involved in the sales and marketing and customer relations in B&C Industries HK. Mr. Alex She is responsible for the business operation, sales and marketing, customer service and information technology of the Group.

Mr. Alex She has over 16 years of operation and sales experience in the homeware products industry. Prior to joining the Group, he worked at Vun Fat Industrial Co. Ltd. from 1997 to 2001, as a manager. From 1996 to 2002, Mr. Alex She served as a director of Epoch Elite Limited, a private company incorporated in Hong Kong in December 1996, of which he was one of the founders. Epoch Elite Limited was dissolved by way of deregistration in November 2002.

Mr. Alex She obtained a degree of bachelor of arts (honours) in sociology from the Hong Kong Baptist University in November 1995.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Kim Ching (何劍菁), aged 40, was appointed as an independent non-executive Director on 22 September 2017. Mr. Ho has over 15 years of experience in the accounting and finance industry. Since June 2010, Mr. Ho has been working for Viva China Holdings Limited (stock code: 8032), shares of which are listed on the GEM, in which he worked as the vice president of the corporate finance department, mainly responsible for overseeing the corporate finance matters of that group from June 2010 to March 2013, and acted as the company secretary and authorised representative, mainly responsible for overseeing the company secretarial and corporate governance matters from June 2010 to April 2016. From April 2013 to March 2018 and from April 2018 until now, he serves as the corporate development director and vice president of the group respectively who has been responsible for overseeing the corporate development, corporate finance, investment and investor relations matters of that group. From January 2006 to June 2010, Mr. Ho worked for Piper Jaffray Asia Limited as representative with type 6 licence (advising on corporate finance) of the regulated activities under the SFO, primarily responsible for corporate finance transactions including new listing, mergers and acquisitions and takeovers. From January 2003 to May 2005, Mr. Ho worked in the assurance and advisory business services department of Ernst & Young as an accountant. Mr. Ho is a certified public accountant of the Board of Accountancy in the Washington State, the U.S. and was conferred the right to use the designation of chartered financial analyst by the CFA Institute in September 2005.

Mr. Ho obtained a degree of bachelor of business administration and a degree of master of business administration from Simon Fraser University in May 1999 and September 2001, respectively.

Mr. Chan Ching Sum Sam (陳錚森), aged 35, was appointed as an independent non-executive Director on 22 September 2017. Mr. Chan has over 12 years of experience in the accounting and finance industry. Since December 2017, Mr. Chan has been working for First Shanghai Capital Limited as director, mainly responsible for corporate finance transactions including new listing, takeovers and mergers and acquisitions. He worked at CVP Capital Limited as responsible officer with type 6 licence (advising on corporate finance) from March 2017 to December 2017, and representative with type 1 licence (dealing in securities) and type 4 licence (advising on securities) from February 2017 to December 2017. From February 2013 to February 2017, he worked at Changjiang Securities Holdings (HK) Limited and his last position was senior vice president of the corporate finance department. From October 2012 to November 2012, he worked at South West Capital Limited as a manager. From December 2010 to August 2012, he worked at Piper Jaffray Asia Limited as an investment banking analyst. From July 2009 to December 2010, he worked at China Construction Bank Corporation (stock code: 939), shares of which are listed on the Main Board of the Stock Exchange, as an accounting senior officer in the finance division. From March 2008 to July 2009, he worked at PricewaterhouseCoopers as senior associate in the assurance department. From September 2005 to March 2008, he worked at Ernst & Young as accountant in the assurance and advisory business services department. Mr. Chan is a fellow certified public accountant of the Hong Kong Institute of Certified Public Accountants.

Mr. Chan obtained a degree of bachelor of business administration in accounting from the Hong Kong Baptist University in November 2005, and a degree of master of science in financial analysis from The Hong Kong University of Science and Technology in November 2012.

Ms. Fan Pui Shan (樊佩珊), aged 48, was appointed as an independent non-executive Director on 22 September 2017. Ms. Fan has over 23 years of experience in the information technology industry. Since January 2012, Ms. Fan has been working for Fossil Asia Pacific Limited, an indirect wholly-owned subsidiary of Fossil Group, Inc. (NYSE stock code: FOSL), shares of which are listed on the NASDAQ stock market, in which her initial position was senior manager of the information technology department and in March 2014, she was promoted to retail systems director. From August 2008 to January 2012, Ms. Fan served as the business systems director of the information technology division of Ralph Lauren Asia Pacific Limited, a subsidiary of Ralph Lauren Corporation (NYSE stock code: RL), shares of which are listed on the NASDAQ stock market. From March 2000 to July 2008, Ms. Fan worked at SupplyLINE Logistics Limited and her last position at the company was information technology manager. From November 1999 to March 2000, Ms. Fan worked at Li & Fung (Trading) Limited, a wholly-owned subsidiary of Li & Fung Limited (stock code: 494), shares of which are listed on the Main Board of the Stock Exchange, as systems analyst of the information technology services division. From July 1995 to November 1999, Ms. Fan worked at Armitage Computer Systems Limited and her last position was systems analyst, mainly responsible for systems analysis and design, software development, systems testing and implementation. From August 1994 to July 1995, Ms. Fan worked at Wah Hing Group Co. Limited as information services assistant.

Ms. Fan obtained a degree of bachelor of business administration (honours) in management information systems from the Hong Kong Baptist University in December 1994 and a degree of master of arts in information systems from the City University of Hong Kong in November 2001.

SENIOR MANAGEMENT

Ms. Tsang Wing Kiu (曾詠翹), aged 44, joined the Group in April 2017 and is the chief financial officer and the company secretary of the Company. She is responsible for the supervision of financial management, investor relations and company secretarial matters of the Group. Ms. Tsang has approximately 20 years of experience in finance and accounting. Prior to joining the Group, Ms. Tsang worked at RSM Hong Kong, an international accounting firm, from April 2002 to September 2016 and was a senior manager when she left RSM Hong Kong.

She is a member of each of The Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants. Ms. Tsang obtained a degree of bachelor of arts in business administration from the University of Greenwich in July 1995, and a degree of master of science in accountancy from The Hong Kong Polytechnic University in December 2006. Ms. Tsang has not been a director for any publicly listed company during the three years preceding the date of this annual report.

The Company is committed to fulfilling its responsibilities to the Company's shareholders (the "**Shareholders**") and protecting and enhancing Shareholders' value through good corporate governance.

The Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability.

CORPORATE GOVERNANCE PRACTICES

As the Company's Shares were initially listed on the GEM of the Stock Exchange on 16 October 2017 (the "**Listing Date**"), the Corporate Governance Code (the "**CG Code**") as contained in Appendix 15 to the GEM Listing Rules was not applicable to the Company for the period from 1 April 2017 to 15 October 2017, being the date immediately before the Listing Date. The Company has complied with all applicable code provisions as set out in the CG Code, save for the deviation as disclosed below headed "Chairman and Chief Executive" to this report, during the period from the Listing Date to 31 March 2018 (the "**Period**").

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors during the Period.

BOARD OF DIRECTORS

Responsibilities

The Board is primarily responsible for overseeing and supervising the management of the business affairs and the overall performance of the Group. The Board sets the Group's values and standards and ensures that the requisite financial and human resources support are in place for the Group to achieve its objectives. The functions performed by the Board include but are not limited to formulating the Group's business plans and strategies, deciding all significant financial (including major capital expenditure) and operational issues, developing, monitoring and reviewing the Group's corporate governance practices and all other functions reserved to the Board under the Company's articles of association (the "**Articles of Association**"). The Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference which are published on the respective websites of the Stock Exchange and the Company. The Board may from time to time delegate certain functions to management of the Group if and when considered appropriate. Management is mainly responsible for the execution of the business plans, strategies and policies adopted by the Board and assigned to it from time to time.

The Directors have full access to information on the Group and are entitled to seek independent professional advice in appropriate circumstances at the Company's expense.

The Company has adopted the code provisions stated in the CG Code (as defined in the GEM Listing Rules).

Composition

The Company is committed to the view that the Board should include a balanced composition of executive Directors and independent non-executive Directors (the "**INEDs**") so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

As at the date of this report, the Board comprises the following six Directors:

Executive Directors:
Mr. She Leung Choi *(Chairman and Chief Executive Officer)*
Ms. Chan Lai Yin
Mr. She Leung Ngai Alex

INEDs:
Mr. Ho Kim Ching
Mr. Chan Ching Sum Sam
Ms. Fan Pui Shan

The biographical details of each of the Directors are set out in the section headed "Biography of Directors and Senior Management" of this annual report.

Mr. She Leung Choi, an executive Director, chief executive officer, chairman of the Board, the compliance officer of the Company and one of the controlling shareholders, is the brother of Mr. She Leung Ngai Alex, an executive Director.

Save as disclosed, there was no financial, business, family or other material relationship among the Directors during the Period and up to the date of this report.

The INEDs have brought in a wide range of business and financial expertise, experiences and independent judgment to the Board. Through active participation in the Board meetings and serving on various Board committees, all INEDs will make various contributions to the Company.

Throughout the Period, the Company had three INEDs, representing half of the Board members, which has exceeded the requirement of the GEM Listing Rules that the number of INEDs must represent at least one-third of the Board members, and has met the requirement that at least one of the INEDs has appropriate professional qualifications or accounting or related financial management expertise.

The Company has received an annual confirmation of independence in writing from each of the INEDs pursuant to Rule 5.09 of the GEM Listing Rules. Based on such confirmation, the Company considers that all the INEDs are independent and have met the independence guidelines as set out in Rule 5.09 of the GEM Listing Rules from the Listing Date to the date of this report.

Proper insurance coverage in respect of legal actions against the Directors' liability has been arranged by the Company.

DIRECTORS' INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT

Each newly appointed Director receives a formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of the Company's operations and business and is fully aware of the director's responsibilities under the statues and common law, the GEM Listing Rules, legal and other regulatory requirements and the Company's business and governance policies. The Directors had attended training sessions on obligations, duties and responsibilities of directors conducted by the Company's Hong Kong legal advisers.

The Company will from time to time provide briefings to all Directors to develop and refresh their duties and responsibilities. All Directors are also encouraged to attend relevant training courses at the Company's expense and they have been requested to provide the Company with their training records. According to the training records maintained by the Company, the trainings received by each of the Directors during the year ended 31 March 2018 is summarised as follows:

	Type of training	
Name of directors	**A**	**B**
Mr. She Leung Choi	✓	✓
Ms. Chan Lai Yin	✓	✓
Mr. She Leung Ngai Alex	✓	✓
Mr. Ho Kim Ching	✓	✓
Mr. Chan Ching Sum Sam	✓	✓
Ms. Fan Pui Shan	✓	✓

A: attending seminars/conferences/forums

B: reading newspapers, journals and updates relating to the economy, general business, corporate governance and directors' duties and responsibilities

MEETINGS OF BOARD AND DIRECTORS' ATTENDANCE RECORDS

During the Period, the Board held two regular meetings, at which the Directors discussed and approved the unaudited consolidated results of the Group for the six months ended 30 September 2017 and the nine months ended 31 December 2017. The Board is scheduled to meet four times a year at approximately quarterly intervals with notice given to the Directors at least 14 days in advance. For all other Board meetings, notice is given in a reasonable time in advance. The Directors are allowed to include any other matters in the agenda that is required for discussion and resolution at the meeting. To enable the Directors to be properly briefed on issues arising at the Board meetings and to make informed decisions, an agenda and the accompanying Board papers together with all appropriate and relevant information in relation to the matters of the meetings are sent to all Directors at least three days before the intended date of each regular Board Meeting and three days or such other period as agreed before each other Board meeting. All Directors should have access to the advice and services of the company secretary of the Company (the "**Company Secretary**") with a view to ensuring that Board procedures and all applicable rules and regulations are followed. The Company Secretary is responsible for keeping all Board meetings' minutes. Draft and final versions of the minutes will be circulated to the Directors for comments and record within a reasonable time after each meeting and the final version is open for the Directors' inspection. According to the GEM Listing Rules, any Directors and their associates (as defined in the GEM Listing Rules) with a material interest in the transactions to be discussed at the Board meetings will abstain from voting on resolutions approving such transactions and are not counted in the quorum of the meetings.

During the Period, the Company has not held any general meeting.

Details of the attendance of each Director at the meetings of the Board and its respective committee during the Period are as follows:

Name of directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Risk management Committee Meeting
Executive Directors:					
Mr. She Leung Choi	2/2	N/A	1/1	1/1	N/A
Ms. Chan Lai Yin	2/2	N/A	N/A	N/A	1/1
Mr. She Leung Ngai Alex	2/2	N/A	N/A	N/A	1/1
INEDs:					
Mr. Ho Kim Ching	2/2	2/2	1/1	1/1	N/A
Mr. Chan Ching Sum Sam	2/2	2/2	1/1	1/1	N/A
Ms. Fan Pui Shan	2/2	2/2	N/A	N/A	1/1

Apart from the above Board meeting, the chairman of the Board (the "**Chairman**") held no meeting with all the INEDs without the presence of the Executive Directors during the Period.

DIRECTORS' COMPETING BUSINESS

The Directors are not aware of any business or interest of the Directors or the controlling shareholders (as defined in the GEM Listing Rules) of the Company nor any of their respective associates (as defined in the GEM Listing Rules) that competed or might compete, either directly or indirectly, with the business of the Group and any other conflicts of interest which any such person had or might have with the Group during the year ended 31 March 2018.

BOARD DIVERSITY POLICY

During the Period, the Board has adopted a policy of the Board diversity (the "**Board Diversity Policy**") and discussed all measurable objectives set for implementing the Board Diversity Policy.

The Company recognises and embraces the benefits of a diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience.

CHAIRMAN AND CHIEF EXECUTIVE

Pursuant to code provision A.2.1 of the CG Code and Corporate Governance Report in Appendix 15 to the GEM Listing Rules, the role of chairman and the chief executive should be segregated and should not be performed by the same individual. However, we do not have a separate chairman and chief executive and Mr. She Leung Choi currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive in Mr. She has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure enables the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of our Board and chief executive of the Company when it is appropriate and suitable, taking into account the circumstances of the Group as a whole.

