



# ANNUAL REPORT

2020/2021

SATU HOLDINGS LIMITED

舍圖控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8392



## **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 and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This report, for which the directors (the “**Directors**”) of Satu Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

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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

## 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 *(Chairlady)*  
Mr. She Leung Ngai Alex  
Ms. Fan Pui Shan

## COMPANY SECRETARY

Ms. Wong Nga Yan

## AUTHORIZED REPRESENTATIVES

Mr. She Leung Choi  
Ms. Wong Nga Yan

## COMPLIANCE OFFICER

Mr. She Leung Choi

## REGISTERED OFFICE

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

## HEADQUARTERS, HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2504, 25th Floor  
Nanyang Plaza  
57 Hung To Road  
Kwun Tong, Kowloon  
Hong Kong

## PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA ("THE PRC")

Units 01 to 11, 23/F  
Oriental Plaza  
Luohu, Shenzhen  
The PRC

## LEGAL ADVISER

*As to Hong Kong Law*  
Guantao & Chow Solicitors and Notaries  
Suites 1801-3  
18th Floor  
One Taikoo Place  
979 King's Road  
Quarry Bay  
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Services (Cayman Islands) Limited  
Second Floor,  
Century Yard,  
Cricket Square  
P.O. Box 902  
Grand Cayman, KY1-1103  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## AUDITOR

RSM Hong Kong  
29th Floor, Lee Garden Two  
28 Yun Ping Road  
Causeway Bay  
Hong Kong

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited  
1 Garden Road  
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited  
HSBC Main Building  
1 Queen's Road Central  
Hong Kong

## COMPANY'S WEBSITE

[www.satuhome.com](http://www.satuhome.com)

## STOCK CODE

8392

## 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 five 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				2021 HK\$'000
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	
Revenue	65,224	67,934	58,900	49,762	<b>60,625</b>
Cost of sales	(39,492)	(43,969)	(41,362)	(36,913)	<b>(42,229)</b>
Gross profit	25,732	23,965	17,538	12,849	<b>18,396</b>
Other income and net gains	429	1,245	2,623	766	<b>846</b>
Selling and distribution expenses	(6,053)	(6,697)	(11,650)	(8,917)	<b>(13,200)</b>
Administrative and other operating expenses	(7,381)	(21,958)	(15,082)	(15,783)	<b>(13,323)</b>
Profit/(loss) from operations	12,727	(3,445)	(6,571)	(11,085)	<b>(7,281)</b>
Finance costs	(28)	(74)	(25)	(41)	<b>(49)</b>
Profit/(loss) before tax	12,699	(3,519)	(6,596)	(11,126)	<b>(7,330)</b>
Income tax expense	(2,363)	(1,415)	(428)	(104)	<b>(8)</b>
Profit/(loss) for the year	10,336	(4,934)	(7,024)	(11,230)	<b>(7,338)</b>
Attributable to:					
Owners of the Company	10,347	(4,934)	(7,024)	(11,230)	<b>(7,338)</b>
Non-controlling interests	(11)	–	–	–	<b>–</b>
	10,336	(4,934)	(7,024)	(11,230)	<b>(7,338)</b>

### ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 March				2021 HK\$'000
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	
TOTAL ASSETS	29,504	61,519	55,036	45,310	<b>40,875</b>
TOTAL LIABILITIES	6,113	3,621	4,181	5,698	<b>8,639</b>
TOTAL EQUITY	23,391	57,898	50,855	39,612	<b>32,236</b>

The shares of the Company were initially listed on the GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 16 October 2017.

# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors (the “**Board**”) of Satu Holdings Limited (together with its subsidiaries (the “**Group**”), I am pleased to present the audited annual results of the Group for the financial year ended 31 March 2021 (the “**Year**”).

## BUSINESS OVERVIEW

Throughout the Year, the global outbreak of COVID-19 has had a significant socio-economic impact. Strict quarantine, social distancing measures and travel restrictions have been implemented worldwide in order to halt the spread of the disease. Nearly no economic activity was unaffected by the pandemic especially the retail market. Our export business also suffered due to the lockdown measures across Europe and the consumer spending remained sluggish. During the first quarter of the Year, the sale of export business of the Group dropped approximately 25.0% comparing to last year.

Our export business rebounded after June 2020, which was surged forward by the variety of stimulus measures and monetary policy enacted in response to the pandemic by governments and central banks worldwide. Also, the launch of COVID-19 vaccines accelerated the economy rebound and helped to shape the global growth thereafter.

Meanwhile, we devoted extensive resources not only on product enhancement but also the development on new products to compete more effectively in the market. We had positive feedback from our customers during the Year. The overall sales of export business for the Year increased approximately 19.7% as compared to 2020. It is mainly attributable to the increase of sales orders for our modified products and new products of electric home furnishings, for instance, diffusers.

During the Year, there was a shift in consumer buying behaviour from traditional shopping to online shopping amid the COVID-19 pandemic. Even though our e-commerce business benefited from the change of consumers' preferences and spending behaviour, there was intense competition in the market. We recorded a slight increase in sales, which was approximately 0.8% as compared to 2020.

In February 2020, our Company commenced a new project to build up and promote our own brand products with the aim to capture new sectors of customers in the PRC. We launched our French home fragrance products during the Year and other new products will be introduced gradually. As the project was still in the stage of introducing our own brand products, we needed to generate awareness of our own brand products by concentrating our resources on the promotion and advertising of the same via various means including online platform, Key Opinion Leaders (“**KOL**”) presentation and social media. During the Year, the advertising and promotion expenses sharply increased by approximately 95.8% as compared to 2020.

Despite the impact of the COVID-19 pandemic, our overall revenue recorded growth during the Year which represents approximately 21.7% increase as compared to 2020 and the net loss attributable to owners of the Company decreased from approximately HK\$11.2 million to approximately HK\$7.3 million as compared to 2020.

# CHAIRMAN'S STATEMENT

## PROSPECT

Even though new COVID-19 cases are rising in some countries, we trust that the COVID-19 pandemic eventually will end soon due to the steady increase in the number of people getting vaccinated. We look forward to exploring more business opportunities in the post COVID-19 era. It is critical that we should figure out how to increase revenues when the global economy rebounds. Diversification of products to our customers, strengthening our product development to better meeting customers' needs and desire and increasing our own brand awareness are the tactical directions of our business operation.

On behalf of the Board of Directors, I would like to express my sincere gratitude to all shareholders for their continued support, and to express our gratitude to all employees who have contributed to our growth during this challenging business environment.

**She Leung Choi**

*Chairman*

Hong Kong, 18 June 2021

# MANAGEMENT DISCUSSION AND ANALYSIS

The Board of the Company is pleased to present the audited consolidated results of the Group for the financial year ended 31 March 2021 (the “Year”), together with the comparative figures for the financial year ended 31 March 2020 (“2020”).

## BUSINESS REVIEW AND PROSPECTS

The Group was principally engaged in the businesses of homeware export, E-commerce and sales of own brand products during the Year. The homeware export business was still the Group’s major source of revenue which contributed approximately 87.9% of the total revenue of the Group during the Year.

The COVID-19 pandemic continuously posed challenges across countries and industries. As we faced the impact of this crisis, we kept on focusing on the growth of our revenue. During the Year, the export business has regained the growing momentum as the revenue increased from approximately HK\$44.6 million in 2020 to approximately HK\$53.3 million during the Year. The gross profit margin was approximately 28.8% of the Year, which remained stable as compared to 2020.

Taking advantage of the intensifying shift in consumer buying behaviour to online shopping amid the COVID-19 pandemic, the sales of our e-commerce business recorded an increase of approximately 0.8% during the Year as compared to 2020. The sales of e-commerce business contributed approximately 8.5% of the total revenue of the Group during the Year.

Our Group invested plenty of resources on promoting our own brand products in the PRC during the Year. We engaged a marketing agent to provide professional advices on developing our own brand image and our marketing strategy. Besides we also fostered our potential employees to operate our own brand product business. To boost awareness of our own brand, we advertised our products in various social media websites in the PRC and worked with KOL to promote our products. The Group recorded approximately HK\$2.7 million of advertising and promotion expenses during the Year, which represented an increase of approximately 95.8% as compared to 2020. During the Year, the sales from our own brand products generated approximately HK\$2.1 million of sales which represents approximately 3.6% of the total revenue of the Group.

To cope with future challenge and enhance sustainable development, we will continue to broaden our customer base and reinforce our competitiveness by improving the variety and quality of our products. Investing extra efforts on developing our own brand is also our core business strategy in the coming year.