Save for the deviation from the code provision of A.2.1 of the CG Code, the Company has adopted and complied with the code provisions of the CG Code during the Period.

BOARD COMMITTEES

The Board has established four Board committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee and Risk Management Committee to oversee particular aspects of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties.

The written terms of reference for Board Committees are posted on the respective websites of the Stock Exchange and the Company.

Audit committee

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and paragraph C.3.3 of the CG Code as set out in Appendix 15 to the GEM Listing Rules pursuant to a resolution of the Directors passed on 22 September 2017. The primary duties of the audit committee are, among other things, to make recommendations to the Board on the appointment, reappointment and removal of external auditors, monitor the integrity of the financial statements and annual report and accounts, half-year report and quarterly reports, review the financial controls, risk management and internal control systems, and the financial and accounting policies and practices of the Group, and consider other topics as requested by the Board.

The audit committee comprises Mr. Ho Kim Ching, Mr. Chan Ching Sum Sam and Ms. Fan Pui Shan, all being INEDs. The chairman of the audit committee is Mr. Ho Kim Ching, who holds the appropriate professional qualification as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules. During the Period, two meetings were held by the Audit Committee to consider and review, among others, (i) the quarterly and interim reports of the Company before submission to the Board and the impact of the changes in accounting policies and practices and compliance of the relevant accounting standards, the GEM Listing Rules; and (ii) meeting with auditors to discuss the audit matters before commencement of the audit work.

The Group's consolidated financial statements for the year ended 31 March 2018 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 March 2018 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

Remuneration committee

The Company established a remuneration committee with written terms of reference in compliance with Rules 5.34 to 5.36 of the GEM Listing Rules and paragraph B.1.2 of the CG Code as set out in Appendix 15 to the GEM Listing Rules pursuant to a resolution of the Directors passed on 22 September 2017. The primary duties of the remuneration committee are, among other things, to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives, make recommendations to the Board on the remuneration packages of the Directors and senior management, and ensure that no Directors or any of his associates is involved in deciding his own remuneration.

The remuneration committee comprises Mr. Chan Ching Sum Sam, Mr. She Leung Choi and Mr. Ho Kim Ching. Mr. Chan Ching Sum Sam is the chairman of the remuneration committee. The Remuneration Committee has reviewed the remuneration packages and emoluments of Directors and senior management and considered that they are fair and reasonable during the year ended 31 March 2018. During the Period, one meeting was held by the remuneration committee.

Nomination committee

The Company established a nomination committee with written terms of reference in compliance with paragraph A.5.2 of the CG Code as set out in Appendix 15 to the GEM Listing Rules pursuant to a resolution of the Directors passed on 22 September 2017. The primary duties of the nomination committee are, among other things, to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually, select or make recommendations on the selection of, individuals nominated for directorships, assess the independence of independent non-executive Directors, and review the board diversity policy adopted by the Board on a regular basis.

The nomination committee comprises Mr. Chan Ching Sum Sam, Mr. She Leung Choi and Mr. Ho Kim Ching. Mr. Chan Ching Sum Sam is the chairman of the nomination committee. During the Period, the Nomination Committee held one meeting to consider and review among other matters, the structure, size and composition of the Board, roles of chairman and chief executive and continuing professional development of directors and senior management.

The Nomination Committee held a meeting on 8 June 2018 and among other matters, (i) assessed the independence of the INEDs, (ii) reviewed the Board Diversity Policy; and (iii) recommended to the Board for consideration the re-appointment of the all retiring Directors at the forthcoming AGM.

Risk Management committee

The Company established a risk management committee with written terms of reference in compliance with the CG Code as set out in Appendix 15 to the GEM Listing Rules pursuant to a resolution of the Directors passed on 22 September 2017. The primary duties of the risk management committee are, among other things, to improve the corporate governance of the Company, review the effectiveness and adequacy of risk management activities and to report such findings to the Board, and monitor the exposure to sanctions risks.

The risk management committee comprises Ms. Chan Lai Yin, Mr. Alex She and Ms. Fan Pui Shan. Ms. Chan Lai Yin is the chairman of the risk management committee. During the period, one meeting was held by risk management committee to review the sanctions-related risk and the appropriateness of corporate governance of the Company.

Corporate governance functions

The Board recognises that corporate governance should be the collective responsibility of the Directors which include, but are not limited to:

- developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board;
- reviewing and monitoring the training and continuous professional development of the Directors and senior management;
- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors; and
- reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years, commencing from 16 October 2017 and such service agreement may be terminated by not less than three months' notice in writing served by either party on the other or otherwise in accordance with their respective service agreement.

Each of the INEDs has signed a letter of appointment with the Company for an initial term of one year commencing from 16 October 2017 and such letter of appointment may be terminated by not less than three months' notice in writing served by either party on the other or otherwise in accordance with their respective letter of appointment.

Save as disclosed aforesaid, none of the Directors has a service agreement with the Company or any of its subsidiaries (excluding contracts expiring or determinable by the employer within one year without the payment of compensation other than statutory compensation).

All the Directors, including INEDs, are subject to retirement by rotation and eligible for re-election in accordance with the Articles of Association. At each annual general meeting (the "**AGM**"), one-third of the Directors for the time being (or if their number is not three or a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at the AGM at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles of Association relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing Board shall hold office only until the next following AGM of the Company and shall then be eligible for re-election.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Particulars of the Directors' remuneration for the year ended 31 March 2018 are set out in note 13 to the consolidated financial statements.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors) whose particulars are contained in the section headed "Directors and Senior Management" in this annual report for the year ended 31 March 2018 by band is set out below:

Remuneration band (in HK$)	**Number of individuals**
Nil to 1,000,000	1

INDEPENDENT AUDITOR'S REMUNERATION

For the year ended 31 March 2018, RSM Hong Kong was engaged as the Group's independent auditor. Apart from the provision of annual audit services, RSM Hong Kong provided the audit and non-audit services in connection with the listing of the Shares on the GEM.

The remuneration paid/payable to RSM Hong Kong, the auditor, for the year ended 31 March 2018 is set out below:

Services	**Fee paid/ payable** *HK$'000*
Audit services — annual audit services	700
Audit services — listing services (included in listing expenses)	1,165
Non-audit services — listing services (included in listing expenses)	350
Total	2,215

RESPONSIBILITIES OF DIRECTORS FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of the Group for the year ended 31 March 2018, which give a true and fair view of financial position of the Company and the Group and of the Group's financial performance and cash flow for the year ended 31 March 2018 and are properly prepared on a going concern basis in accordance with the applicable statutory requirements and accounting standards.

The Directors were 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.

In addition, RSM Hong Kong has stated in the independent auditor's report its reporting responsibilities on the Company's consolidated financial statements for the year ended 31 March 2018.

INTERNAL CONTROL

It is the responsibility of the Board to ensure that the Company maintains sound and effective internal controls to safeguard the Shareholders' investment and the Group's assets at all times. The Company has adopted a series of internal control policies and procedures designed to provide reasonable assurance for achieving objectives including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations.

During the Period, the Board has conducted a review of the effectiveness of the internal control system of the Group through discussion with the Audit Committee on audit findings and control issue.

COMPANY SECRETARY

The Company has appointed Ms. Tsang Wing Kiu ("**Ms. Tsang**") as the Company Secretary with effect from 11 May 2017. She is also the Chief Financial Officer of the Company and serves as the secretary of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Risk Management Committee. Ms. Tsang has complied with the training requirement for the Period under Rule 5.15 of the GEM Listing Rules.

All members of the Board have access to the advice and services of the Company Secretary. The appointment and removal of the Company Secretary are subject to the Board's approval.

The biological details of the Company Secretary are set out in the section headed "Directors and Senior Management" on pages 13 of this annual report.

SHAREHOLDERS' RIGHTS

Procedures for putting forward proposals at shareholders' meetings

There are no provisions allowing Shareholders to make proposals or move resolutions at the general meetings under the memorandum of the Company and the Articles of Association (the "**M&A**") or the laws of the Cayman Islands. Shareholders who wish to make proposals or move a resolution may, however, convene a general meeting in accordance with the "Procedures for shareholders to convene a general meeting" set out below.

Procedures for shareholders to convene a general meeting

Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company having the right of voting at general meetings of the Company (the "**Eligible Shareholder(s)**") shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a general meeting to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the general meeting.

Eligible Shareholders who wish to convene a general meeting for the purpose of making proposals or moving a resolution at the general meeting must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned at the principal place of business of the Company in Hong Kong (presently at Unit 2504, 25/F, Nanyang Plaza, 57 Hung To Road, Kwun Tung, Hong Kong) for the attention of the Company Secretary.

The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene a general meeting and the proposed agenda.

The Company will check the Requisition and the identity and the shareholding of the Eligible Shareholder(s) will be verified with the Company's branch share registrar in Hong Kong. If the Requisition is found to be proper and in order, the Company Secretary will ask the Board to convene a general meeting and/or include the proposal(s) made or the resolution(s) proposed by the Eligible Shareholder(s) at the general meeting within 2 months after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of the outcome and accordingly, the Board will not call for a general meeting nor include the proposal(s) made or the resolution(s) proposed by the Eligible Shareholder(s) at the general meeting.

If within 21 days of the deposit of the Requisition 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 Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) by the Company.

Procedures for shareholders to send enquires to the board

Shareholders may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong, presently at Unit 2504, 25/F, Nanyang Plaza, 57 Hung To Road, Kwun Tung, Hong Kong by post or by email to rachel@bnc.cc.

Upon receipt of the enquiries, the Company Secretary will forward the communications relating to:

1. matters within the Board's purview to the executive Directors;

2. matters within a Board committee's area of responsibility to the chairman of the appropriate committee; and

3. ordinary business matters, such as suggestions, enquiries and consumer complaints, to the appropriate management of the Company.

COMMUNICATION WITH THE SHAREHOLDERS

The Company has adopted a Shareholders' communication policy with the objective of ensuring that the Shareholders can have equal and timely access to information about the Company in order to enable the Shareholders to exercise their rights in an informed manner and to allow them to engage actively with the Company.

Information will be communicated to the Shareholders through the Company's financial reports, AGMs and other general meetings that may be convened, as well as all the disclosures submitted to the Stock Exchange.

CONSTITUTIONAL DOCUMENTS

Except for the adoption of amended and restated M&A by the Company to comply with the applicable legal and regulatory requirements (including the Listing Rules) on 16 October 2017 in anticipation of the Listing, there were no changes in the constitutional documents of the Company during the year ended 31 March 2018.

The amended and restated M&A is available on the respective websites of the Stock Exchange and the Company.

REPORT OF THE DIRECTORS

The directors of the Company (the "**Directors**") are pleased to present their report together with the audited consolidated financial statements of the Company and its subsidiaries (the "**Group**") for the year ended 31 March 2018.

PRINCIPAL ACTIVITIES

The Company acts as investment holding company. Its subsidiaries are principally engaged in the design, development, production management of homeware products with operations in the PRC and Hong Kong. The principal activities of the Company's principal subsidiaries are set forth in note 19 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group for the year ended 31 March 2018 is set out in the "Chairman's Statement" and "Management Discussion and Analysis" of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2018 and the financial position of the Company and the Group as at 31 March 2018 are set forth in the consolidated financial statements on pages 59 to 100 of this annual report.

During the year ended 31 March 2018, a subsidiary of the Company declared and paid a dividend of HK$7.0 million to its then shareholders.

The Board does not recommend the payment of a final dividend for the year ended 31 March 2018 (2017: nil).

LISTING AND USE OF PROCEEDS FROM THE SHARE OFFER

The Company listed its Shares on the GEM of the Stock Exchange on 16 October 2017 and issued a total of 250,000,000 Shares by way of public offer and placing at a price of HK$0.22 each. The net proceeds from the Listing, after deducting the listing expenses of approximately HK$23.7 million, amounted to approximately HK$31.3 million, which is slightly lower than the estimated net proceeds of approximately HK$32.0 million. The difference of approximately HK$0.7 million has been adjusted in the same manner and in the same proportion to the use of proceeds as disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

An analysis of the amount utilised of net proceeds up to 31 March 2018 is set out below:

	Estimated use of proceeds *HK$ million*	Adjusted use of proceeds *HK$ million*	Utilised up to 31 March 2018 *HK$ million*
Broaden the existing customer base, increase market share in the existing target markets and expand into new markets	13.5	13.2	1.0
Enhance design and development capabilities	4.8	4.7	–(i)
Enhance our quality assurance capabilities	4.8	4.7	–(i)
Enhance brand recognition and awareness and promote corporate reputation	6.4	6.3	1.3
General working capital	2.5	2.4	0.7
Total	32.0	31.3	3.0

(i) represented less than HK$100,000

From the Listing Date to 31 March 2018, the net proceeds from the Listing were utilised in accordance with the proposed applications set out in the Prospectus under the section headed "Future Plans and Use of Proceeds". As at 31 March 2018, the Group had already acquired a motor vehicle for sales and marketing purpose, participated in Ambiente Fair Frankfurt, and commenced to refurbish the existing office and showroom in the PRC. However, the Group is still seeking for suitable trainings course for designers and quality control to enhance their understanding of the latest fashion trend and industry know-how and product quality requirement and regulations respectively, therefore the respective amounts of net proceeds has not been utilised. As at the date of this annual report, the Directors do not anticipate any change to the plan as to the use of proceeds and the balance of the fund would be utilised accordingly.

The remaining unused net proceeds as at 31 March 2018 were placed as bank balances with licensed bank in Hong Kong and will be applied in the manner consistent with the proposed allocations.

SHARES ISSUED IN THE YEAR

Details of the shares issued in the year ended 31 March 2018 are set out in note 27 to the consolidated financial statements.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 23 July 2018 to Thursday, 26 July 2018, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the forthcoming AGM. In order to be eligible to attend and vote at the forthcoming AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrars in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 20 July 2018.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 March 2018, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to HK$22.6 million (2017:Nil).

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association (the "**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 of the Company (the "**Shareholders**").

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last three financial years, as extracted from the audited consolidated financial statements of the Company or the Prospectus, is set out on page 3 of this annual report.

DIRECTORS

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

Chairman, Chief Executive Officer and Executive Director:

Mr. She Leung Choi (appointed on 27 March 2017 and redesignated as executive Director on 11 May 2017)

Executive Directors:

Ms. Chan Lai Yin (appointed on 27 March 2017 and redesignated as executive Director on 11 May 2017)
Mr. She Leung Ngai Alex (appointed on 27 March 2017 and redesignated as executive Director on 11 May 2017)

Independent Non-Executive Directors (the "INEDS"):

Mr. Ho Kim Ching (appointed on 22 September 2017)
Mr. Chan Ching Sum Sam (appointed on 22 September 2017)
Ms. Fan Pui Shan (appointed on 22 September 2017)

The Company has received written confirmations of independence from each of the INEDs, namely Mr. Ho Kim Ching, Mr. Chan Ching Sum Sam and Ms. Fan Pui Shan, pursuant to Rule 5.09 of the GEM Listing Rules. As at the date of this report, the Company still considers the INEDs to be independent.

Retirement and re-election of Directors

In accordance with Article 84 of the Articles of Association, 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 at each annual general meeting of the Company, provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires.

According to Article 83(3) of the Articles of Association, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Shareholders after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Any Director appointed by the Board pursuant Article 83(3) of the Articles of Association shall not be taken into account in determining which particular Directors or the number of the Directors who are to retire by rotation. Accordingly, all Directors will retire and, being eligible, offer themselves for re-election at the 2018 AGM, being the first annual general meeting of the Company after the Listing.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors, namely Mr. She Leung Choi, Ms. Chan Lai Yin and Mr. She Leung Ngai Alex, has entered into a service agreement with the Company for an initial term of three years, commencing from the Listing Date and such service agreement may be terminated by not less than three months' notice in writing served by either party on the other or otherwise in accordance with their respective service agreement. All of them are subject to retirement by rotation and re-election at the AGM in accordance with the Articles of Association. Their emoluments were determined by the Board by reference to their experience, responsibilities and duties with the Company and shall be reviewed annually by the Remuneration Committee.

Each of the independent non-executive Directors, namely Mr. Ho Kim Ching, Mr. Chan Ching Sum Sam and Ms. Fan Pui Shan, has entered into a letter of appointment with the Company for an initial term of one year commencing from the Listing Date and such letter of appointment may be terminated by not less than three months' notice in writing served by either party on the other or otherwise in accordance with their respective letter of appointment. All INEDs are subject to retirement by rotation and re-election at the AGM in accordance with the Articles of Association. Their emoluments were determined by the Board by reference to their experience, responsibilities and duties with the Company and shall be reviewed annually by the Remuneration Committee.

None of the Directors proposed for re-election at the forthcoming AGM has a service contract with the Company, which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

Save as disclosed in this report, no other transactions, arrangements and contracts of significance to which the Company's subsidiaries or its parent company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of directors and senior management are set out on pages 11 to 13 to this annual report.

INTEREST AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at 31 March 2018, so far as our Directors are aware, the persons (other than the Directors and chief executive of the Company) who will have or be deemed or taken to have interests and/or short positions in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**"), or who were recorded in the register of the Company required to be kept pursuant to Section 336 of the SFO, or who were directly or indirectly interested in 5% or more of the Company's issued share capital will be as follows:

Name of Shareholder	**Capacity**	**Number of Shares held** *(Note 1)*	**Approximate percentage of shareholding**
Hearthfire	Beneficial owner	611,250,000 (L) *(Note 2)*	61.125%
Top Clay	Beneficial owner	52,500,000 (L) *(Note 3)*	5.25%
Ms. Sze Sau Taap ("**Ms. Sze**")	Interest of controlled corporation	52,500,000 (L) *(Note 3)*	5.25%
Present Moment	Beneficial owner	86,250,000 (L) *(Note 4)*	8.625%

Notes:

1. The letter "L" denotes a long position in the shareholder's interest in the Shares.

2. Hearthfire is wholly-owned by Mr. She Leung Choi, executive Director, and by virtue of the SFO, Mr. She Leung Choi is deemed to be interested in all the Shares held by Hearthfire.

3. Top Clay is wholly-owned by Ms. Sze and by virtue of the SFO, Ms. Sze is deemed to be interested in all the Shares held by Top Clay.

4. Present Moment is wholly-owned by Ms. Chan Lai Yin, executive Director, and by virtue of the SFO, Ms. Chan Lai Yin is deemed to be interested in all the Shares held by Present Moment.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 March 2018, the interests or short positions of the Directors or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will be required (a) 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 are taken or deemed to have under such provisions of the SFO), or (b) to be entered into the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules will be as follows:

(i) Interest in the Company

Name of Director	Capacity	Number of Shares held *(Note 1)*	Approximate percentage of shareholding
Mr. She Leung Choi	Interest of controlled corporation	611,250,000 (L) *(Note 2)*	61.125%
Ms. Chan Lai Yin	Interest of controlled corporation	86,250,000 (L) *(Note 3)*	8.625%

Notes:

1. The letter "L" denotes a long position in the Director's interest in the Shares.
2. 611,250,000 Shares held by Hearthfire, which is wholly-owned by Mr. She Leung Choi, executive Director, and by virtue of the SFO, Mr. She Leung Choi is deemed to be interested in all the Shares held by Hearthfire.
3. 86,250,000 Shares held by Present Moment, which is wholly-owned by Ms. Chan Lai Yin, executive Director, and by virtue of the SFO, Ms. Chan Lai Yin is deemed to be interested in all the Shares held by Present Moment.

(ii) Interest in associated corporations

Name of Director	Name of associated corporation	Capacity	Number of shares in associated corporation held (L)	Approximate percentage of shareholding
Mr. She Leung Choi	Hearthfire	Beneficial owner	1 share of US$1.00 each	100%

Note: The letter "L" denotes a long position in the Director's interest in the shares of the associated corporation.

DIRECTORS' EMOLUMENT POLICY

The Remuneration Committee was established for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group having regard to the Group's operating results, individual performance and comparable market standard and practices. The Company has adopted a share option scheme as an incentive to the Directors and eligible employees, details of which are set out in the section headed "Share Option Scheme" below.

SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme adopted by the written resolutions of all the shareholders of the Company passed on 22 September 2017.

(a) Purpose

The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 23 of the GEM Listing Rules and is established to enable our Company to grant options to Eligible Participants (as defined in paragraph (b) below) as incentives or rewards for their contribution or potential contribution to our Company and/or any of its subsidiaries.

(b) Who may join

The Board may, at its discretion, offer to grant an option to the following persons (collectively the "**Eligible Participants**") to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (f) below:

(i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;

(ii) any directors (including independent non-executive directors) of our Company or any of its subsidiaries; and

(iii) any advisors, consultants, agents, suppliers, customers, distributors and such other persons who, in the sole opinion of the Board, will contribute or have contributed to our Company and/or any of its subsidiaries.

(c) Acceptance of an offer of options

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the option duly signed by the grantee, together with a remittance in favor of our Company of HK$1.00 by way of consideration for the grant thereof is received by our Company on or before the relevant acceptance date. Such payment shall in no circumstances be refundable. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it must be accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs (l), (m), (n), (o) and (p), an option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the exercise price for the Shares in respect of which the notice is given. Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the auditors to our Company or the approved independent financial adviser as the case may be pursuant to paragraph (r), our Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee certificates in respect of the Shares so allotted.

The exercise of any option shall be subject to the Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company.

(d) Maximum number of Shares available for subscription

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Share Offer, being 100,000,000 Shares, excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting and/or such other requirements prescribed under the GEM Listing Rules from time to time, the Board may:

(i) renew this limit at any time to 10% of the Shares in issue as at the date of the approval by our Shareholders in general meeting; and/or

(ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board. The circular issued by our Company to our Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 23.02(2)(d) of the GEM Listing Rules and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules.

Notwithstanding the foregoing and subject to paragraph (r) below, the maximum number of 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 share option schemes of our Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (r) below whether by way of consolidation, capitalisation issue, rights issue, sub-division or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(e) Maximum number of options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised, cancelled, and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

(i) the issue of a circular by our Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rule 23.02(2)(d) of the GEM Listing Rules and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules; and

(ii) the approval of the shareholders in general meeting and/or other requirements prescribed under the GEM Listing Rules from time to time with such Eligible Participant and his close associates (as defined in the GEM Listing Rules) abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before the shareholders' approval and the date of the Board meeting at which the Board resolves to grant the proposed options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine (or, alternatively, documents accompanying the offer document which state), among others:

(aa) the Eligible Participant's name, address and occupation;

(bb) the date on which an option is offered to an Eligible Participant which must be a date on which the Stock Exchange is open for the business of dealing in securities;

(cc) the date upon which an offer for an option must be accepted;

(dd) the date upon which an option is deemed to be granted and accepted in accordance with paragraph (c);

(ee) the number of Shares in respect of which the option is offered;

(ff) the exercise price and the manner of payment of such price for the Shares on and in consequence of the exercise of the option;

(gg) the date of the expiry of the option as may be determined by the Board which shall not be later than the last day of the period to be notified by the Board to each grantee within which the option may be exercisable provided that such period of time shall not exceed a period of 10 years commencing from the date upon which such option is deemed to be granted and accepted in accordance with paragraph (c);

(hh) the method of acceptance of the option which shall, unless the Board otherwise determines, be as set out in paragraph (c); and

(ii) such other terms and conditions (including, without limitation, any minimum period for which an option must be held before it can be exercised and/or any performance targets which must be achieved before the option can be exercised) relating to the offer of the option which in the opinion of the Board are fair and reasonable but not being inconsistent with the Share Option Scheme and the GEM Listing Rules.

(f) Price of Shares

Subject to any adjustments made as described in paragraph (r) below, the subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

(i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Share,

provided that for the purpose of determining the exercise price where the Shares have been listed on the Stock Exchange for less than 5 business days preceding the date of grant, the issue price of the Shares in connection with such listing shall be deemed to be the closing price of the Shares for each business day falling within the period before the listing of the Shares on the Stock Exchange.

(g) Granting options to connected persons

Any grant of options to a director, chief executive or substantial shareholder (as defined in the GEM Listing Rules) of our Company or any of their respective associates (as defined in the GEM Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options). If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the GEM Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1%, or such other percentage as may be from time to time provided under the GEM Listing Rules, of the Shares in issue; and

(ii) having an aggregate value in excess of HK$5 million or such other sum as may be from time to time provided under the GEM Listing Rules, based on the official closing price of the Shares at the date of each grant, such further grant of options will be subject to, in addition to the approval of the independent non-executive directors of our Company as referred to under this paragraph (g), the issue of a circular by our Company and the approval of the shareholders in general meeting on a poll at which all core connected persons (as defined in the GEM Listing Rules) of our Company shall abstain from voting in favor, and/or such other requirements prescribed under the GEM Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to our Shareholders pursuant to the above paragraph shall contain the following information:

(i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before the Shareholders' meeting and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;

(ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;

(iii) the information required under Rule 23.02(2)(c) and (d) of the GEM Listing Rules and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules; and

(iv) the information required under Rule 2.28 of the GEM Listing Rules from time to time.

(h) Restrictions on the time of grant of options

A grant of options shall not be made after Inside Information (as defined under the GEM Listing Rules) has come to the knowledge of our Company until it has announced such information pursuant to the requirements of the GEM Listing Rules and Part XIVA of the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

(i) the date of the Board meeting (as such date to first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the GEM Listing Rules); and

(ii) the deadline for our Company to announce its results for any year, half-year, or quarter-year period or other interim period (whether or not required under the GEM Listing Rules),

and ending on the date of actual publication of the results announcement, and where an option is granted to a Director:

(i) notwithstanding the above, no option shall be granted to the Directors during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(ii) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) Rights are personal to grantee

An option is personal to the grantee and shall not be transferable or assignable and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option or attempt so to do (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

(j) Time of exercise of option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during the period to be notified by the Board to each grantee within which the option may be exercisable provided that such period of time shall not exceed a period of 10 years commencing from the date upon which the option is deemed to be granted and accepted. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of the Listing.

(k) Performance target

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(l) Rights on ceasing employment or death

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries:

(i) by any reason other than death or termination of his employment on the grounds specified in paragraph (m) below, the grantee may exercise the option up to the entitlement of the grantee as at the date of cessation (to the extent not already exercised) within a period of one month from such cessation; or

(ii) by reason of death, his personal representative(s) may exercise the option within a period of 12 months from such cessation, which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse.

(m) Rights on dismissal

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries on the grounds that he has been guilty of serious misconduct, or in relation to an employee of the Group (if so determined by the Board) on any other ground which would warrant the termination of his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Group, or has been convicted of any criminal offence involving his integrity or honesty, his option will lapse and not be exercisable after the date of termination of his employment.

(n) Rights on takeover

If a general offer (whether by way of takeover offer, share repurchase offer or scheme of arrangement or otherwise in like manner) is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Code)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(o) Rights on winding-up

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid and register the grantee as holder thereof.

(p) Rights on compromise or arrangement between our Company and its members or creditors

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which our Company was incorporated, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement and thereupon each grantee shall be entitled to exercise all or any of his options in whole or in part at any time prior to 12:00 noon (Hong Kong time) on the business day immediately preceding the date of the meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there are more than one meeting for such purpose, the date of the first meeting.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(q) Ranking of Shares

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank pari passu in all respects with and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of issue.