## FINANCIAL REVIEW

### Revenue

The Group’s revenue for the Year was approximately HK\$60.6 million, representing an increase of approximately 21.7% as compared to that of approximately HK\$49.8 million in 2020. Such increase in revenue was primarily due to the increase in sales orders in export business from three of the major customers and the growth of sales from our own brand products during the Year.

### Cost of Sales

The Group’s cost of sales increased by approximately 14.4% from approximately HK\$36.9 million in 2020 to approximately HK\$42.2 million for the Year, which was in line with the increase in revenue.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Gross Profit

Gross profit increased by approximately 43.8% to approximately HK\$18.4 million for the Year as compared to that of approximately HK\$12.8 million in 2020. The gross profit margin increased from approximately 25.9% in 2020 to approximately 30.4% for the Year. It is mainly attributable to the combined effect of increase in sales orders with high profit margin from customers in (i) E-commerce business and (ii) our own brand products during the Year.

## Selling and Distribution Expenses

During the Year, selling and distribution expenses increased to approximately HK\$13.2 million, representing an increase of approximately 48.3%, from approximately HK\$8.9 million in 2020. It is mainly attributable to the increase in advertising and promotion costs and product design and development fee during the Year.

## Administrative and Other Operating Expenses

The Group's administrative and other operating expenses decreased by approximately 15.8% from approximately HK\$15.8 million in 2020 to approximately HK\$13.3 million for the Year. Such decrease was mainly due to the decrease in depreciation of property, plant and equipment, which was relating to the fully depreciated renovation of our showroom in the PRC for 2020.

## Income Tax Expense

The Group's income tax expense was approximately HK\$8,000, decreased by approximately 92.0% as compared to approximately HK\$0.1 million in 2020.

## Loss for the Year Attributable to Owners of the Company

The Group recorded loss for the Year attributable to owners of the Company of approximately HK\$7.3 million, representing a decrease of approximately 34.8% as compared to that of approximately HK\$11.2 million in 2020. The decrease in loss was mainly attributable to the improvement of our sales during the Year.

## LIQUIDITY AND FINANCIAL RESOURCES

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 2021, the Group had bank and cash balances of approximately HK\$15.4 million (2020: approximately HK\$31.2 million). The decrease of bank and cash balances was mainly due to the investments in short-term cash management funds in April 2020 and December 2020 respectively. The Group utilised its temporary idle funds, excluding the unutilised use of proceeds, to earn better returns than fixed deposits placed with banks. For further details, please refer to the announcement of the Company dated 28 December 2020. As at 31 March 2021, the Group's indebtedness comprised lease liabilities of approximately HK\$1.4 million (2020: approximately HK\$2.1 million).

Gearing ratio is calculated as total debts divided by total equity as at the respective year. The gearing ratio was approximately 4.3% as at 31 March 2021, which represents a decrease of approximately 0.9% as compared to that of approximately 5.2% as at 31 March 2020.

# MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 March 2021, the Group's total assets amounted to approximately HK\$40.9 million (2020: approximately HK\$45.3 million) and net assets amounted to approximately HK\$32.2 million (2020: approximately HK\$39.6 million). As at 31 March 2021, current ratio and quick ratio of the Group decreased to approximately 4.7 and 4.5 respectively, as compared to that of approximately 9.4 and 9.1 as at 31 March 2020 respectively.

## CAPITAL STRUCTURE

The Shares were successfully listed on GEM on 16 October 2017. There has been no change in the capital structure of the Company since then. The equity of the Company only comprises ordinary shares.

As at 31 March 2021 and the date of this 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 8 to the consolidated financial statements.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2021, the Group had a total of 28 full-time employees (including three executive Directors) (2020: 31 employees), and the total employee benefit expenses and Directors' emoluments paid to the executive Directors for the Year amounted to approximately HK\$9.0 million (2020: approximately HK\$8.5 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 remuneration committee 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.

## TREASURY POLICIES

The Directors will continue to follow a prudent policy in managing the Group's cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

## 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. As at 31 March 2021 and up to the date of this report, no option has been granted or agreed to be granted, lapsed, exercised or cancelled and there were no outstanding share options under the Share Option Scheme.

# MANAGEMENT DISCUSSION AND ANALYSIS

## PLEDGE OF ASSETS

The finance lease obligation as at 31 March 2021 was secured against a motor vehicle with carrying amount of approximately HK\$0.2 million (2020: approximately HK\$0.4 million).

## OPERATING LEASE ARRANGEMENT

As at 31 March 2021, the Group had approximately HK\$1.8 million (2020: approximately HK\$1.7 million) outstanding short-term lease commitment relating to office and warehouse.

## CAPITAL COMMITMENT

As at 31 March 2021 and 2020, the Group did not have any capital commitment.

## CONTINGENT LIABILITIES

As at 31 March 2021 and 2020, the Group did not have any contingent liabilities.

## MATERIAL ACQUISITIONS OR DISPOSAL

During the Year, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

## SIGNIFICANT INVESTMENTS HELD, FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no significant investment held as at 31 March 2021. There was no other plan for material investments or capital assets as at 31 March 2021.

## DIVIDENDS

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 final dividend for the Year (2020: Nil).

# BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. She Leung Choi (佘良材) (“Mr. She”)**, aged 51, is a founder of the Group, executive Director, chairman of the Board and chief executive officer. Mr. She is also the Compliance Officer of the Group. Mr. She is brother of Mr. She Leung Ngai Alex, an executive Director. He 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. He is also a director of several subsidiaries of the Group.

Mr. She has over 19 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 50, is a founder of the Group and an 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. She is also a director of several subsidiaries of the Group.

Ms. Chan has over 19 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 50, is an executive Director. Mr. Alex She is brother of Mr. She. He 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. Alex She joined the Group as a senior merchandiser in April 2001 and was appointed as a director of B&C Industries HK and Creative Fine International Limited in January 2003 and in June 2018 respectively. 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 19 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.

# BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Ho Kim Ching (何劍菁)**, aged 43, was appointed as an independent non-executive Director on 22 September 2017. Mr. Ho has over 18 years of experience in the accounting and finance industry. From June 2010 to August 2019, Mr. Ho worked for Viva China Holdings Limited (stock code: 8032), shares of which are listed on the GEM of the Stock Exchange, 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 to August 2019, he serves as the corporate development director and vice president of the group respectively who has been mainly 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 38, was appointed as an independent non-executive Director on 22 September 2017. Mr. Chan has over 15 years of experience in the finance and accounting industry. He has extensive knowledge and experience on capital market transactions including initial public offerings, takeovers, financial advisory, and merger and acquisitions. Since May 2020, Mr. Chan has been working for Eddid Capital Limited as an executive director of the corporate finance department. From December 2017 to May 2020, he was a director of First Shanghai Capital Limited. 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 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.

## BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

**Ms. Fan Pui Shan (樊佩珊)**, aged 51, was appointed as an independent non-executive Director on 22 September 2017. Ms. Fan has over 26 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. She was promoted to retail systems director and senior director, IT Portfolio in March 2014 and March 2019 respectively. 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. Wong Nga Yan (黃雅欣)**, aged 44, joined the Group in December 2018 as the financial controller and was appointed as company secretary on 4 January 2019. Ms. Wong is primarily responsible for overseeing financial reporting, financial planning, financial control and corporate secretarial matters of the Group.

Ms. Wong has over 20 years of experience in accounting and financial reporting. Prior to joining the Company, Ms. Wong served as the financial controller and company secretary of a company listed on the Main Board of the Stock Exchange. Ms. Wong obtained a master's degree of science in forensic audit and accounting from the University of South Wales in 2014. Ms. Wong is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accounts.

# CORPORATE GOVERNANCE 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

The Company has applied the principles and code provisions in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules (the "**CG Code**"). Save as disclosed below in the section headed "Chairman and Chief Executive" in this report, the Company has applied and complied with all the applicable code provisions set out in the CG Code throughout the Year.

## 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 each Director and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors during the Year.

## 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, determining 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 the management of the Group if and when considered appropriate. The 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 of 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 of the Board

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.

# CORPORATE GOVERNANCE REPORT

As at the date of this report, the Board comprises the following 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 “Biographies of Directors and Senior Management” in this 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 Year 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.

## **In compliance with Rules 5.05(1), 5.05(2) and 5.05A of the GEM Listing Rules**

Throughout the Year, the Board 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 during the Year and as of 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 CONTINUOUS 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 statutes and common law, the GEM Listing Rules, inside information provision under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and other regulatory requirements and the Company’s business and governance policies. All Directors had attended continuous professional training sessions on obligations, duties and responsibilities of directors conducted by the Company’s Hong Kong legal advisers.

# CORPORATE GOVERNANCE REPORT

The Company will from time to time provide briefings to all Directors to develop and refresh their knowledge and understanding about 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. During the Year, the Directors have confirmed their participation in appropriate continuous professional development activities by way of attending seminars or self-study on regulatory updates.

## MEETINGS OF BOARD AND DIRECTORS' ATTENDANCE RECORDS

Regular Board meetings of the Year are scheduled in advance. The Board meets at approximately quarterly intervals with notice given to the Directors at least 14 days in advance. For all other Board meetings, notice is given within a reasonable time in advance. During the Year, four meetings were held by the Board. All Directors participated to discuss the strategy, operational and financial performance and internal control of the Group. 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 for discussion and/or resolution at 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 and available 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 declared and discussed at the Board meetings will abstain from voting on resolutions approving such transactions and are not counted in the quorum of the meetings.

Details of the attendance of each Director at the meetings of the Board and the board committee meetings held during the Year are as follows:

Name of Directors	Annual General Meeting	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Risk management Committee Meeting
<i>Executive Directors:</i>						
Mr. She Leung Choi	1/1	4/4	N/A	1/1	1/1	N/A
Ms. Chan Lai Yin	1/1	4/4	N/A	N/A	N/A	1/1
Mr. She Leung Ngai Alex	1/1	4/4	N/A	N/A	N/A	1/1
<i>INEDs:</i>						
Mr. Ho Kim Ching	1/1	4/4	4/4	1/1	1/1	N/A
Mr. Chan Ching Sum Sam	1/1	4/4	4/4	1/1	1/1	N/A
Ms. Fan Pui Shan	1/1	4/4	4/4	N/A	N/A	1/1

Apart from the above Board meetings, the chairman of the Board (the "Chairman") held a meeting with all the INEDs without the presence of the other executive Directors during the Year.

# CORPORATE GOVERNANCE REPORT

## 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 and up to and including the date of this report.

## BOARD DIVERSITY POLICY

### I. Policy Objective

The Board has adopted a policy of Board diversity (the “**Board Diversity Policy**”) on 1 February 2019. 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. The Company believes that board diversity as an essential element in maintaining a competitive advantage, elevating the decision-making capability and thus the overall effectiveness of the Board in achieving sustainable business operation and enhancing shareholder value will be reinforced. A summary of the Board Diversity Policy is disclosed below.

### II. Policy Statement and Measurable Objective

In considering the Board’s composition, the Company takes into consideration the benefits of various aspects of diversity, including but not limited to gender, age, culture, ethnicity, educational background, professional experience, skills, knowledge, spectrum of perspectives, breadth of vision, sense of development direction and length of service and other factors that may be relevant from time to time towards achieving a diversified Board.

Appointment to the Board is based on objective criteria of meritocracy and the selected candidates will be considered in terms of the attributes that they have and which enable them to complement and expand the competencies, experience and perspectives of the Board as a whole, taking into account the corporate strategy of the Company.

### III. Review and Monitoring

The Nomination Committee of the Company (the “**NC**”) is responsible for reviewing the structure, size, diversity profile and skills matrix of the Board and the progress in achieving the diversity objectives of the Company. In reviewing and assessing the composition of the Board, the NC will consider the benefits of all aspects of diversity, including without limitation those benefits described above, in order to maintain an appropriate range and balance of talents, skills, experience and knowledge in the formation of the Board. The NC is also responsible for making recommendations to the Board on the selection and appointment of Directors and the review of the succession plan of Directors.

The Board reviews from time to time this Board Diversity Policy and monitors its implementation to ensure its continued effectiveness and that this Policy will remain relevant to the Company’s needs and reflect both the current and applicable regulatory requirements and good corporate governance practice, and will discuss any proposed changes to this Policy, as and wherever necessary and appropriate. The NC will also continuously review this Board Diversity Policy (as appropriate) to ensure the effectiveness of this Board Diversity Policy and that this Policy remains up-to-date in meeting the changing needs of the Company, and will recommend to the Board for consideration of changes to this Policy whenever and wherever it deems fit and appropriate.

### IV. Disclosure and Publication

The details of the Board Diversity Policy are available on the websites of the Stock Exchange and the Company.

# CORPORATE GOVERNANCE REPORT

## DIVIDEND POLICY

The Board adopted a dividend policy (the “**Dividend Policy**”) on 1 February 2019. The Dividend Policy outlined the principles and guidelines as well as the Group’s considerations and approval structure in respect of the Company’s dividends (the “**Dividend Policy**”).

As a matter of general principle, provided that the Group is profitable and without affecting the normal operations of the Group, the Group may consider to declare and pay dividends to the shareholders of the Group.

In considering the payment of dividends, the Group intends to strike a balance between maintaining sufficient capital to develop and operate the business of the Group and rewarding the shareholders of the Group.

The declaration and payment of dividends by the Group is subject to any restrictions under the Companies Law of the Cayman Islands, the Rules Governing the Listing of Securities on GEM of the Stock Exchange, the laws of Hong Kong and the Company’s Memorandum and Articles of Association and any other applicable laws and regulations.

Any declaration and payment of future dividends under the Dividend Policy are subject to the Board’s determination that the same will have to be in the best interests of the Group and the shareholders of the Group as a whole. The Board aims to make effective use of retained earnings to strengthen the operating base and fund growth of established businesses and the development of new businesses.

The Company does not have any pre-determined dividend distribution ratio. The Company’s dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in the future. There can be no assurance that dividends will be paid in any particular amount for or in any given period.

The Dividend Policy shall in no way constitute a legally binding commitment by the Group in respect of any future dividend distribution and/or in no way obligate the Group to declare a dividend at any time or from time to time.

The Board usually considers a number of factors including the Company’s results of operation, working capital requirements, the Group’s future development and general economic conditions before deciding to declare or recommend dividends. The Board will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend, modify and/or cancel the Dividend Policy at any time.

## CHAIRMAN AND CHIEF EXECUTIVE

Pursuant to code provision A.2.1 of the CG Code, 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 (“**Mr. She**”) currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive in the same person 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 under the present arrangement will not be impaired and this structure enables the Company to make and implement management and corporate decisions promptly, efficiently and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive of the Company when it is appropriate and suitable, taking into account the management needs and the corporate 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 all the applicable code provisions set out in the CG Code as contained in Appendix 15 of the GEM Listing Rules during the Year.

# CORPORATE GOVERNANCE REPORT

## 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 available on the websites of the Stock Exchange and the Company.

### Audit Committee

The Company has established the Audit Committee with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and paragraphs C.3.3 and C.3.7 of the CG Code as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Audit Committee are, among other things, to supervise the Group's financial reporting process, 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, ensure the Group's compliance with regulatory and statutory requirements 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 Year, four meetings were held by the Audit Committee. The summary of work of the Audit Committee is as follows: (i) consider and review 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 with the relevant accounting standards as well as the GEM Listing Rules; (ii) have meeting with auditors to discuss the audit matters before commencement of the audit work; and (iii) review the effectiveness and adequacy of risk management and internal control system and the effectiveness of internal audit function.

The Group's consolidated financial statements for the Year 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 comply with applicable accounting standards as well as the GEM Listing Rules and that adequate disclosures have been made. Details of attendance of the Audit Committee are set out under the section headed "Meetings of Board and Directors' Attendance Records".

### Remuneration Committee

The Company has established the 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. 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/her associates is involved in deciding his/her own remuneration. Details of the remuneration of Directors are set out in note 14 to the consolidated financial statements.

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 majority member of the Remuneration Committee are INEDs. The summary of work of Remuneration Committee is to review the remuneration packages and emoluments of Directors and senior management and to consider that they are fair and reasonable during the Year. During the Year, one meeting was held by the Remuneration Committee. Details of attendance of the Remuneration Committee are set out under the section headed "Meetings of Board and Directors' Attendance Records".

# CORPORATE GOVERNANCE REPORT

## Nomination Committee

The Company has established the 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. 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. The majority members of the Nomination Committee are INEDs. During the Year, one meeting was held by the Nomination Committee. The summary of work of the Nomination Committee is to consider and review among other matters, the structure, size and composition of the Board, the roles of chairman and chief executive and continuing professional development of directors and senior management. During the Year, no new Director was appointed.

The Nomination Committee held a meeting which, 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 retiring Directors at the forthcoming AGM. Details of attendance of the Nomination Committee are set out under the section headed "Meetings of Board and Directors' Attendance Records".