(r) Effect of alterations to capital

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, open offer, consolidation, sub-division or reduction of share capital of our Company, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial advisor shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 23.03(13) of the GEM Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on 5 September 2005 and any future guidance and interpretation of the GEM Listing Rules issued by the Stock Exchange from time to time and the note thereto. The capacity of the auditors of our Company or the approved independent financial advisor, as the case may be, in this paragraph is that of experts and not arbitrations and their certificate shall, in absence of manifest error, be final and conclusive and binding on our Company and the grantees.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company for which any grantee of an option is entitled to subscribe pursuant to the options held by him before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(s) Expiry of option

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(i) the date of expiry of the option as may be determined by the Board;

(ii) the expiry of any of the periods referred to in paragraphs (l), (m), (n), (o) or (p);

(iii) the date on which the scheme of arrangement of our Company referred to in paragraph (p) becomes effective;

(iv) subject to paragraph (o), the date of commencement of the winding-up of our Company;

(v) the date on which the grantee ceases to be an Eligible Participant by reason of the termination of his or her employment or contract on any one or more of the grounds that he or she has been guilty of serious misconduct, or has been convicted of any criminal offence involving his or her integrity or honesty, or in relation to an employee of the Group (if so determined by the Board), or has been insolvent, bankrupt or has made arrangements or compositions with his/her creditors generally or any other ground which would warrant the termination of his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Group. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or

(vi) the date on which the Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (i) above or the options are cancelled in accordance with paragraph (u) below.

(t) Alteration of the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

(i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 23.03 of the GEM Listing Rules; and

(ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted (except any alterations which take effect automatically under the terms of the Share Option Scheme),

shall first be approved by the Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall still comply with Chapter 23 of the GEM Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.

(u) Cancellation of options

Subject to paragraph (i) above, any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event any option is cancelled pursuant to paragraph (m).

(v) Termination of the Share Option Scheme

Our Company may by resolution in general meeting or the Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) Administration of the Board

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(x) Present status of the Share Option Scheme

As at 31 March 2018 and to the date of this report, no option had been granted or agreed to be granted under the Share Option Scheme.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 March 2018.

MAJOR SUPPLIERS AND CUSTOMERS

The percentages of purchases and sales for the year ended 31 March 2018 attributable to the Group's major suppliers and customers are as follows:

Purchases	
— the largest suppliers	56.7%
— five largest suppliers in aggregate	91.2%
Sales	
— the largest customers	25.0%
— five largest customers in aggregate	71.7%

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in these major suppliers or customers.

CONTINUING CONNECTED TRANSACTION

On 15 September 2015, B&C Industries HK, an indirect wholly-owned subsidiary of the Company, as the tenant, entered into a tenancy agreement (the "**2015 Tenancy Agreement**") with Pansino Homeware (Shenzhen) co., Ltd* (泛華家居用品(深圳)有限公司) ("**Pansino Shenzhen**"), as the landlord, for the lease of the property situated at Units 01 to 07, 23/F, Oriental Plaza, Luohu, Shenzhen, the PRC with a gross floor area of 701 square metres (the "**Premises**") for a rent of approximately HK$90,000 per month (inclusive of applicable land use fee, property tax arising from the lease of the Premises, management fee, utilities fees, sanitation fee and central air-conditioning fee) for a term of 2 years, commencing from 1 October 2015 and expired on 30 September 2017. Pansino Shenzhen is an indirect wholly-owned company by Mr. She Leung Choi, a Controlling Shareholder and executive Director of the Company.

On 28 December 2016, B&C Industries HK entered into a supplemental tenancy agreement (the "**2016 Supplemental Tenancy Agreement**") with Pansino Shenzhen, pursuant to which, the term for the lease of the Premises under the 2015 Tenancy Agreement was extended to 31 December 2017.

On 16 June 2017, B&C Industries HK, as the tenant, entered into a tenancy agreement (the "**2017 Tenancy Agreement**") with Pansino Shenzhen, as the landlord, for the lease of the property situated at Units 01 to 11, 23/F, Oriental Plaza, Luohu, Shenzhen, the PRC with a gross floor area of 1,060 square metres (the "**Expanded Premises**") for a rent of approximately HK$0.1 million per month (inclusive of applicable land use fee, property tax arising from the lease of the Expanded Premises, management fee, utilities fees, sanitation fee and central air-conditioning fee) for a term of 32 months, commencing from 1 August 2017 and expiring on 31 March 2020. Pursuant to the 2017 Tenancy Agreement, when the term of the 2017 Tenancy Agreement commenced, the 2015 Tenancy Agreement as amended by the 2016 Supplemental Tenancy Agreement have been terminated.

The Premises has been used as our showroom and office in the PRC.

Details of the abovementioned transactions are set out in the section headed "Connected Transaction" in the Prospectus and are disclosed as related party transactions under item (a) in respect of rental expenses to a related company of note 32 to the consolidated financial statements. The transactions under the 2017 Tenancy Agreement constitute de minimis continuing connected transactions of the Company under Rule 20.74(1)(c) of the GEM Listing Rules. Accordingly, the 2017 Tenancy Agreement and the transactions thereunder are exempted from the reporting, announcement, annual review, circular and the independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Save for the aforesaid transactions, the other related party transactions shown in note 32 to the consolidated financial statements do not constitute connected transactions or continuing connected transactions under the GEM Listing Rules.

* *For identification purpose only*

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of at least 25% of the Company's issued shares throughout the period from the Listing Date to the date of this report.

SUBSEQUENT EVENTS

There were no significant events that may affect the business operation and/or the financial position of the Group subsequent to 31 March 2018 until the date of this report.

COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors or the controlling shareholders (as defined in the GEM Listing Rules) of the Company nor any of their respective associates (as defined in the GEM Listing Rules) that competed or might compete, either directly or indirectly, with the business of the Group and any other conflicts of interest which any such person had or might have with the Group during the year.

As set out in the Prospectus, the Company has adopted, among others, the following measures to manage the conflict of interests arising from competing business and to safeguard the interests of the shareholders: (i) the Company will disclose decisions on matters reviewed by the INEDs relating to compliance and enforcement of the deed of non-competition dated 22 September 2017 entered into by the controlling shareholders in favour of the Company competing interests ("**Non-competition Undertaking**") in the annual report; and (ii) the controlling shareholders will make an annual declaration on compliance with their Non-competition Undertaking in the annual report.

The Board would like to clarify that there were no conflicts of interests between the controlling shareholders and the Group arising from competing business for the year ended 31 March 2018. As such, the controlling shareholders confirmed that they have complied with their undertaking under the Non-competition Undertaking.

The INEDs have reviewed and confirmed that the controlling shareholders have complied with the non-competition undertaking under the Non-competition Undertaking.

INTERESTS OF COMPLIANCE ADVISER

As at 31 March 2018, as notified by the Company's compliance adviser, Sunfund Capital Limited (the "**Compliance Adviser**"), except for the compliance adviser agreement dated 12 June 2017 entered into between the Company and the Compliance Adviser, neither the Compliance Adviser nor its directors, employees or close associates (as defined under the GEM Listing Rules) had any interests in relation to the Company, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

PERMITTED INDEMNITY PROVISIONS

The Company has arranged for appropriate insurance cover for Director's and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

Pursuant to the Company's Articles of Association, the Directors shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2018.

AUDITOR

The consolidated financial statements have been audited by RSM Hong Kong who retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM.

AUDIT COMMITTEE

The Audit Committee comprising three independent non-executive Directors, namely Mr. Ho Kim Ching, Mr. Chan Ching Sum Sam and Ms. Fan Pui Shan, has reviewed the accounting standards and policies adopted by the Group and the annual report including the audited consolidated financial statements of the Group for the year ended 31 March 2018.

On behalf of the Board

She Leung Choi
Chairman

Hong Kong, 8 June 2018

FORWARD

This is the first environmental, social and governance ("**ESG**") Report prepared by Satu Holdings Limited (hereinafter referred as "**We**", "**our**", "**Satu**", the "**Company**"), with reference to the ESG Reporting Guide in the GEM Listing Rules Appendix 20 issued by Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

This report mainly introduces the Group's vision, policies and measures and reports its performance regarding environmental, social and governance issues for communicating to the internal and external stakeholders.

In preparing this report and disclosing relevant statistics and information, we have assessed the environmental and social aspects of our businesses and operations, adopted relevant ESG policies and quantified certain data as key performance indicators in accordance to the principles of materiality, quantification, balance and consistence.

Scope and Reporting Period

The Company and its subsidiaries (collectively referred as the "**Group**") are principally engaged in the design, development and production management of a wide variety of homeware products.

The scope of this report covers the Group's businesses and office in Hong Kong and Shenzhen, the PRC. This report mainly discloses the major ESG measures, policies and activities implemented by the Group and our performance during the period from 1 April 2017 to 31 March 2018 (the "**Reporting Period**").

We would like to hear your feedback on our first ESG Report and help us continuously improve our sustainability performance.

A. OUR ENVIRONMENT ASPECT

The Group complies with all the relevant environmental laws and regulations applicable in the places of our business operations.

We have assessed the nature of our business and considered that our businesses and operations do not produce direct industrial pollution and hazardous wastes. Nevertheless, we have performed an assessment on our environmental aspect and made reasonable efforts in the areas of environmental protections, including but not limited to the following:

1. Encouraging our staff to switch off unused equipment or appliances (i.e. air-condition, light, computers and printers) after working hours and operation or when not in use during working hours;

2. Encouraging our staff to minimize the use of papers through recycling use; and

3. Encouraging our staff to use resources efficiently through use of energy saving devices.

Note: We collect our ESG data and calculate the relevant KPIs based on the information we gather, to our best effort, in the course of operations and in accordance to relevant supporting documents.

Air Pollution Control

Based on our assessment, the use of our two motor vehicles is the main source of air emission which is considered to have a low overall impact on air pollution.

To further mitigate air pollution, we introduced a hybrid vehicle during the Reporting Period. The total consumption of vehicle fuel for the Reporting Period were 5,451 liters. The following table shows the emissions of key air pollutants within our operation:

	Nitrogen Oxides (NO_x)	**Sulphur Oxides (SO_x)**	**Particulate Matter (PM)**
Air Emissions (g)	522.9	87.8	38.5

Note:

Greenhouse gas ("GHG") emissions data is presented in carbon dioxide equivalent and was in reference to, including but not limited to, the reporting requirements of the "GHG Protocol Corporate Accounting and Reporting Standard" issued by the World Resources Institute and the World Business Council for Sustainable Development, the "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes)" and the latest published Baseline Emission Factors for Regional Power Grids in the PRC.

Greenhouse Gas and Resource Management

We strive to use our resources efficiently, not only because it reduces our cost, but also it is good for our planet.

Energy and resource conservation practices are in place to raise awareness of our employees in creating a better environment. These include practices such as, the turning off unused equipments or appliances after work hours and operations, or when unused during work hours, for energy conservation purposes; and also, the last employee to leave the room or office premises would switch off all the lights and air-conditioning.

Based on our resources consumption, GHG emissions were estimated with reference to the 'Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional purposes) in Hong Kong' developed by the Hong Kong Environmental Protection Department and the Electrical and Mechanical Services Department. The following is the breakdown of the GHG emissions within our operations:

	GHG Emissions (t CO_2e)
Scope 1	12.87
Scope 2	13.37
Scope 3	2.20
Total	28.44
Carbon Intensity (t CO_2e/each million revenue HKD of relevant operations that generate such emission)	0.44

Use of resources

Our businesses and operation do not consume natural resources extensively and does not generate significant amount of waste.

To further improve the efficient use of resources, we are committed to the responsible use of resources in our business operations and have developed green office initiatives to promote resource conservation among our staff. We have also turned off the air-conditioning system at night or when we leave. In the course of our operation, we did not have significant use of packaging materials and water consumption.

The following summarises the resources consumed and corresponding intensities within our operation:

	Energy (GJ)	Paper (kg)
Consumption	13,374.9	272.5
Intensity (Unit/million HKD)	212.3	4.33

Since the amount of monthly waste paper created was insufficient, we did not undertake any recycle action.

Based on our assessment, we are not subject to environmental issues and compliance requirements over sourcing water and use of packaging materials. During the Reporting Period, the Group do not find any incidents of non-compliance with laws and regulations in respect of the environment and natural resources.

B. OUR SOCIAL ASPECT

On the social aspect, the Group complies with all the relevant laws and regulations applicable in the places of our business operations and develops policies in relation to:

1. Employment
2. Health and Safety
3. Labour Standards
4. Product Responsibility
5. Anti-Corruption

We have also designed and implemented a robust process or planning in relation to:

1. Staff Development
2. Supply Chain Management
3. Community Investment

Human Resource Management and Labour Standards

Human Resource ("**HR**") management is an integral part of our overall business strategy. An effective HR management system helps to attract and retain competent employees, assist employees in adapting to organisational changes, and facilitate the use of technology to determine how and where work can be better carried out. We aim to create a work environment that promotes harmonious employer-employee relations.

We have adopted HR policies that are in line with the employment laws in Hong Kong and the PRC. During the Reporting Period, we have complied with the employment laws and regulations. We confirm that child and forced labour are strictly prohibited in our businesses and operation.

Labour standards and human rights requirements stated in relevant rules and regulations are strictly abided to provide employees with their deserved benefits and protection, including compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, and other benefits and welfare.

We believe our working environment and employee development opportunities have contributed to good employee relations and employee retention. We recruit our employees based on a number of factors such as work experience, academic level, skillset, ethical standard and the overall diversity in gender, age and abilities.

During the Reporting Period, we usually hired through online recruitment networks. We enter into individual employment agreements with our employees, with terms covering, among other things, positions, salaries, working hours, annual leave and other benefits.

The functional distribution of our full-time employees as at 31 March 2018 is as follows:

Function	Male	Female
General staff	4	11
Middle management	4	7
Senior management	2	2
Total	10	20

During the Reporting Period, there was 14 leavers comprising 9 males and 5 females, mainly of the age group of 18–40 years old. Among the leavers, 78% of them were serving the function at general staff level.

Health and Safety

We consider that our businesses and operation have a lower level occupational risk in relation to health and safety.