## NOMINATION POLICY

The Board adopted a nomination policy (the "**Nomination Policy**") on 1 February 2019. This Policy aims to set out the approach to guide the nomination committee of the Company (the "**Nomination Committee**") in relation to the selection, appointment and re-appointment of the directors of the Company (the "**Directors**"); and ensure that the board of directors of the Company (the "**Board**") has a balance of skills, experience, knowledge and diversity of perspectives appropriate to the requirements of the Company's business.

The Nomination Committee will evaluate, select and recommend candidate(s) for directorships to the Board by giving due consideration to criteria including but not limited to (collectively, the "**Criteria**"):

- (a) Diversity in all aspects including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service;
- (b) Commitment for responsibilities of the Board in respect of available time, relevant interest and attention to the business of the Company and its subsidiaries;
- (c) Qualifications, including accomplishment and experience in the relevant industries in which the Company's business is involved in;
- (d) Compliance with the criteria for independence, in case for the appointment of an independent non-executive Director, as prescribed under Rules 5.05(2) and 5.09 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited, subject to any amendments as may be made from time to time;
- (e) Reputation for integrity;
- (f) Potential contributions that the individual(s) can bring to the Board;
- (g) Plan(s) in place for the orderly succession of the Board; and
- (h) Any other relevant factors as may be determined by the Nomination Committee or the Board as appropriate from time to time.

# CORPORATE GOVERNANCE REPORT

The Nomination Committee will launch a formal process to review the Nomination Policy periodically to ensure that it is transparent and fair, remains relevant to the Company's needs and reflects the current regulatory requirements and good corporate governance practice. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The details of the Nomination Policy are available on the websites of the Stock Exchange and the Company.

## Risk Management Committee

The Company has established the 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. The primary duty of the Risk Management Committee is to monitor the exposure to sanctions risks. The Risk Management Committee reviewed the Group's exposure to sanctions risk during the Year.

The duties of reviewing the effectiveness and adequacy of risk management and internal control system and the effectiveness of internal audit function were performed by the Audit Committee. Details are set out under the section headed "Audit Committee".

The Risk Management Committee comprises Ms. Chan Lai Yin, Mr. She Leung Ngai Alex and Ms. Fan Pui Shan. Ms. Chan Lai Yin is the Chairlady of the Risk Management Committee. During the Year, one meeting was held by the Risk Management Committee.

Details of attendance of the Risk Management Committee are set out under the section headed "Meetings of Board and Directors' Attendance Records".

## Corporate Governance Function

All members of the Board are responsible for performing the corporate governance functions. The terms of reference of corporate governance functions was adopted by the Board and is in compliance with paragraph D.3.1 of the CG Code. The Board will review the policy of the corporate governance and the corporate governance report of the Company annually.

## APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service agreement with the Company for a term of three years, commencing from 16 October 2020 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 a term of three years commencing from 16 October 2018 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).

# CORPORATE GOVERNANCE REPORT

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 does not offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

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 years ended 31 March 2021 and 2020 are set out in note 14 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 “Biographies of Directors and Senior Management” in this report for the Year 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, RSM Hong Kong was engaged as the Group’s independent auditor. The remuneration paid/payable to RSM Hong Kong, the auditor are set out below:

Services	2021 Fee paid/ payable HK\$'000	2020 Fee paid/ payable HK\$'000
Audit services — annual audit services	560	700
Non-audit services	—	—
	<b>560</b>	<b>700</b>

# CORPORATE GOVERNANCE REPORT

## 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, which (i) is free from any material misstatement, whether due to fraud or error; and (ii) give a true and fair view of the financial position of the Company and the Group and of the Group's financial performance and cash flow for the Year and are properly prepared on a going concern basis in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and 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.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges their responsibility to ensure the Company maintains sound and effective risk management and internal control 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.

Pursuant to code provision C.2.5 of the CG Code, the Group has engaged an external independent professional advisory firm (the "**Independent Advisor**") to review the effectiveness and adequacy of internal control systems for the Year. The Independent Advisor had reviewed and analysed all material controls of the Group, including financial, operational and compliance controls and their associated risks. The relevant reports from the Independent Advisor were presented to and reviewed by the Audit Committee and the Board.

The Board had performed annual review on the effectiveness of the Group's risk management and internal control systems, including but not limited to the Group's ability to cope with its business transformation and changing external environment; the scope and quality of the management's review on risk management and internal control systems; the result of internal audit work; the extent and frequency of communication with the Board in relation to the result of risk and internal control review; significant failures or weaknesses identified and their related implications; and the status of compliance with the GEM Listing Rules. The Board considers the Group's risk management and internal control systems are effective and adequate. Based on the risk management review conducted during the Year, no significant risk was identified.

## COMPANY SECRETARY

Ms. Wong Nga Yan ("**Ms. Wong**") was appointed as the Company Secretary on 4 January 2019. She is also the Financial Controller of the Company and serves as the secretary of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Risk Management Committee. Ms. Wong has complied with the relevant professional training requirement for the Year 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 biographical details of the Company Secretary are set out in the section headed "Biographies of Directors and Senior Management" on pages 10 to 12 of this report.

# CORPORATE GOVERNANCE REPORT

## COMPLIANCE OFFICER

Mr. She is the compliance officer of our Company. The biography of Mr. She is set out in the section headed “Biographies of Directors and Senior Management” of this 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 Tong, Kowloon, Hong Kong) for the attention of the Company Secretary.

The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding 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 being 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 or 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 requisitioner(s) himself/herself/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 to call for a general meeting shall be reimbursed to the Eligible Shareholder(s) by the Company.

# CORPORATE GOVERNANCE REPORT

## 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 Tong, Kowloon, Hong Kong by post or by email to info@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 GEM 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.

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.

## 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 21 to the consolidated financial statements.

## PRINCIPAL RISKS AND UNCERTAINTIES

There are certain risks and uncertainties that the Group faces during its operation. Such risks and uncertainties include factors such as competition from existing and new players in the homeware products industry, changes in the consumer preferences and behaviour and potential changes in trade policies and legislation in Europe or any other jurisdictions that are relevant to our business and the ongoing COVID-19 pandemic which may impact our supply chain and customers orders. While these risks continue to exist, the Group will closely monitor any signs of these occurrences and will take appropriate actions to minimize the impacts derived from risks and uncertainties confronting the operation of the Group.

## BUSINESS REVIEW

The business review of the Group for the year ended 31 March 2021 is set out in the section headed “Chairman’s Statement” and “Management Discussion and Analysis” of this report.

## RESULTS AND APPROPRIATIONS

The results of the Group for the Year and the financial position of the Company and the Group as at 31 March 2021 are set forth in the consolidated financial statements on pages 61 to 108 of this report.

During the Year, the Board does not recommend the payment of a final dividend for the Year (2020: 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 (the “**Listing Date**”) 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.

## REPORT OF THE DIRECTORS

An analysis of the amount utilised out of net proceeds up to 31 March 2021 is set out below:

	Estimated use of proceeds	Adjusted use of proceeds	Reallocation <sup>(i)</sup>	Utilised up to 31 March 2020	Utilised during the Year	Unutilised as at 31 March 2021	Expected timeline for utilising the remaining proceeds <sup>(ii)</sup>	Comparison between business objectives with actual business progress up to 31 March 2021
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million		
Broaden the existing customer base, increase market share in the existing target markets and expand into new markets	13.5	13.2	(7.3)	(5.9)	-	-	-	
Enhance design and development capabilities	4.8	4.7	-	(1.2)	(1.0)	2.5	On or before 31 March 2022	(a)
Enhance our quality assurance capabilities	4.8	4.7	-	(4.6)	(0.1)	-		(b)
Enhance brand recognition and awareness and promote corporate reputation	6.4	6.3	7.3	(5.2)	(3.4)	5.0	On or before 31 March 2023	(c)
General working capital	2.5	2.4	-	(2.4)	-	-	-	
	32.0	31.3	-	(19.3)	(4.5)	7.5		

- (i) On 19 March 2020, the Group reallocated the unutilised net proceeds in an amount of approximately HK\$7.3 million for establishing one liaison office in each of Europe and the US, acquiring office equipment to operate the liaison offices and recruitment and retaining certain staff to enhance the Company's brand recognition and awareness. For further details, please refer to the announcement of the Company dated 19 March 2020.
- (ii) The expected timeline for utilising the remaining proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on current and future development of market conditions.
- (a) The Company applied the proceeds in 1) conducting certain external training courses for designers and quality control staff; and 2) recruitment and retention of designers and product engineers up to the Year, which were consistent with the implementation activities set out in the Prospectus. The Company has not yet utilised the proceeds in upgrading the existing design software and purchasing new design software as planned in the amount of approximately HK\$2.4 million. The Company is exploring the appropriate design software for our business.
- (b) The proceeds have been allocated for 1) establishment of a quality control laboratory; 2) acquisition of product testing equipment; 3) conducting of trainings for quality control staff; and 4) recruitment and retention of a quality control staff member. The unutilised proceeds have been fully utilised up to the Year.
- (c) Up to the Year, the Company applied the proceeds in the following activities, which were consistent with the implementation activities set out in the Prospectus and the reallocation and change in use of proceeds announcement of the Company dated 19 March 2020: 1) participating in exhibitions, namely, ASD Market Week in Las Vegas (August 2018), Maison and Objet in Paris (September 2018) and Ambiente Fair in Frankfurt (February 2019 and 2020); 2) advertising on different media; 3) development of virtual reality to promote our products; 4) setting up our own e-commerce system; 5) recruitment and retention of additional sales and marketing staff members and staff members for the e-commerce platform; 6) maintenance of the corporate website; 7) the acquisition of motor vehicle; 8) providing service fee to the strategic business and brand consultant to develop the products under the Company's brand name; 9) having established and maintained the e-commerce platform for trading the products with the Company's brand name; and 10) advertising fee for the promotion of the products with Company's brand name. The unutilised proceeds will be mainly for participating in exhibitions and the development of the products with the Company's brand name.

As at the date of this report, the Directors do not anticipate any change to the plan as to the use of proceeds and the balance of the fund will be utilised accordingly.

The remaining unused net proceeds as at 31 March 2021 were placed as bank balances with licensed bank in Hong Kong and will be applied in the manner consistent with the proposed allocations.

# REPORT OF THE DIRECTORS

## SHARES ISSUED IN THE YEAR

Details of the shares issued in the year ended 31 March 2021 are set out in note 29 to the consolidated financial statements.

## ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company is scheduled to be held on Friday, 30 July 2021 at 3:00 p.m. (the “AGM”). The register of members of the Company will be closed from Tuesday, 27 July 2021 to Friday, 30 July 2021, 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 registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong before 4:30 p.m. on Monday, 26 July 2021.

## RESERVES

Details of movements in the reserves of the Company and the Group during the Year are set out in note 30(b) to the consolidated financial statements and in the consolidated statement of changes in equity on page 64, respectively.

## DISTRIBUTABLE RESERVES

Details of the distributable reserve of the Company as at 31 March 2021 are set out in notes 30 and 31 to the consolidated financial statements.

## 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 five financial years, as extracted from the audited consolidated financial statements of the Company or the Prospectus, is set out on page 3 of this 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

### Executive Directors:

Ms. Chan Lai Yin

Mr. She Leung Ngai Alex

### Independent Non-Executive Directors (the “INEDs”):

Mr. Ho Kim Ching

Mr. Chan Ching Sum Sam

Ms. Fan Pui Shan

## REPORT OF THE DIRECTORS

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/she retires. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of directors to retire by rotation) any Director who wishes to retire and not to offer himself/herself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

Each of Mr. Chan Ching Sum Sam and Mr. Ho Kim Ching will retire from office as independent non-executive Directors at the forthcoming annual general meeting of the Company to be held on 30 July 2021. Mr. Chan Ching Sum Sam and Mr. Ho Kim Ching will offer themselves for re-election.

At the forthcoming annual general meeting of the Company, separate ordinary resolutions will be put forward to the Shareholders in relation to the proposed re-election of Mr. Chan Ching Sum Sam and Mr. Ho Kim Ching.

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 to Article 83(3) of the Articles of Association shall not be taken into account in determining the particular Directors or the number of the Directors who are to retire by rotation.

### 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 a term of three years, commencing from 16 October 2020 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. 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 a term of three years commencing from 16 October 2018 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. 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.

# REPORT OF THE DIRECTORS

## 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 10 to 12 to this report.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

Discussion on the environmental policies and performance is contained in the "Environmental, Social and Governance Report" on pages 42 to 55 of this report. This discussion forms part of the report of directors.

## INTEREST AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2021, 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 Divisions 2 and 3 of Part XV of the Securities and Futures 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 are as follows:

Name of Shareholder	Capacity	Number of ordinary Shares held (Note 1)	Approximate percentage of shareholding
Hearthfire Limited ("Hearthfire")	Beneficial owner	611,250,000 (L) (Note 2)	61.125%
Present Moment Limited ("Present Moment")	Beneficial owner	86,250,000 (L) (Note 3)	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, executive Director, and by virtue of the SFO, Mr. She is deemed to be interested in all the Shares held by Hearthfire.
3. Present Moment is wholly-owned by Ms. Chan, executive Director, and by virtue of the SFO, Ms. Chan is deemed to be interested in all the Shares held by Present Moment.

Save as disclosed above, as at 31 March 2021, so far as is known by or otherwise notified to the Directors, no other person or entity (other than a Director or the chief executive of the Company) had interests and short positions in the Shares and underlying Shares as required to be recorded in the register to be kept by the Company under Section 336 of the SFO or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

# REPORT OF THE DIRECTORS

## 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 2021, the interests or short positions of the Directors and 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 are as follows:

### (i) Interest in the Company

Name of Director	Capacity	Number of ordinary 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:

- The letter "L" denotes a long position in the Director's interest in the Shares.
- Hearthfire, which is wholly-owned by Mr. She, executive Director, and by virtue of the SFO, Mr. She is deemed to be interested in all the Shares held by Hearthfire.
- Present Moment, which is wholly-owned by Ms. Chan, executive Director, and by virtue of the SFO, Ms. Chan 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 ordinary Shares in associated corporation held (L)	Approximate percentage of shareholding
Mr. She	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.

Save as disclosed above, as at 31 March 2021, none of the Directors nor the chief executive of the Company had registered any interests and short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which were 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 and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register referred to in Section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

# REPORT OF THE DIRECTORS

## 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 (the "**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.

## REPORT OF THE DIRECTORS

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.

## REPORT OF THE DIRECTORS

### (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.

## REPORT OF THE DIRECTORS

### (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 by 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;

## REPORT OF THE DIRECTORS

- (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 being 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.

## REPORT OF THE DIRECTORS

### (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.

## REPORT OF THE DIRECTORS

### **(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 arbitrators and their certificate shall, in the 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.

## REPORT OF THE DIRECTORS

### (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/her 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.

# REPORT OF THE DIRECTORS

## (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 by resolution in general meeting or the Board may 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 2021 and up 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.

## MAJOR SUPPLIERS AND CUSTOMERS

The percentages of purchases and sales for the Year attributable to the Group's major suppliers and customers are as follows:

Purchases	
— the largest suppliers	46.3%
— five largest suppliers in aggregate	89.6%
Sales	
— the largest customers	23.2%
— five largest customers in aggregate	63.4%

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.

# REPORT OF THE DIRECTORS

## CONTINUING CONNECTED TRANSACTION

On 12 March 2020, B&C Industries HK, an indirect wholly-owned subsidiary of the Company, as the tenant, entered into a tenancy agreement (the “**2020 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 11, 23/F., Oriental Plaza, Luohu, Shenzhen, the PRC with a gross floor area of 1,060 square metres (the “**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 Premises, management fee, utilities fees, sanitation fee and central air-conditioning fee) for a term of 12 months, commencing from 1 April 2020 and expiring on 31 March 2021. Pansino Shenzhen is indirectly wholly-owned by Mr. She, a controlling shareholder and executive Director of the Company.

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

Details of the abovementioned transactions are disclosed as related party transactions under item (a) in respect of rental expenses to a related company of note 33 to the consolidated financial statements. On 11 March 2021, B&C Industries HK and Pansino Shenzhen entered into a tenancy agreement (the “**2021 Tenancy Agreement**”) commencing from 1 April 2021 and expiring on 31 March 2022. Except for the rental period, the rest of the terms in the 2021 Tenancy Agreement are the same as the terms in the 2020 Tenancy Agreement.

The transactions under the 2020 Tenancy Agreement and 2021 Tenancy Agreement constitute de minimis continuing connected transactions of the Company under Rule 20.74(1)(c) of the GEM Listing Rules. Accordingly, the 2020 Tenancy Agreement, 2021 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 33 to the consolidated financial statements do not constitute connected transactions or continuing connected transactions under the GEM Listing Rules.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best of the knowledge of the Directors, it is confirmed that the Company has maintained the prescribed minimum public float under the GEM Listing Rules during the Year and at any time up to 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.