Nevertheless, we are dedicated to provide a safe and health workplace to our employees. It is our policy to comply with applicable labour and safety laws and regulations, such as The Occupational Safety and Health Ordinance. Our key health and safety measures include the following:

To prevent accidents by:

- ensuring that the plant is properly designed to prevent accidents;

To prevent fire by:

- ensuring illuminated 'EXIT' signs over exits and clear directions are in place in our office building;
- keeping all means of escape in a safe condition and free from obstruction;
- making sure that all exit doors can easily be opened from inside the workplace or are unlocked;
- providing suitable and adequate fire safety measures;

To provide a safe and healthy work environment by:

- keeping the workplace clean and ensuring that it is adequately lit and ventilated;
- providing adequate drainage;

To ensure hygiene by:

- providing adequate lavatory and washing facilities, as well as adequate supply of drinking water; and

To provide first aid by:

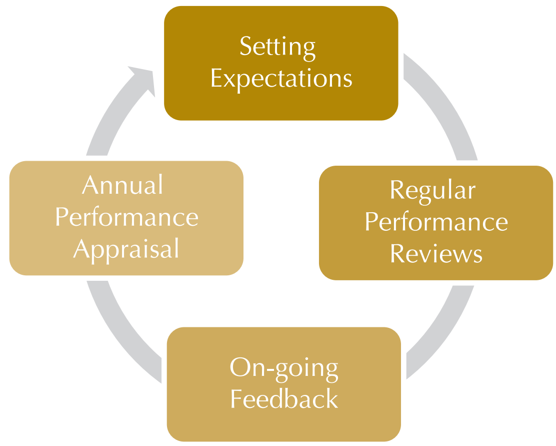
- keeping adequate first aid facilities on the premises.

During the Reporting Period, we are in compliance with all the relevant health and safety laws and regulations. We do not have any fatality cases or major accidents/issues concerning the health and safety of our employees.

Staff Development and Training

We believe we will succeed if our people are well developed. We recognise the importance of having good relationship with our employees. We, therefore, invest in the growth of our people to upgrade their respective competencies, and in turn, allow them to perform their individual jobs effectively.

We are committed to support the performance improvement, development and growth of all our employees across all levels, and have an effective performance management and appraisal process in place.



The result of the annual performance appraisal also forms the basis of monetary incentives and/or promotions. After the annual performance appraisal, follow-up actions, including on-the-job and off-the-job training, can be planned and implemented according to the various departmental needs and the scope of work of individual employees.

During the Reporting Period, we have arranged a Directors' training for our Directors and senior management over the topics of on-going corporate governance requirement and the duties of directors of a company listed on the Stock Exchange.

For our staff, we have not maintained the detailed training records for the on-the-job training. Upon Listing, we are committed to spend a portion of our proceeds on the training of designers and quality control staffs. We will disclose the relevant training records in our next ESG report.

OPERATING PRACTICES

We strive to exceed our customers' expectations by focusing and providing high quality products and services that they desire.

Our customers of international homeware brand owners and licensee usually pay great attention to the product quality. We have a robust quality assurance process and control procedures to ensure our product quality meets with the regulatory and customers' standards.

Supply Chain Management

To provide quality products to our customers, we believe that our responsibility begins with our supply chain. We rely on our suppliers for the production of our quality products. It is our policy to ensure the quality of our third-party factories on an on-going basis. Our key measures include:

Acceptance

Before accepting a third-party factory, we consider a number of factors including the size of the plant, plant facilities, equipment quality, standard management techniques, work safety, professional ethics, financial stability, production capacity and location.

Regular Assessment

Our quality assurance team regularly visits our third party factories on a regular basis, and

- Assess whether they are in compliance with our requirements;
- Understand whether there are serious breach of social and environmental laws and regulations; and
- Report to our senior management of the compliance status and conduct follow up actions.

Inspection

From time to time, our customers will also conduct assessments of certain aspects of some of our suppliers, including technical capabilities, professional ethics, health and safety and labour standard. During the Reporting Period, our suppliers subject to those assessments have obtained relevant reports from these inspections.

Our five largest suppliers accounted for more than 90% of our total costs of homeware products. They are located in Guangdong Province of the PRC. Our Directors are not aware of any serious environmental and social issues by these suppliers.

Product Responsibility

We have established practices and/or policies to ensure our product responsibility meets with the relevant standards of the following three main areas.

1. Health and Safety
2. Intellectual Property Management
3. Data Privacy

Health and Safety

We are dedicated to design, develop and supply products that adhere to the relevant key health and safety standards, such as the General Product Safety, Directive 2001/95/EC (the "**GPS Directive**") issued by European Commission. Accordingly, we have designed and implemented certain quality assurance measures as disclosed below.

Design

- Regular meeting with the customers to understand the product quality standard
- Performing experimental sample product testing before mass production

Supplies

- Initial assessment on third party factories to ensure they are qualified and competent before accepting them as qualified suppliers
- On-going assessment of third party factories performance

Production

- In-process inspection is carried out at various stages of production to ensure that each stage of works conforms to the requirements and specifications
- Our quality assurance manager who oversees the quality control of our products by regular visiting the third party factories

Completion

- Third party inspections are carried out on product quality before shipment is made to customers
- Designated management are assigned to follow up and handle inquiries and compliants (if any) of customers on a timely basis

During the Reporting Period, we do not receive any significant quality defects or product claims or refunds or returns from our customers regarding our products. And, we have also complied with the product safety standards in the jurisdictions where the Group operates.

If our customer is dissatisfied with the product, we generally deal with them by discounts or replenishment, but such incidents rarely occur. In July 2017, customer A was dissatisfied with the color after receiving the goods. After mutual consent, the case was resolved with a price discount.

Intellectual Property Management

We recognise the importance of protecting and enforcing our intellectual property rights.

We have established practices and/or policy to avoid infringement of intellectual property rights, including:

1. We are committed not to use any design, logo or pictures where the intellectual property rights are not granted to us;

2. We have entered into the confidentiality agreements with our major third party factories as to protect our and our customers' intellectual property rights during the production;

3. For our Group's designs, the Group generally retains the intellectual property rights of the designs or vest the rights to our customers as part of the agreed terms and conditions; and

4. Our Directors are committed to register intellectual property rights that are material to our business operation under appropriate categories and in appropriate jurisdictions in consideration of related cost and benefits.

As at 31 March 2018, we have one registered trademark in each of E.U., the U.S. and the U.K., one registered trademark in the PRC and two registered trademarks in Hong Kong, which are material to our business.

During the Reporting Period, we are in compliance with the relevant laws and regulations in relation to intellectual property right applicable in the place of our operation. As well, we are not aware of any material infringement of our intellectual property rights and we believe that we have taken reasonable measures to prevent infringement of our own intellectual property rights.

Data Privacy

In the course of business, we only collect and maintain basic and public information of our customer background and are prohibited in dispatching or using such data for other purposes. On this basis, we consider that we have a low risk impact over the area of data privacy. Nevertheless, our practices of collecting, maintaining and using our customer information are in line with Personal Data (Privacy) Ordinance.

During the Reporting Period, we are in compliance with the Personal Data (Privacy) Ordinance.

Integrity in Business

Employees are required to comply with our employee code of conduct that outlines the expected behaviours in business. Every employee in the Group must read and sign the employee's code.

In particular, we strictly prohibit any form of corruption, bribery or fraud in business. We also take confidentiality seriously. Rules are set up to handle confidential information, as well as to restrict all our employees from leaking any confidential information relating to the Group or our customers, to external parties. In any instances of misconduct, including breach of confidentially or any conflicts of interest, acts of bribery and corruption, disciplinary action will be applied to the employees found to be involved, and may extend to further legal or disciplinary action.

Upon Listing, the Group has also adopted a whistle blowing policy for the reporting of any concerns of complaints about malpractice, impropriety, or wrongdoing. The policy is open to employees as well as outside parties.

During the Reporting Period, the Group has complied with major relevant laws and regulations over anti-corruption, including Hong Kong's "Prevention of Bribery Ordinance" and the PRC's "Corruption Regulations of the PRC". The Group is not involved in any legal cases regarding corrupt practices bright against the Group or its employee.

Community Investment

As a responsible corporation, the Group has been working towards to build a beautiful and healthy community and has been maintaining close communication and interaction with the community to contribute to the development of the community.

During the Reporting Period, the Group has made donations of its products to an international charity organisation.

APPENDIX 1: SEHK ESG REPORTING GUIDE INDEX

The Stock Exchange Reporting Guide General Disclosures		Reference Section/ Remark	Comply or Explain
A. Environment			
A1 Emission	Information on: (a) the policies; and (b) compliance and material non-compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous wastes, etc.	Our Environment Aspect	Complied
KPI A1.1	The types of emissions and respective emissions data.	Air Pollution Control	Complied
KPI A1.2	Greenhouse gas emissions in total, and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Greenhouse Gas and Resource Management	Complied
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Not applicable — No hazardous waste is generated	Explained
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Not applicable — Waste generation is considered insignificant, please refer to the section headed "Use of Resources".	Explained
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Greenhouse Gas and Resource Management	Complied
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Not applicable — No hazardous waste is generated	Explained
A2 Use of Resource	Policies on efficient use of resources including energy, water and other raw materials.	Our Environment Aspect	Complied
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Use of Resources	Complied
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Not applicable — Waste generation is considered insignificant, please refer to the section headed "Use of Resources".	Explained

The Stock Exchange Reporting Guide General Disclosures		Reference Section/ Remark	Comply or Explain
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Use of Resources	Complied
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Use of Resources	Complied
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable — Packaging materials used in operation were insignificant.	Explained
A3 The Environment and Natural Resources	Policies on minimizing the operation's significant impact on the environment and natural resources.	Use of Resources	Complied
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Not applicable. We do not have significant impacts of activities on the environment and natural resources.	Explained
B. Social			
B1 Employment	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Human Resource Management and Labour Standards	Complied
B2 Health and Safety	Information on: (a) the policies; and (b) compliance and material non-compliance with relevant standards, rules and regulations on providing a safe working environment and protecting employees from occupational hazards.	Health and Safety	Complied
B3 Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Staff Development and Training	Explained
B4 Labour Standard	Information on: (a) the policies; and (b) compliance and material non-compliance with relevant standards, rules and regulations on preventing child or forced labour.	Human Resource Management and Labour Standards	Complied

The Stock Exchange Reporting Guide General Disclosures			Reference Section/ Remark	Comply or Explain
B5	**Supply Chain Management**	Policies on managing environmental and social risks of supply chain.	Supply Chain Management	Complied
B6	**Product Responsibility**	Information on: (a) the policies; and (b) compliance and material non-compliance with relevant standards, rules and regulations on health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility	Complied
B7	**Anti-corruption**	Information on: (a) the policies; and (b) compliance and material non-compliance with relevant standards, rules and regulations on bribery, extortion, fraud and money laundering.	Integrity in Business	Complied
B8	**Community Investment**	Policies on community engagement to understand the community's needs where it operates and to ensure its activities take into consideration communities' interests.	Community Investment	Complied

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TO THE SHAREHOLDERS OF
SATU HOLDINGS LIMITED
(Incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Satu Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 59 to 100, which comprise the consolidated statement of financial position as at 31 March 2018, 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 2018, 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 (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matter we identified is impairment assessment on trade receivables.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment on trade receivables As at 31 March 2018, the Group's trade receivables amounted to approximately HK$12,559,000. Certain customers of the Group may have a slower settlement pattern and may settle after the contractual credit period. Management performed periodic credit monitoring, which included the review of customers' credit worthiness, status of collection of outstanding balances and individual credit terms. If there is indicator that the receivables are impaired, management would make specific impairment against individual balances with reference to the recoverable amount. We focused on this area due to the estimation and judgment involved in the assessment of the recoverability of trade receivables.	Our procedures in relation to management's impairment assessment on trade receivables included: • Understanding and validating the credit control procedures performed by management, including their procedures on periodic review of aged receivables and their assessment of the recoverability of these receivables; • Testing the accuracy of the ageing profile of trade receivables on a sample basis and reviewing the ageing profile, focusing on the aged receivables for which no impairment had been made; and • Testing the subsequent settlement of these balances. For those unsettled receivables, we enquired of management about the reasons for the delay in collection of these receivables and reviewed any further actions taken in recovering the long outstanding receivables in order to assess whether any additional impairment should be made.

OTHER INFORMATION

The directors are responsible for the Other Information. The Other Information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Yam Tak Fai, Ronald.

RSM Hong Kong
Certified Public Accountants
Hong Kong
8 June 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2018

	Note	2018 HK$'000	2017 HK$'000
Revenue	7	**67,934**	65,224
Cost of sales	8	**(43,969)**	(39,492)
Gross profit		**23,965**	25,732
Other income and net gains	7	**1,245**	429
Selling and distribution expenses		**(6,697)**	(6,053)
Administrative and other operating expenses		**(21,958)**	(7,381)
(Loss)/profit from operations		**(3,445)**	12,727
Finance costs	9	**(74)**	(28)
(Loss)/profit before tax		**(3,519)**	12,699
Income tax expense	10	**(1,415)**	(2,363)
(Loss)/profit for the year	11	**(4,934)**	10,336
Attributable to:			
Owners of the Company		**(4,934)**	10,347
Non-controlling interests ("NCI")		**–**	(11)
		(4,934)	10,336
(Loss)/earnings per share			
Basic and diluted	16	**(HK0.57 cents)**	HK1.38 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	2018 HK$'000	2017 HK$'000
(Loss)/profit for the year	**(4,934)**	10,336
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**28**	(19)
Other comprehensive income for the year, net of tax	**28**	(19)
Total comprehensive income for the year	**(4,906)**	10,317
Attributable to:		
Owners of the Company	**(4,906)**	10,321
NCI	**–**	(4)
	(4,906)	10,317

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Note	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	17	**1,074**	729
Deferred tax assets	18	**101**	81
Deposits paid for property, plant and equipment	22	**959**	–
		2,134	810
Current assets			
Inventories	20	**807**	1,342
Trade receivables	21	**12,559**	14,543
Prepayments, deposits and other receivables	22	**3,971**	1,909
Amount due from a related company		**–**	1,730
Current tax assets		**422**	–
Bank and cash balances	23	**41,626**	9,170
		59,385	28,694
Current liabilities			
Trade payables	24	**1,496**	2,871
Other payables and accruals	24	**1,320**	544
Deposits receipt in advance	24	**152**	240
Amount due to a shareholder		**–**	1,143
Bank borrowings	25	**–**	427
Finance lease payables	26	**159**	–
Current tax liabilities		**3**	888
		3,130	6,113
Net current assets		**56,255**	22,581
Non-current liabilities			
Finance lease payables	26	**491**	–
NET ASSETS		**57,898**	23,391
Capital and reserves			
Share capital	27	**10,000**	20
Reserves		**47,898**	23,371
TOTAL EQUITY		**57,898**	23,391