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 in terms of competing interests (“**Non-competition Undertaking**”) in this report; and (ii) the controlling shareholders will make an annual declaration on compliance with their Non-competition Undertaking in this 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. As such, the controlling shareholders confirmed that they have complied with their undertaking under the Non-competition Undertaking.

\* For identification purpose only

# REPORT OF THE DIRECTORS

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

## PERMITTED INDEMNITY PROVISIONS

During the Year and up to the date of this report, 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 and up to the date of this report.

## SUBSEQUENT EVENTS

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2021 and up to the date of this report. In light of the ongoing COVID-19 pandemic, the Group will continue to work closely with our suppliers and customers to evaluate the impact of the same on the financial position and operating results of the Group.

## 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. There has been no change of auditor of the Company since the Listing Date.

## 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 this report including the audited consolidated financial statements of the Group for the Year.

On behalf of the Board

**She Leung Choi**  
*Chairman*

Hong Kong, 18 June 2021

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## FOREWORD

Satu Holdings Limited (the “**Company**”, together with its subsidiaries, collectively as the “**Group**”, “**Satu**”, “**we**” or “**us**”) is delighted to present our Environmental, Social and Governance (“**ESG**”) Report (“**ESG Report**”) for the financial year ended 31 March 2021. The Group acknowledges that commercial growth and prudent management of environmental and social issues are mutually important imperatives for us, with the latter being a key factor in long-term success in this rapidly changing world. The Group endeavors to reduce wastage, preserve the planet for future generations, and respond to the regulatory authorities’ expectations for environmental protection.

Management is authorized by the board of directors (the “**Board**”) to review and monitor the ESG policies and practices of the Group to ensure compliance with relevant legal and regulatory requirements, monitor and respond to emerging ESG issues, and make recommendations to the Board, where appropriate, to improve the ESG performance of the Group.

This ESG Report mainly introduces our vision, policies and measures, and reports our performance towards environmental, social and governance issues for communicating with the internal and external stakeholders.

The Board is dedicated to improving and developing the ESG strategy which is functioning in the best interests of our stakeholders. Under the section “Our Stakeholders” of this ESG Report, the mechanism and the logic of stakeholders’ involvement in developing our ESG strategy are clearly stated.

In preparing for this ESG 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 data as key performance indicators, and applied the principles of materiality, quantitative measurements, balance and consistency.

## SCOPE AND REPORTING PERIOD

We are principally engaged in the design, development and production management of a wide range of homeware products.

The ESG Report is prepared in accordance with the disclosure requirements under the Environmental, Social and Governance Reporting Guide (the “**Guide**”) as set out in Appendix 20 to the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”).

Unless otherwise stated, the scope of this ESG Report covers our businesses and offices in Hong Kong and Shenzhen, the PRC. This ESG Report mainly discloses the major ESG measures, policies and activities implemented by us and our performance during the period from 1 April 2020 to 31 March 2021 (the “**Reporting Period**”).

This Report was approved by the board of directors (the “**Board**”) on 18 June 2021. For details on corporate governance, please refer to “Corporate Governance Report” on pages 13 to 24 of this report.

## MATERIALITY ASSESSMENT

We have compiled and prioritized material aspects relating to our business operations. Material aspects are those that have significant economic, environmental and social impacts; or those that may substantially influence the assessments and decisions of our stakeholders. This ESG Report will highlight the following aspects:

- Greenhouse Gas Emissions and Resource Management
- Product Responsibility
- Supply Chain Management

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ACCESS TO THIS ESG REPORT

This ESG Report is written in both English and Chinese, and in case of discrepancy between the two versions, the English version shall prevail.

## FEEDBACK AND INFORMATION

We value the opinions of the readers of this ESG report and would like to hear your feedback to help us continuously improve our sustainability performance. If you have any queries or suggestions, please contact us via any of the following means:

Address: Unit 2504, 25/F., Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong.  
Phone: (852) 2342 5588  
Email: info@bnc.cc

## OUR STAKEHOLDERS

We would like to align our ESG strategy with the stakeholders' expectations and concerns, and also balance the interests among the Group and our stakeholders. The topics that stakeholders may be concerned about and the ways we communicate with and respond are listed below:

Stakeholders	Areas of Concern	Communication and Responses
HKEX	Compliance with the GEM Listing Rules, and timely and accurate announcements.	Meetings, training, workshops, programs, website updates, and announcements.
Government	Compliance with laws and regulations, preventing tax evasion, and social welfare.	Interaction and visits, government inspections, tax returns and other information.
Investors	Transparency, corporate governance, business strategies and performances, sustainable profitability, and investment returns.	Shareholders' meetings, issue of financial reports or operation reports for investors, and timely disclosure.
Media & Public	Corporate governance, environmental protection, and corporate social responsibility.	Issue of newsletters on the Company's website.
Suppliers	Payment schedule, stable demand and quality services and products.	Regular meetings, supplier conferences, phone calls and interviews.
Customers	Service quality, reasonable prices, commercial credibility, product safety, and personal data protection.	Phone calls, after-sales services, clients' enquiries handling mechanism, rapid website updates.
Employees	Rights and benefits of employees, compensations, training and development, and working environment.	Conducting staff activities, training, interviews with employees, and employee suggestion boxes.
Community	Community environment, employment opportunities, community development, and social welfare.	Employee voluntary activities.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## OUR ENVIRONMENTAL ASPECT

### Overview

We are principally engaged in the design, development and production management of an array of homeware products. In the absence of production process, our operations do not involve significant emissions of air pollutants and greenhouse gas or significant generation of wastes or use of resources. In our ordinary course of business, we do not pose material adverse impact to the environment. Nevertheless, as a responsible corporate citizen, we have incorporated the concept of sustainable development into our daily management, and are committed to improving the efficiency of resources utilization and enhancing our environmental performance.

We advocate the idea of green and sustainable working environment, address waste management, and adhere to the four “Rs” principle of environmental protection (Reduce, Reuse, Recycle, Replace). We constantly review our internal operational practices to ensure that they are in line with the concept of sustainable corporate development. To achieve the environmental goals, the Group has implemented the following measures:

- Comply with all applicable environmental laws and regulations;
- Identify, assess and mitigate all potential environmental impacts associated with the Group’s activities;
- Develop a strong culture of environmental stewardship within the workforce; and
- Empower our employees to fulfill our environmental responsibilities through necessary trainings.

### Compliance and No Grievance

During the Reporting Period, we complied with all relevant environmental laws and regulations that have a significant impact on us, including but not limited to “Environmental Protection Law of the PRC” (中華人民共和國環境保護法), “Law of the PRC on the Prevention and Control of Atmospheric Pollution” (中華人民共和國大氣污染防治法). No confirmed non-compliance incidents or grievances were noted by the Group in relation to environmental issues.

### Air Pollution Control

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

The total consumption of vehicle fuel for the Reporting Period was 541.69 liters (2020: 996.75 liters). During the Year, the air emissions level and consumption of vehicle fuel has decreased due to the disposal of one of the vehicles in the last reporting period. The following table shows the emissions of key air pollutants within our operations:

### Years ended 31 March

	Unit	2021	2020
Nitrogen Oxides (NOx)	Gram	465.34	824.46
Sulphur Oxides (SOx)	Gram	7.96	14.65
Particulate Matter (PM)	Gram	34.26	60.70

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Greenhouse Gas Emissions and Resource Management

Efficient utilization of resources whilst delivering safe and quality products and services to our customers is our key focus.

Energy and resource conservation practices are in place to raise awareness of our employees in creating a better environment. These include practices such as, turning off unused equipment or appliances after work hours and operations, and switching off all the lights and air-conditioning when the last employee leaves the room or office premises.

In light of the evolving COVID-19 situation and widespread travel restrictions in place, the Company did not participate in any overseas exhibition during the Reporting Period. As a result, there was no indirect GHG emissions from business air travel.

Based on our resource consumption, the following is the breakdown of the GHG emissions during our operations:

### Years ended 31 March

	Sources	Unit	2021	2020
Scope 1: Direct Emissions	Vehicle combustion	Tonnes	1.46	2.70
Scope 2: Energy Indirect Emissions	Purchased electricity	Tonnes	28.82	34.11
Scope 3: Other Indirect Emissions	Business air travel	Tonnes	–	4.23
Total GHG Emissions	Tonnes	Tonnes	30.28	41.04
Carbon Intensity		tCO <sub>2</sub> e/each million revenue in HKD	0.50	0.82

## Use of Resources

Our businesses and operations 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. In the course of our operations, we did not have significant use of packaging materials and water consumption.