Approved by the Board of Directors on 8 June 2018 and are signed on its behalf by:

Mr. She Leung Choi
Executive Director

Ms. Chan Lai Yin
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Attributable to owners of the Company								
	Share capital *HK$'000*	**Share premium** *HK$'000* *(note 29(b)(iii))*	**Merger reserve** *HK$'000* *(note 29(b)(iv))*	**Other reserve** *HK$'000* *(note 29(b)(i))*	**Foreign currency translation reserve** *HK$'000* *(note 29(b)(ii))*	**Retained earnings** *HK$'000*	**Total** *HK$'000*	**NCI** *HK$'000*	**Total equity** *HK$'000*
At 1 April 2016	20	–	–	5	(20)	13,348	13,353	(279)	13,074
Profit and total comprehensive income for the year	–	–	–	–	(26)	10,347	10,321	(4)	10,317
Acquisition of NCI	–	–	–	3	8	(294)	(283)	283	–
At 31 March 2017 and 1 April 2017	**20**	**–**	**–**	**8**	**(38)**	**23,401**	**23,391**	**–**	**23,391**
Loss and total comprehensive income for the year	**–**	**–**	**–**	**–**	**28**	**(4,934)**	**(4,906)**	**–**	**(4,906)**
Group reorganisation	**360**	**–**	**(360)**	**–**	**–**	**–**	**–**	**–**	**–**
Shares issued pursuant to the capitalisation issue *(note 27(b))*	**7,120**	**(7,120)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Shares issued under the Share Offer *(note 27(c))*	**2,500**	**43,913**	**–**	**–**	**–**	**–**	**46,413**	**–**	**46,413**
Dividend paid *(note 14)*	**–**	**–**	**–**	**–**	**–**	**(7,000)**	**(7,000)**	**–**	**(7,000)**
At 31 March 2018	**10,000**	**36,793**	**(360)**	**8**	**(10)**	**11,467**	**57,898**	**–**	**57,898**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	Note	2018 HK$'000	2017 HK$'000
CASH FLOW FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		**(3,519)**	12,699
Adjustments for:			
Depreciation	17	**541**	318
Interest income	7	**(85)**	(1)
Finance costs	9	**74**	28
(Gain)/loss on disposals of property, plant and equipment	7&11	**(47)**	16
Operating (loss)/profit before working capital changes		**(3,036)**	13,060
Decrease/(increase) in trade receivables		**1,984**	(6,187)
Decrease/(increase) in inventories		**535**	(1,342)
(Increase)/decrease in prepayments, deposits and other receivables		**(3,021)**	2,976
(Decrease)/increase in trade payables		**(1,375)**	258
Increase in other payables and accruals		**776**	121
(Decrease)/increase in deposits receipt in advance		**(88)**	49
Decrease in amount due to a related company		**–**	(421)
Cash (used in)/generated from operations		**(4,225)**	8,514
Income taxes paid		**(2,742)**	(3,224)
Finance costs paid		**(74)**	(28)
Net cash (used in)/generated from operating activities		**(7,041)**	5,262
CASH FLOW FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(58)**	(295)
Proceeds from disposals of property, plant and equipment		**47**	–
Interest received		**85**	1
Decrease in amount due from a related company		**–**	475
Net cash generated from investing activities		**74**	181
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of bank borrowings	33	**(427)**	(838)
Increase in amounts due to shareholders	33	**587**	25
Decrease in amount due to a NCI shareholder		**–**	(405)
Repayment of finance lease payables	33	**(177)**	–
Proceeds from issue of ordinary shares under the Share Offer		**46,413**	–
Dividends paid	14	**(7,000)**	–
Net cash generated from/(used in) financing activities		**39,396**	(1,218)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**27**	(19)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**32,456**	4,206
CASH AND CASH EQUIVALENTS AT 1 APRIL		**9,170**	4,964
CASH AND CASH EQUIVALENTS AT 31 MARCH		**41,626**	9,170
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		**41,626**	9,170

1. GENERAL INFORMATION

Satu Holdings Limited (the "Company") was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is Unit 2504, 25/F, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

The Company is an investment holding company, the Company and its subsidiaries (collectively the "Group") now comprising the Group are principally engaged in trading and designing of homeware products (the "Business"). Details of the principal activities of its subsidiaries are set out on note 19 to the consolidated financial statements.

On 16 October 2017 (the "Listing Date"), the Company's shares were listed (the "Listing") on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and issued a total of 250,000,000 Shares of the Company by way of public offer and placing at a price of HK$0.22 each upon Listing (the "Share Offer").

In the opinion of the directors of the Company, Hearthfire Limited ("Hearthfire"), a company incorporated in the British Virgin Islands ("BVI"), is the immediate and ultimate parent, and Mr. She Leung Choi ("Mr. Bruce She") is the ultimate controlling party of the Company.

2. GROUP REORGANISATION AND BASIS OF PREPARATION

Group Reorganisation

Prior to the incorporation of the Company and the completion of the reorganisation for the purpose of Listing (the "Group Reorganisation"), the Business was carried out by companies now comprising the Group (collectively the "Operating Companies"). The Operating Companies were controlled by Mr. Bruce She, Ms. Sze Sau Taap ("Ms. Sze") and Ms. Chan Lai Yin ("Ms. Yen Chan") respectively.

In the preparation for the Listing, the Group has undergone the Group Reorganisation, and the main steps of the Group Reorganisation are summarised below:

(i) Incorporation of Hearthfire, Top Clay Limited ("Top Clay") and Present Moment Limited ("Present Moment")

Hearthfire, Top Clay and Present Moment were incorporated in the BVI with limited liability on 10 March 2017, 15 March 2017 and 30 March 2017 respectively. The entire equity interests of Hearthfire, Top Clay and Present Moment are owned by Mr. Bruce She, Ms. Sze and Ms. Yen Chan respectively.

(ii) Incorporation of the Company

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 27 March 2017 with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. Upon its incorporation, one nil paid share was allotted and issued to Sharon Pierson, an independent third party, as the initial subscriber and such nil paid share was subsequently transferred to Hearthfire on the same day. In addition, on 27 March 2017, the Company also allotted and issued to each of Top Clay and Present Moment one nil paid share.

Upon completion of the above transfer and allotment and issue, Hearthfire, Top Clay and Present Moment became the shareholders of the Company.

2. GROUP REORGANISATION AND BASIS OF PREPARATION (CONTINUED)

Group Reorganisation (Continued)

(iii) Transfer of shares in South Technology (International) Limited ("South Technology HK")

Prior to the below mentioned share transfers, Mr. Bruce She and the former shareholders of South Technology HK (the "former shareholders") held 65 shares and an aggregate of 35 shares in South Technology HK respectively, representing 65% and an aggregate of 35% of the issued share capital of South Technology HK respectively. On 31 March 2017, Mr. Bruce She and the former shareholders entered into a sale and purchase agreement, pursuant to which the former shareholders have agreed to sell, and Mr. Bruce She has agreed to purchase, an aggregate of 35 shares held by the former shareholders in South Technology HK, at a consideration of HK$35 in aggregate with reference to the paid up capital of South Technology HK.

Upon completion of the above transfer, South Technology HK became wholly-owned by Mr. Bruce She.

(iv) Incorporation of B & C Industries (BVI) Limited ("B&C BVI")

B&C BVI was incorporated in the BVI with limited liability on 7 April 2017. Upon its incorporation, it was authorised to issue up to a maximum of 50,000 ordinary shares of US$1 each, of which one share was allotted and issued as fully paid to the Company at par on 7 April 2017.

Upon completion of the above allotment, B&C BVI became wholly-owned by the Company.

(v) Acquisition of B & C Industries Limited ("B&C HK"), Satu Brown International Limited ("Satu Brown HK") and South Technology HK

B&C BVI (as purchaser), Mr. Bruce She, Ms. Sze and Ms. Yen Chan (as vendors) and the Company entered into a share swap agreement on 21 September 2017, pursuant to which Mr. Bruce She, Ms. Sze and Ms. Yen Chan transferred their entire respective shareholding interests in B&C HK, Satu Brown HK and South Technology HK to B&C BVI. In consideration thereof, B&C BVI procured the Company to allot and issue 30,969,999 and 2,659,999 and 4,369,999 shares to Hearthfire, Top Clay and Present Moment respectively, credited as fully paid and the crediting as fully paid at par the one each nil paid share registered in the name of Hearthfire, Top Clay and Present Moment.

Upon completion of the above step, B&C HK, Satu Brown HK and South Technology HK become wholly owned subsidiaries of B&C BVI.

Upon completion of the Group Reorganisation, the Company became the holding company of the companies now comprising the Group and the Group Reorganisation has been legally and properly completed and settled on 21 September 2017.

2. GROUP REORGANISATION AND BASIS OF PREPARATION (CONTINUED)

Basis of preparation

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 April 2017. None of these impact on the accounting policies of the Group. However, the Amendments to HKAS 7 Statement of Cash Flows: Disclosure Initiative require disclosure of changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The effect of the amendments on the Group's consolidated financial statements has been the inclusion of additional disclosures in note 33.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 April 2017. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 9 Financial Instruments	1 January 2018
HKFRS 15 Revenue from Contracts with Customers	1 January 2018
HKFRS 16 Leases	1 January 2019
HK(IFRIC) 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
HK(IFRIC) 23 Uncertainty Over Income Tax Treatments	1 January 2019

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

(b) New and revised HKFRSs in issue but not yet effective (Continued)

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 9, HKFRS 15 and HKFRS 16, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ending 30 September 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

HKFRS 9 Financial Instruments

HKFRS 9 will replace HKAS 39 Financial Instruments: Recognition and Measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, new rules for hedge accounting and a new impairment model for financial assets.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to adopt the new standard on the required effective date and will not restate comparative information.

Based on an analysis of the Group's financial assets and financial liabilities as at 31 March 2018 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed the impact of HKFRS 9 to the Group's consolidated financial statements.

Impairment

HKFRS 9 requires the Group to recognise and measure either a 12-month expected credit loss or lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses. Based on a preliminary assessment, if the Group were to adopt the new impairment requirements at 31 March 2018, accumulated impairment loss at that date would be similar with that recognised under HKAS 39.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

(b) New and revised HKFRSs in issue but not yet effective (Continued)

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 April 2018 and that comparatives will not be restated.

Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected.

(a) Timing of revenue recognition

Currently, revenue arising from the sales of homeware products, packaging income, sample and design income is generally recognised when the risks and rewards of ownership have passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

For contracts with customers in which the sales of homeware products, packaging income, sample and design income is generally expected to be the only performance obligation, adoption of HKFRS 15 is not expected to have any impact on the Group's revenue or profit or loss. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

(b) New and revised HKFRSs in issue but not yet effective (Continued)

HKFRS 15 Revenue from Contracts with Customers (Continued)

(b) Sales with a right of return

Currently when the customers are allowed to return the Group's products, the Group estimates the level of expected returns and makes an adjustment against revenue and cost of sales.

The Group has assessed that the adoption of HKFRS 15 will not materially affect how the Group recognises revenue and cost of sales when the customers have a right of return. However, the new requirement to recognise separately a return asset for the products expected to be returned will impact the presentation in the consolidated statement of financial position as the Group currently adjusts the carrying amounts of inventory for the expected returns, instead of recognising a separate asset.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating leases. The Group's office property leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

As disclosed in note 31, the Group's future minimum lease payments under non-cancellable operating leases for its office properties amounted to HK$4,110,000 (2017: HK$2,373,000) as at 31 March 2018. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

(b) New and revised HKFRSs in issue but not yet effective (Continued)

HK(IFRIC) 23 Uncertainty over Income Tax Treatments

The interpretation of HKAS 12 Income Taxes sets out how to apply that standard when there is uncertainty about income tax treatments. Entities are required to determine whether uncertain tax treatments should be assessed separately or as a group depending on which approach will better predict the resolution of the uncertainties. Entities will have to assess whether it is probable that a tax authority will accept an uncertain tax treatment. If yes, the accounting treatment will be consistent with the entity's income tax filings. If not, however, entities are required to account for the effects of the uncertainty using either the most likely outcome or expected value method depending on which method is expected to better predict its resolution.

The Group is unable to estimate the impact of the interpretation on the consolidated financial statements until a more detailed assessment has been completed.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary and any accumulated foreign currency translation reserve relating to that subsidiary.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (Continued)

Intra-group transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

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

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HKD"), which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency translation (Continued)

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

— Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

— Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

— All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

(c) Property, plant and equipment

Property, plant and equipment held for use in the supply of goods or services, or for administrative purpose, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost over the estimated useful lives on a straight-line basis. The principal annual rates as follows:

Leasehold improvements	Over the lease term
Furniture and equipment	20%
Motor vehicles	30%

The useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Leases

(i) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets over their estimated useful lives.

(e) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(f) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically trade and other receivables, bank balances and cash are classified in this category.

(h) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(i) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(i) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(ii) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(iii) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(k) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenue from the sales of homeware products, packaging income, sample and design income is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Interest income is recognised on a time-proportion basis using the effective interest method.

(l) Employment benefits

(i) Employee leave entitlements

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

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Employment benefits (Continued)

(ii) Pension obligation

The Group contributes to defined contribution retirement schemes which are available to all employees in Hong Kong. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

The employees of the Group's subsidiaries in the People's Republic of China (the "PRC") are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in the PRC are required to contribute a certain percentage of their payroll costs to the central pension scheme. Contributions to the central pension scheme are charged to the profit or loss when incurred.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

(m) Borrowings costs

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

(n) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items 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 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 and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in a subsidiary, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Taxation (Continued)

The measurement of deferred tax assets and liabilities 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.