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

### Years ended 31 March

	Unit	2021	2020
Energy Consumption	kWh	45,149	48,509.41
Intensity	kWh/each million revenue in HKD	744.73	974.83

<sup>1</sup> 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.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Waste Management

As our core business is the sale of homeware, there is no significant hazardous waste generated during the ordinary course of business operations, and therefore, no data with regard to hazardous waste was recorded during the Reporting Period.

On the other hand, the generation of non-hazardous waste results principally from the paper consumption for administrative work. The consumption of copier paper during the Reporting Period amounted to 297.5 kg (2020: 280 kg) which amounted to 4.91 kg per million of revenue (2020: 5.63 kg per million of revenue).

To minimize generation of wastes, we implemented the policy of double-sided printing and copying, and disseminate information by electronic means whenever possible to reduce the consumption of paper. To promote environmental awareness in the office, we use Forest Stewardship Council (“FSC”) certified papers, papers that have been sourced in an environmentally-friendly, socially responsible and economically viable manner, for the printing of our quarterly, interim and annual reports. We also encourage our employees to avoid the use of disposable and non-recyclable products, and to use refillable stationeries instead of one-off stationeries.

## Water Usage

Water resources are mainly used in the offices in Hong Kong and the PRC for the purpose of basic cleaning and sanitation, and thus the water usage is relatively low. The existing water supply meets our daily operational needs and there is no issue in sourcing water. As some businesses operate in office premises where the water supply is centrally managed by their respective property management, it is not feasible for us to provide relevant water usage data.

Notwithstanding no recorded data, we still strive to conserve water by adopting a wide range of measures. We regularly check on faucets to avoid unnecessary leakage, and actively promote water conservation awareness among our employees.

## OUR SOCIAL ASPECT

### Human Resources Management and Labour Standards

Human Resources (“HR”) management is an integral part of our overall business strategy as we believe that employees are one of the most valuable assets of an enterprise. An effective HR management system helps to attract and retain competent employees, assist employees in adapting to organizational 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 and team cohesion.

During the Reporting Period, we have complied with all applicable employment laws in Hong Kong and the PRC, including but not limited to the “Employment Ordinance”, the “Minimum Wage Ordinance”, “the Employees’ Compensation Ordinance” in Hong Kong, as well as the “Labour Contract Law of the PRC” (中華人民共和國勞動合同法), the “Labour Law of the PRC” (中華人民共和國勞動法), “Social Insurance Law of the PRC” (中華人民共和國社會保險法) and the “Provisions on the Prohibition of Using Child Labour” (禁止使用童工規定) in the PRC.

To provide employees with their deserved benefits and protection, we have formulated the Human Resources and Payroll Policy and Employee Handbook to manage employees’ compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, and other benefits and welfare.

We are committed to building a diversified and inclusive working environment to ensure no employees will be discriminated against or deprived of opportunities due to gender, ethnic background, religious belief, color, sexual orientation, age, marital status or family status in respect of recruitment and promotion. We recruit our employees based on a number of factors, such as work experience, academic level, skillset, and ethical standard. We enter into individual employment agreements with our employees with terms covering, among other things, positions, salaries, working hours, annual leave and other benefits.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We strictly oppose and prohibit any form of child and forced labour. To avoid forced and child labour, Human Resources and Administration Department performs detailed interview screening procedures on each candidate. A thorough background check is conducted to verify the authenticity of personal data stated on the application forms by examining the applicants' original identity card and making detailed inquiries to ensure that no child labour can be employed.

If the management discovered any child labour, we would immediately terminate the contract and investigate the incident. Forced labour is strictly prohibited by the Group with zero tolerance. We shall take disciplinary actions against any staff members who are accountable for the causes of the incident.

The functional distribution of our full-time employees is as follows:

<b>By Gender</b>	<b>2021</b>	<b>2020</b>	<b>By Grade</b>	<b>2021</b>	<b>2020</b>
Male	9	10	General staff	17	18
Female	19	21	Middle management	7	9
			Senior management	4	4
<b>Total</b>	<b>28</b>	<b>31</b>	<b>Total</b>	<b>28</b>	<b>31</b>

During the Reporting Period, there were 6 leavers (2020: 8 leavers) comprising 1 male and 5 females (2020: 1 male and 7 females), mainly in the age group of <25 and 40–49 years old. Among the leavers, 100% of them (2020: 75%) were serving the function at general staff level.

## Health and Safety

Due to the nature of our businesses, our employees mainly work in the offices and thus we consider that we have a relatively low level of occupational risk in relation to health and safety.

Nevertheless, we are dedicated to provide a safe and healthy workplace to our employees. Amid the COVID-19 outbreak, the Company adopted flexi-work arrangements and supplied to our staff epidemic-prevention materials such as masks and hand sanitizers at the entrance of the offices to prevent the spread of COVID-19 disease within the workplaces. It is our policy to comply with applicable labour and safety laws and regulations, such as the "Occupational Safety and Health Ordinance" in Hong Kong. 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 or are unlocked;
- providing suitable and adequate fire safety measures;

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

To provide a safe and health 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 in the premises.

During the Reporting Period, we were 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, and thus no losses in working days resulted from work-related injuries.

## Staff Development and Training

We believe that skills and experience of employees are critical to the long-term development of the Group. We, therefore, invest in the growth of our people to enhance their respective competencies, and in turn, allow them to discharge their duties effectively. As such, it helps the employees in achieving their personal goals while aligning with company goals for mutual success.

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



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

We understand the indispensability of employee improvement and thus we have sponsored our staff to undertake different training programs and encourage them to attend external job-related courses to enhance their professional skills and knowledge.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## OPERATING PRACTICES

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

Our customers, the international homeware brand owners and licensees, chain supermarkets and renowned department stores pay great attention to the product quality. We have a robust quality assurance process and control procedures to ensure our product quality meets with our customers' standards.

### Supply Chain Management

Supply chain management and sustainability is of paramount importance to us, not only because it is vital in providing quality products to our customers, but also it contributes to a more inclusive market and advances sustainable development. We have policy in place to monitor our third-party factories and to avert the pitfalls of an increasingly globalized supply chain. Our key measures include assessments prior to accepting a supplier as an approved supplier, and also on-going assessments and regular inspections of our approved suppliers.

#### *Acceptance*

Before accepting a third-party factory, we consider factors such as the size of the plant, plant facilities, equipment quality, standard management techniques, financial stability, production capacity and location, and management of environmental and social risks.

#### *Assessment*

Our quality assurance team 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, if necessary.

We also conduct supplier performance appraisal on an annual basis. The performances of the approved suppliers are assessed based on price, quality, delivery schedule and other relevant aspects. We may terminate our cooperation with suppliers who fail to meet our standards.

#### *Inspection*

From time to time, our customers will also conduct assessments of certain aspects of our approved suppliers, including technical capabilities, professional ethics, health and safety, and labour standard. Our suppliers who are subjected to those assessments have obtained relevant satisfactory reports out of those inspections.

Currently, our top five suppliers accounted for more than 89% of our total purchase of homeware products and they are mainly located in Guangdong Province of the PRC. During the Reporting Period, the Group is not aware of any material environmental and social non-compliance of these suppliers.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 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 the European Commission. Accordingly, we have designed and implemented certain quality assurance measures as disclosed below.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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. We have also complied with the product safety standards and trading conduct such as the “Trade Descriptions Ordinance” in Hong Kong and other laws and regulations in the jurisdictions where the Group operates.

If our customer is dissatisfied with the quality of our products, we would investigate on a case by case basis and negotiate with the customer to offer discounts or replenishment, but such incidents rarely occur.

## *Intellectual Property*

We recognise the importance of protecting and enforcing our intellectual property rights, and strictly comply with all relevant laws and regulations that have a significant impact on us, including but not limited to the “Trade Marks Ordinance” and “Copyright Ordinance” in Hong Kong and “Trademark Law of the PRC” (中華人民共和國商標法).

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

1. We are committed to not using any design, logo or pictures where the intellectual property rights are not granted to us;
2. We have entered into confidentiality agreements with our major third-party factories to protect our customers’ and our own intellectual property rights during the production processes;
3. For our Group’s designs, the Group generally retains the intellectual property rights of the designs or vest the rights onto our customers as part of the agreed terms and conditions; and
4. Our directors are committed to registering 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 year ended 31 March 2021, we have nine registered trademarks in the European Union, the United States, the United Kingdom, Hong Kong and the PRC which are material to our businesses.