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 by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(o) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(p) Impairment of financial assets

At the end of each reporting period, the Group assesses whether its financial assets are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

For trade receivables that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Provision and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

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

(r) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

(a) Property, plant and equipment and depreciation

The Group determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

The carrying amount of property, plant and equipment as at 31 March 2018 was approximately HK$1,074,000 (2017: HK$729,000).

(b) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts, in particular of a loss event, requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(c) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on current market conditions and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer's taste and competitor's actions in response to severe industry cycles. The Group will reassess the estimates by the end of each reporting period.

(d) Income tax

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the year, approximately HK$1,415,000 (2017: HK$2,363,000) of income tax was charged to profit or loss based on the estimated profit.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in HKD, Renminbi ("RMB"), British Pound ("GBP") and United States Dollars ("USD"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The Group's foreign currency denominated financial assets and liabilities, translated into HKD at the prevailing closing rates at the end of the year, are as follows:

	Exposure to foreign currencies					
	HKD	**RMB**	**USD**	**GBP**	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2018						
Financial assets	**36,444**	**457**	**19,637**	**490**	**140**	**57,168**
Financial liabilities	**1,067**	**116**	**1,618**	**5**	**10**	**2,816**
At 31 March 2017						
Financial assets	5,748	118	19,034	725	16	25,641
Financial liabilities	1,517	512	2,839	117	–	4,985

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Foreign currency risk (Continued)

Sensitivity analysis

The following table indicates the approximate change in the Group's (loss)/profit after tax and retained earnings in response to reasonably possible changes in the foreign exchange rates of RMB and GBP to which the Group has significant exposure at the end of the reporting period. The sensitivity analysis of the Group's exposure to foreign currency risk at the end of the reporting period has been determined based on the change taking place at the beginning of the year and held constant throughout the year.

	Increase/ (decrease) in foreign exchange rate	Effect on (loss)/profit after tax and retained earnings *HK$'000*	Effect on equity *HK$'000*
Group			
At 31 March 2018			
RMB	**11%**	**–[(i)]**	**(36)**
RMB	**(11%)**	**–[(i)]**	**36**
GBP	**14%**	**(57)**	**–**
GBP	**(14%)**	**57**	**–**
At 31 March 2017			
RMB	6%	(4)	(19)
RMB	(6%)	4	19
GBP	13%	66	–
GBP	(13%)	(66)	–

(i) Represent the amount less than HK$1,000.

As HKD is pegged to USD, the directors considered that the foreign currency risk exposure between HKD and USD is limited.

The sensitivity analysis of the Group's exposure to foreign currency risk at the reporting date has been determined based on the hypothetical changes in foreign exchange rates which are commensurate with historical fluctuation during the year. The assumed changes represent directors' assessment of reasonably possible changes in foreign exchange rates over the period until the next reporting date.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk

The Group's credit risk is primarily attributable to its trade receivables. In order to minimise credit risk, the directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The Group has significant concentration of credit risk to its trade receivables as the Group's largest customer contributed over 25.0% (2017: 24.3%) of the turnover for the year ended 31 March 2018 and shared nearly 50.4% (2017: 17.9%) of the trade receivables at the end of each reporting period. The Group has policies and procedures to monitor the collection of the trade receivables to limit the exposure to the non-recovery of the receivables and there is no recent history of default for the Group's largest customer.

It has policies in place to ensure that sales are made to customers with an appropriate credit history.

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

(c) Liquidity risk

The Group's policy is to regularly monitor its current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follows:

	Maturity Analysis — undiscounted cash outflows					
	Less than 1 year or on demand	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total undiscounted cash flow**	**Carrying amount**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2018						
Trade payables	**1,496**	**–**	**–**	**–**	**1,496**	**1,496**
Other payables and accruals	**1,320**	**–**	**–**	**–**	**1,320**	**1,320**
Finance lease payables	**184**	**184**	**337**	**–**	**705**	**650**
At 31 March 2017						
Trade payables	2,871	–	–	–	2,871	2,871
Other payables and accruals	544	–	–	–	544	544
Amount due to a shareholder	1,143	–	–	–	1,143	1,143
Bank borrowings	430	–	–	–	430	427

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Interest rate risk

As the Group has no sufficient interest-bearing assets and liabilities, the Group's operating cash flows are substantially independent of changes in market interest rates.

The Group's exposure to interest rate risk arises from its bank deposits. These deposits bear interests at variable rates that varied with the then prevailing market condition.

(e) Categories of financial instruments at 31 March

	2018	2017
	HK$'000	*HK$'000*
Financial assets:		
Loans and receivables (including cash and cash equivalents)	**57,168**	25,641
Financial liabilities:		
Financial liabilities at amortised cost	**2,816**	4,985

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. REVENUE AND SEGMENT INFORMATION

Revenue and other income and net gains recognised during the year are as follows:

	2018	2017
	HK$'000	*HK$'000*
Revenue		
Sales of homeware products	**67,934**	65,224
Other income and net gains		
Interest income	**85**	1
Packaging income	**422**	209
Sample and design income	**403**	139
Gain on disposals of property, plant and equipment	**47**	–
Others	**288**	80
	1,245	429

7. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information

The executive directors of the Company, being the chief operating decision maker, regularly review revenue analysis by customers and by locations. The executive directors of the Company considered the operating activities of designing and trading of homeware products as a single operating segment. The operating segment has been identified on the basis of internal management reports prepared and is regularly reviewed by the executive directors of the Company. The executive directors of the Company review the overall results, assets and liabilities of the Group as a whole to make decisions about resources allocation. Accordingly, no analysis of this single operating segment is presented.

Geographical information

Revenue from external customers, based on location of delivery to customers is as follows:

	2018	2017
	HK$'000	*HK$'000*
United Kingdom	**24,512**	20,843
Denmark	**14,023**	16,958
France	**7,110**	3,002
Poland	**3,267**	2,835
Italy	**1,709**	2,260
Germany	**1,287**	5,310
Australia	**947**	4,301
Netherlands	**798**	184
Others	**14,281**	9,531
	67,934	65,224

An analysis of the Group's non-current assets by their physical geographical location is as follows:

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**950**	403
PRC	**124**	326
	1,074	729

Information about major customers

Revenue from a customer contributing over 10% of the total revenue of the Group is as follows:

	2018	2017
	HK$'000	*HK$'000*
Customer A	**11,716**	15,817
Customer B	**17,015**	9,970
Customer C	**14,096**	10,973

8. COST OF SALES

	2018	2017
	HK$'000	*HK$'000*
Consumable materials	**2,896**	1,512
Cost of homeware products	**37,738**	35,237
Goods handling charges	**1,927**	1,394
Packing expenses	**1,016**	1,077
Others	**392**	272
	43,969	39,492

9. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest on bank overdrafts	**1**	2
Interest on bank borrowings	**2**	26
Interest on discounted bills	**33**	–
Finance lease charges	**38**	–
	74	28

10. INCOME TAX EXPENSE

Income tax has been recognised in profit or loss as following:

	2018	2017
	HK$'000	*HK$'000*
Current tax		
— Hong Kong Profits Tax		
Provision for the year	**1,380**	2,334
Under-provision in prior year	**50**	–
	1,430	2,334
— PRC Enterprise Income Tax		
Over-provision in current year	**2**	–
Under-provision in prior year	**3**	–
	5	–
Deferred tax *(note 18)*	**(20)**	29
	1,415	2,363

The Company was incorporated in the Cayman Islands and B&C BVI was incorporated in the BVI that are tax exempted as no business carried in the Cayman Islands and the BVI under the tax laws of the Cayman Islands and the BVI.

Hong Kong Profits Tax has been provided at a rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the year ended 31 March 2018.

10. INCOME TAX EXPENSE (CONTINUED)

Tax charge on profits assessable elsewhere has been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

No provision for PRC Enterprise Income Tax has been made in the consolidated financial statements for the year ended 31 March 2018 since the Group has no estimated assessable profit for the year (2017: Nil).

The reconciliation between the income tax expense and the product of (loss)/profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2018	2017
	HK$'000	*HK$'000*
(Loss)/profit before tax	**(3,519)**	12,699
Tax at the Hong Kong Profits Tax rate of 16.5% (2017: 16.5%)	**(581)**	2,095
Tax effect of income that is not taxable	**(42)**	–[(i)]
Tax effect of expenses that are not deductible	**2,375**	280
Tax effect of temporary differences not previously recognised	**(51)**	–
Under provision in current year	**(401)**	–
Under provision in prior year	**53**	–
Tax losses not recognised	**90**	17
Tax concession	**(30)**	(23)
Effect of different tax rates of subsidiaries	**2**	(6)
Income tax expense	**1,415**	2,363

(i) Represent the amount less than HK$1,000.

At the end of the reporting period, the Group has estimated unused tax loss for subsidiaries incorporated in Hong Kong of approximately HK$525,000 (2017: Nil) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit. The tax losses may be carried forward indefinitely.

At the end of the reporting period, the Group has estimated unused tax losses for subsidiaries incorporated in the PRC of approximately HK$840,000 (2017: HK$820,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams.

As at 31 March 2018, the Group's tax losses for subsidiaries incorporated in the PRC will expire in the following years:

	2018	2017
	HK$'000	*HK$'000*
In 2023	**20**	–
In 2022	**63**	63
In 2021	**349**	349
In 2020	**408**	408
	840	820

11. (LOSS)/PROFIT FOR THE YEAR

The Group's (loss)/profit for the year is stated after charging/(crediting) the following:

	2018	2017
	HK$'000	*HK$'000*
Auditor's remuneration	**705**	92
Cost of homeware products	**37,738**	35,237
Depreciation	**541**	318
Foreign exchange loss, net	**82**	243
Listing expenses	**13,470**	1,650
(Gain)/loss on disposal of property, plant and equipment	**(47)**	16
Operating lease charges in respect of:		
— Office premises	**1,959**	1,498

12. EMPLOYEE BENEFITS EXPENSES

The Group's employee benefits expenses (excluding Directors' emoluments) recognised are as follows:

	2018	2017
	HK$'000	*HK$'000*
Salaries, bonuses and allowances	**4,357**	3,361
Retirement benefit scheme contributions	**386**	269
	4,743	3,630

Five highest paid individuals

The five highest paid individuals in the Group during the year included three (2017: three) directors whose emoluments are reflected in the analysis presented in note 13. The emoluments of the remaining two (2017: two) individuals are set out below:

	2018	2017
	HK$'000	*HK$'000*
Salaries, bonuses and allowances	**870**	587
Retirement benefit scheme contributions	**32**	27
	902	614

The emoluments fell within the following band:

	Number of individuals	
	2018	2017
Nil to HK$1,000,000	**2**	2

During the year, no emoluments were paid by the Group to the above highest paid individuals as (i) an inducement to join or upon joining the Group or (ii) as compensation for loss of office.

13. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director is set out below:

	Fees *HK$'000*	**Salaries, bonuses and allowances** *HK$'000*	**Retirement benefit scheme contributions** *HK$'000*	**Total** *HK$'000*
Year ended 31 March 2018				
Executive director:				
Mr. Bruce She	**–**	**360**	**18**	**378**
Mr. She Leung Ngai Alex (“Mr. Alex She”)	**–**	**336**	**17**	**353**
Ms. Yen Chan	**–**	**336**	**17**	**353**
	–	**1,032**	**52**	**1,084**
Independent non-executive director:				
Mr. Ho Kim Ching	**63**	**–**	**–**	**63**
Mr. Chan Ching Sum Sam	**63**	**–**	**–**	**63**
Ms. Fan Pui Shan	**63**	**–**	**–**	**63**
	189	**–**	**–**	**189**
	189	**1,032**	**52**	**1,273**
Year ended 31 March 2017				
Executive director:				
Mr. Bruce She	–	360	18	378
Mr. Alex She	–	300	15	315
Ms. Yen Chan	–	336	17	353
	–	996	50	1,046

13. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (Continued)

Note:

(i) Mr. Bruce She was appointed as a director of the Company on 27 March 2017 and was re-designated as an executive director of the Company on 11 May 2017. He was also directors of B&C HK, Satu Brown HK and South Technology HK, respectively during the year and the Group paid emoluments to him in his capacity as the directors of these subsidiaries before his appointment as the executive director of the Company on 11 May 2017.

(ii) Mr. Alex She was appointed as a director of the Company on 27 March 2017 and was re-designated as an executive director of the Company on 11 May 2017. He was also a director of B&C HK during the year and the Group paid emoluments to him in his capacity as the director of this subsidiary before his appointment as the executive director of the Company on 11 May 2017.

(iii) Ms. Yen Chan was appointed as a director of the Company on 27 March 2017 and was re-designated as an executive director of the Company on 11 May 2017. She was also directors of B&C HK, Satu Brown HK and Satu Fashion Products (Shenzhen) Company Limited*, respectively during the year and the Group paid emoluments to her in her capacity as the directors of these subsidiaries before her appointment as the executive director of the Company on 11 May 2017.

(iv) Mr. Ho Kim Ching, Mr. Chan Ching Sum, Sam and Ms. Fan Pui Shan were appointed as independent non-executive directors of the Company on 22 September 2017.

(v) During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived or agreed to waive any emoluments during the year.

* For identification purpose only

(b) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate and connected entities

No loans, quasi-loans and other dealings entered into by the Company or subsidiary undertaking of the Company in favour of directors.

(c) Directors' material interests in transactions, arrangement or contracts

Save as disclosed in note 32 to the consolidated financial statements, no transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party has a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

14. DIVIDENDS

During the year ended 31 March 2018, a subsidiary of the Company declared a dividend of HK$7.0 million to its then shareholders, and the dividend was paid in October 2017 prior to the Listing. No dividends were paid, declared or proposed during the year ended 31 March 2017.

15. RETIREMENT BENEFIT SCHEME

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of contribution of HK$1,500 (before 1 June 2014: HK$1,250) per employee and vest fully with employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. Each subsidiary is required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of this subsidiary. The only obligation of the subsidiary with respect to the central pension scheme is to meet the required contributions under the scheme.

16. (LOSS)/EARNINGS PER SHARE

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

	2018	2017
	HK$'000	*HK$'000*
Earnings		
(Loss)/profit attributable to owners of the Company	**(4,934)**	10,347
Number of shares		
	'000	'000
Weighted average number of ordinary shares for the purpose of calculation basis (loss)/earning per share	**864,384**	750,000

The weighted average number of shares in issue during the year ended 31 March 2018 is based on the assumption that 750,000,000 shares of the Company were in issue, comprising 3 shares in issue, 37,999,997 shares issued pursuant to the Group Reorganisation and 712,000,000 shares issued pursuant to the capitalisation issue, as if these shares were outstanding throughout the period from 1 April 2017 to the Listing Date, and 250,000,000 shares issued under the Share Offer.

The weighted average number of shares in issue during the year ended 31 March 2017 is based on the assumption that 750,000,000 shares of the Company were in issue, comprising 3 shares in issue, 37,999,997 shares issued pursuant to the Group Reorganisation and 712,000,000 shares issued pursuant to the capitalisation issue, and as if these shares were outstanding throughout that year.

The diluted (loss)/earnings per share is equal to the basic (loss)/earnings per share as there were no dilutive potential ordinary share in issue during the years ended 31 March 2017 and 2018.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *HK$'000*	Furniture and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost				
At 1 April 2016	1,412	398	780	2,590
Additions	164	131	–	295
Disposals/write-off	(262)	(36)	–	(298)
At 31 March 2017 and 1 April 2017	1,314	493	780	2,587
Additions	–	58	827	885
Disposals/write-off	–	–	(450)	(450)
Exchange differences	–	2	–	2
At 31 March 2018	1,314	553	1,157	3,024
Accumulated depreciation and impairment				
At 1 April 2016	856	186	780	1,822
Charge for the year	244	74	–	318
Disposals/write-off	(262)	(20)	–	(282)
At 31 March 2017 and 1 April 2017	838	240	780	1,858
Charge for the year	285	91	165	541
Disposals/write-off	–	–	(450)	(450)
Exchange differences	–	1	–	1
At 31 March 2018	1,123	332	495	1,950
Net book value				
At 31 March 2018	191	221	662	1,074
At 31 March 2017	476	253	–	729

At 31 March 2018 the carrying amount of a motor vehicle held by the Group under finance leases amounted to HK$662,000 (2017: Nil).

18. DEFERRED TAX ASSETS

The following are deferred tax assets recognised by the Group:

Group	**Accelerated tax depreciation** *HK$'000*
At 1 April 2016	110
Charge to consolidated profit or loss for the year *(Note 10)*	(29)
At 31 March 2017 and 1 April 2017	81
Credit to consolidated profit or loss for the year *(Note 10)*	20
At 31 March 2018	101

19. PARTICULARS OF THE SUBSIDIARIES

Particulars of the subsidiaries as at 31 March 2018 are as follows:

Name	**Place of incorporation/ registration and operation**	**Particular of issued share capital**	**Percentage of ownership interest/ voting power/ profit sharing**		**Principal activities**
			Direct	**Indirect**	
B & C Industries (BVI) Limited	BVI	USD1	100%	–	Investment holding
B & C Industries Limited	Hong Kong	10,000 ordinary shares of HK$1 each	–	100%	Designing, developing and sales of homeware products
Satu Brown International Limited	Hong Kong	10,000 ordinary shares of HK$1 each	–	100%	Designing and sales of "Satu Brown" branded products
South Technology (International) Limited	Hong Kong	100 ordinary shares of HK$1 each	–	100%	Marketing and sales of "Satu Brown" branded products
Satu Fashion Products (Shenzhen) Company Limited	PRC	RMB500,000	–	100%	Designing of "Satu Brown" products
South Technology Business (Shenzhen) Company Limited	PRC	RMB350,000	–	100%	Marketing and sales of homeware products

19. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

As at 31 March 2018, the bank and cash balances of the Group's subsidiaries in the PRC denominated in RMB amounted to approximately HK$429,000 (2017: HK$77,000). Conversion of the RMB into foreign currency is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

20. INVENTORIES

	2018	2017
	HK$'000	*HK$'000*
Finished goods	**807**	1,342

None of the inventories are expected to be recovered after more than twelve months from 31 March 2018.

21. TRADE RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**12,559**	14,543

The Group's credit terms generally range from 30 to 120 days. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The aging analysis of trade receivables, based on the delivery date, is as follows:

	2018	2017
	HK$'000	*HK$'000*
0 to 30 days	**3,083**	10,373
31 to 60 days	**409**	1,383
61 to 120 days	**8,772**	2,682
Over 120 days	**295**	105
	12,559	14,543

As of 31 March 2018, trade receivables of approximately HK$1,658,000 (2017: HK$921,000) were past due but not impaired. These relate to a number of independent customers of whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2018	2017
	HK$'000	*HK$'000*
0 to 30 days	**1,623**	700
Over 30 days	**35**	221
	1,658	921

21. TRADE RECEIVABLES (CONTINUED)

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2018 HK$'000	2017 HK$'000
GBP	2	13
USD	12,548	14,530
Others	9	–
	12,559	14,543

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Prepayments		
Goods purchased	14	1,148
Listing expenses	–	550
Administrative and operating expenses	974	13
	988	1,711
Deposits		
Rental deposits	178	178
Utility deposits	8	8
Deposits paid for property, plant and equipment	959	–
	1,145	186
Other receivables		
Rebates from suppliers	2,547	–
Design service fee receivables	244	–
Others	6	12
	2,797	12
	4,930	1,909
Non-current portion	959	–
Current portion	3,971	1,909
	4,930	1,909

23. BANK AND CASH BALANCES

The carrying amounts of the Group's bank and cash balances at 31 March 2018 are denominated in the following currencies:

	2018 HK$'000	2017 HK$'000
USD	4,542	4,497
HKD	36,014	3,827
RMB	451	118
GBP	488	712
Others	131	16
	41,626	9,170

24. TRADE AND OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIPT IN ADVANCE

	2018 **HK$'000**	2017 HK$'000
Trade payables	**1,496**	2,871
Other payables and accruals		
Accrued staff costs	**470**	125
Accrued administrative and operating expenses	**850**	363
Others	**–**	56
	1,320	544
Deposits receipt in advance	**152**	240
	2,968	3,655

The aging analysis of trade payables, based on the date of receipt of goods, is as follows:

	2018 **HK$'000**	2017 HK$'000
0 to 90 days	**1,496**	2,786
91 to 180 days	**–**	35
Over 180 days	**–**	50
	1,496	2,871

The credit period ranges from 0 to 30 days.

The carrying amounts of the Group's trade, other payables and accruals and deposits receipt in advance are denominated in the following currencies:

	2018 **HK$'000**	2017 HK$'000
USD	**1,618**	3,080
HKD	**1,218**	161
RMB	**116**	297
GBP	**6**	117
Others	**10**	–
	2,968	3,655

25. BANK BORROWINGS

	2018 **HK$'000**	2017 HK$'000
Term loan, secured	**–**	427

The bank borrowings as at 31 March 2017 are repayable on demand or within one year.

26. FINANCE LEASE PAYABLES

	Minimum lease payments		Present value of minimum lease payments	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**184**	–	**159**	–
In the second to fifth years, inclusive	**521**	–	**491**	–
	705	–	**650**	–
Less: Future finance charges	**(55)**	–	**N/A**	–
Present value of lease obligations	**650**	–	**650**	–
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(159)**	–
Amount due for settlement after 12 months			**491**	–

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term is 5 years. At 31 March 2018, the average effective borrowing rate was 5.44% (2017: Nil). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. At the end of each lease term, the Group has the option to purchase the motor vehicle at nominal prices.

All finance lease payables are denominated in HKD.

27. SHARE CAPITAL

	Notes	Number of shares	Amount
			HK$'000
Authorised:			
Ordinary shares of HK$0.01 each			
Upon incorporation on 27 March 2017, 31 March 2017 and 1 April 2017	*2(ii)*	38,000,000	380
Increase in authorised share capital	*(a)*	9,962,000,000	99,620
As at 31 March 2018		10,000,000,000	100,000
Issued and fully paid:			
Ordinary shares of HK$0.01 each			
Upon incorporation on 27 March 2017, 31 March 2017 and 1 April 2017	*2(ii)*	3	–
Shares issued upon Group Reorganisation	*2(v)*	37,999,997	380
Shares issued pursuant to the capitalisation issue	*(b)*	712,000,000	7,120
Shares issued under the Share Offer	*(c)*	250,000,000	2,500
As at 31 March 2018		1,000,000,000	10,000

27. SHARE CAPITAL (CONTINUED)

Note:

(a) Pursuant to the written resolutions of the shareholders of the Company (the "Shareholders") passed on 22 September 2017, the authorised share capital of the Company increased from HK$380,000 to HK$100,000,000 by creation of an additional of 9,962,000,000 shares of HK$0.01 each.

(b) Pursuant to the written resolutions passed by the Shareholders on 22 September 2017, conditional on share premium account of the Company being credited as a result of the Share Offer, the directors were authorised to capitalise an amount of HK$7,120,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 712,000,000 shares for allotment and issue to the then existing Shareholders in proportion to their respective shareholdings.

(c) On the Listing Date, the Company issued 250,000,000 new shares at HK$0.22 each in relation to the Share Offer. The premium on the issue of shares, amounting to approximately HK$43,913,000, net of listing-related expenses, was credited to the Company's share premium account. These new shares rank pari passu with the existing shares in all respects.

Share capital as presented in the consolidated statement of financial position as at 31 March 2017 represented the issued and paid up capital of the companies comprising the Group prior to the completion of the Group Reorganisation.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital using a gearing ratio, which is the Group's total debts (comprising bank borrowings, amount due to a shareholder and finance lease payables) over its total equity. The Group's policy is to keep the gearing ratio at a reasonable level. The Group's gearing ratios as at 31 March 2018 was 1.1% (2017: 6.7%). The decrease in the gearing ratio of the Group is primarily from the decrease in the balance of bank borrowings and amount due to a shareholder.

The only externally imposed capital requirement for the Group is in order to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares. Based on the information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained sufficient public float as required by the GEM Listing Rules. As at 31 March 2018, 25% of the shares were in public hands.

28. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Note	2018 HK$'000	2017 HK$'000
Non-current assets			
Investment in a subsidiary		**380**	–
Current assets			
Prepayments		**440**	550
Bank and cash balances		**32,455**	–
		32,895	550
Current liabilities			
Amount due to a subsidiary		**466**	550
Accruals		**250**	–
		716	550
Net current assets		**32,179**	–
NET ASSETS		**32,559**	–
Capital and reserves			
Share capital	*27*	**10,000**	–
Reserves	*28(b)*	**22,559**	–
TOTAL EQUITY		**32,559**	–

Approved by the Board of Directors on 8 June 2018 and are signed on its behalf by:

Mr. She Leung Choi
Executive Director

Ms. Chan Lai Yin
Executive Director

28. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(b) Reserve movement of the Company

	Share premium *HK$'000* *(note 29(b)(iii))*	Retained earnings *HK$'000*	Total *HK$'000*
On incorporation	–	–	–
Profit and total comprehensive income for the year	–	–	–
At 31 March 2017 and 1 April 2017	–	–	–
Loss and total comprehensive income for the year	–	(14,234)	(14,234)
Shares issued pursuant to the capitalisation issue *(note 27(b))*	(7,120)	–	(7,120)
Shares issued under the Share Offer *(note 27(c))*	43,913	–	43,913
At 31 March 2018	36,793	(14,234)	22,559

29. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Nature and purpose of reserves

(i) Other reserve

The other reserve represents the amount of the registered capital of an enterprise received that exceeds its registered capital.

(ii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(b) to the consolidated financial statements.

29. RESERVES (CONTINUED)

(b) Nature and purpose of reserves (Continued)

(iii) Share premium

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(iv) Merger reserve

The merger reserve of the Group represents the difference between the nominal value of shares of B&C HK, Satu Brown HK and South Technology HK acquired pursuant to the Group Reorganisation over the nominal value of the share capital of the Company issued in exchange therefor.

30. CONTINGENT LIABILITIES

As at 31 March 2018, the Group did not have any significant contingent liabilities.

31. LEASE COMMITMENTS

At 31 March 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018	2017
	HK$'000	*HK$'000*
Within one year	**2,131**	1,310
In the second to fifth years inclusive	**1,979**	1,063
	4,110	2,373

Operating lease payments represent rentals payable by the Group for its office premises. Leases are negotiated for an average term of 3 years (2017: 4 years) and rentals are fixed over the lease terms and do not include contingent rentals.

32. RELATED PARTY TRANSACTIONS

(a) In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year:

	2018	2017
	HK$'000	*HK$'000*
Rental expense to Pansino Homeware (Shenzhen) Co., Ltd* ("Pansino Shenzhen") *(Note i)*	**1,352**	936
Goods purchased from Pansino Shenzhen	**–**	126

Note:

(i) Mr. Bruce She is interested in this transaction to the extent that he is the beneficial owner of Pansino Shenzhen.

32. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) The remuneration of directors and other members of key management during the year was as follows:

	2018	2017
	HK$'000	*HK$'000*
Short-term benefits	**1,685**	1,046

(c) As at 31 March 2017, personal guarantees were given by the Mr. Bruce She, Ms. Yen Chan and Mr. Sai Wing Hong against the banking facilities granted to the Group, which were discharged during the year ended 31 March 2018.

(d) As at 31 March 2017, legal charge over the property owned by Ms. Sze and Mr. Sai Wing Hong against the banking facilities granted to the Group, which were released in June 2017.

* For identification purpose only

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transaction

Additions to property, plant and equipment during the year of approximately HK$827,000 (2017: Nil) were financed by finance lease.

(b) Reconciliation of liabilities arising from financing activities

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

			Non-cash changes			
	1 April 2017	**Cash flows**	**Loan assignment**	**Finance costs recognised**	**Acquisition of property, plant and equipment**	**31 March 2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(note 9)	*(note 17)*	
Amount due to a shareholder	1,143	587	(1,730)	–	–	–
Bank borrowings	427	(429)	–	2	–	–
Finance lease payables	–	(215)	–	38	827	650
	1,570	(57)	(1,730)	40	827	650