During the Reporting Period, we have complied with all relevant laws and regulations in relation to intellectual property rights applicable to the places where we operate. 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 our business operations, we only collect and maintain basic and public information of our customers’ backgrounds and any dispatch or use of such data for other purposes is strictly prohibited. On this basis, we consider that we are exposed to a relatively low level of data privacy risk. Nevertheless, confidentiality is of utmost importance to us, we have set up rules to handle confidential information and prohibit any leakage of information relating to the Group or its customers to any external parties. Our practices of collecting, using and maintaining our customer information are in line with the “Personal Data (Privacy) Ordinance” in Hong Kong.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Integrity in Business

The Group strictly complies with all relevant laws and regulations over anti-corruption, including Hong Kong's "Prevention of Bribery Ordinance" and "Anti-Money Laundering and Counter-Terrorist Financing Ordinance" and the PRC's "Criminal Law of the PRC (中華人民共和國刑法)" and "Anti-Money Laundering Law of the PRC (中華人民共和國反洗錢法)".

The Employee Code of Conduct in the Employee Handbook outlines the expected business conduct and professional ethics of employees. All employees are required to sign the employee's code of conduct upon reading it. In particular, we strictly prohibit any form of corruption, bribery or fraud in business. The Group also has an Anti-Fraud and Whistle-Blowing Policy in place for the reporting of any concerns or complaints about malpractice, impropriety, or wrongdoing. In any instances of misconduct, including breach of confidentiality or any conflicts of interest, acts of bribery and corruption, disciplinary action will be taken against the employees found to be involved, and may extend to further legal action.

During the Reporting Period, the Group is not involved in any legal cases regarding corruption and is not aware of any bribery, extortion, fraud, money laundering or other violations.

## Community Investment

In recognition of our social duty as a responsible corporate citizen, the Group is committed to building a healthy and harmonious society, and continues to adopt sustainable practices throughout our operations. We also encourage employees to take part in community services to foster sustainable harmony of our society.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## APPENDIX 1: SEHK ESG REPORTING GUIDE INDEX

The Stock Exchange Reporting Guide General Disclosures		Reference Section/ Remark	Comply or Explain
<b>A. Environmental</b>			
<b>A1 Emissions</b>			
<b>General Disclosure</b>	Information on: (a) the policies; and (b) 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, and generation of hazardous and non-hazardous waste.	Our Environmental Aspect	Complied
<b>KPI A1.1</b>	The types of emissions and respective emissions data.	Air Pollution Control	Complied
<b>KPI A1.2</b>	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Greenhouse Gas Emissions and Resource Management	Complied
<b>KPI A1.3</b>	Total 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 “Waste Management”.	Explained
<b>KPI A1.4</b>	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management	Complied
<b>KPI A1.5</b>	Description of measures to mitigate emissions and results achieved.	Greenhouse Gas Emissions and Resource Management	Complied
<b>KPI A1.6</b>	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Waste Management	Complied
<b>A2 Use of Resources</b>			
<b>General Disclosure</b>	Policies on the efficient use of resources, including energy, water and other raw materials.	Greenhouse Gas Emissions and Resource Management	Complied
<b>KPI A2.1</b>	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

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Stock Exchange Reporting Guide General Disclosures		Reference Section/ Remark	Comply or Explain
<b>KPI A2.2</b>	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Not applicable — water usage is considered insignificant, please refer to the section headed “Water Usage”.	Explained
<b>KPI A2.3</b>	Description of energy use efficiency initiatives and results achieved.	Use of Resources	Complied
<b>KPI A2.4</b>	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Water Usage	Complied
<b>KPI A2.5</b>	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable — Packaging materials used in our operation were insignificant.	Explained
<b>A3 The Environment and Natural Resources</b>			
<b>General Disclosure</b>	Policies on minimizing the issuer’s significant impact on the environment and natural resources.	Use of Resources	Complied
<b>KPI A3.1</b>	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>B. Social</b>			
<b>B1 Employment</b>			
<b>General Disclosure</b>	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 Resources Management and Labour Standards	Complied

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Stock Exchange Reporting Guide General Disclosures		Reference Section/ Remark	Comply or Explain
<b>B2 Health and Safety</b>			
<b>General Disclosure</b>	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	Health and Safety	Complied
<b>B3 Development and Training</b>			
<b>General Disclosure</b>	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Staff Development and Training	Complied
<b>B4 Labour Standards</b>			
<b>General Disclosure</b>	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Human Resources Management and Labour Standards	Complied
<b>B5 Supply Chain Management</b>			
<b>General Disclosure</b>	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management	Complied
<b>B6 Product Responsibility</b>			
<b>General Disclosure</b>	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility	Complied
<b>B7 Anti-corruption</b>			
<b>General Disclosure</b>	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Integrity in Business	Complied
<b>B8 Community Investment</b>			
<b>General Disclosure</b>	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment	Complied

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**TO THE SHAREHOLDERS OF  
SATU HOLDINGS LIMITED**

*(Incorporated in the 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 61 to 108, which comprise the consolidated statement of financial position as at 31 March 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (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.

# INDEPENDENT AUDITOR'S REPORT

## 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 matters we identified are estimation of the net realisation value of inventories and impairment assessment on trade receivables.

### Key Audit Matter

#### Estimation of the net realisable value of inventories

Refer to notes 4(e) and 22 to the consolidated financial statements respectively.

As at 31 March 2021, the Group's inventories, net of allowance for inventories of HK\$143,000, amounted to approximately HK\$1,364,000 which represented 4.2% of the Group's net assets.

Inventories are carried at the lower of cost and net realisable value. Net realisable value is determined based on the estimated selling price less the estimated costs of completion, if relevant, other costs necessary to make the sale for inventories.

We focused on this area because of the significance of the inventories balance and the management judgements involved in identifying inventories subject to write-down and determining their net realisable value.

### How our audit addressed the Key Audit Matter

Our procedures in relation to inventory valuation and allowance included:

- Noting any slow moving and obsolete inventories during our attendance of the physical inventory counts;
- Testing inventories to assess if they are stated at the lower of cost or net realisable value by comparing the actual sales value to the carrying value of selected samples of inventories;
- Testing on a sample basis the inventory ageing analysis of the Group at year end, and reviewing subsequent usage and sales of inventories after year end, taking into consideration the impact of changes in technology and customers' preference and our knowledge of the Group's business operations and the industry in which the Group operates; and
- Challenging management's assessment of the adequacy of the allowance for inventories based on the results of our procedures.

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS (Continued)

### Key Audit Matter

#### Impairment assessment of trade receivables

Refer to notes 4(i), 4(q) and 23 to the consolidated financial statements.

As at 31 March 2021, the carrying amount of trade receivables was approximately HK\$8,821,000 which represented 27.4% of the Group's net assets.

The Group's trading terms with customers are ranged from 30 days to 120 days, depending on the creditworthiness of customers and the existing relationship with the Group.

Loss allowances for trade receivables are based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the credit loss experience, aging of overdue trade receivables, customers' repayment history and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgement. We identified assessing the recoverability of trade receivable as key audit matter because the assessment of the recoverability of trade receivables and recognition of loss allowance are inherently subjective and requires significant management judgement, which increases the risk of error or potential management bias.

### How our audit addressed the Key Audit Matter

Our procedures in relation to assessing the recoverability of trade receivables included:

- Assessing whether trade receivables had been appropriately grouped by management based on their shared credit risk characteristics;
- Obtaining and examining the calculations of expected credit losses of trade receivables, prepared by the external valuer engaged by the Group;
- Evaluating the independence, qualifications, expertise and objectivity of the external valuer;
- Testing the accuracy and completeness of the data used by the external valuer to develop the historical loss rates and assessing the sufficiency, reliability and relevance of that data;
- Testing the accuracy of the aging of trade receivables on a sample basis to supporting documents;
- Evaluating the reasonableness of any adjustments for forward looking estimates; and
- Testing the calculation of expected credit loss provisions applying the provision rates to the age categories of the trade receivables outstanding at the reporting date.

## 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.

# INDEPENDENT AUDITOR'S REPORT

## RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The 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 HKSAAs 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 HKSAAs, 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.

# INDEPENDENT AUDITOR'S REPORT

## 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, actions taken to eliminate threats and safeguards applied.

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

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  
18 June 2021

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2021

	Note	2021 HK\$'000	2020 HK\$'000
<b>Revenue</b>	8	<b>60,625</b>	49,762
Cost of sales	9	(42,229)	(36,913)
<b>Gross profit</b>		<b>18,396</b>	12,849
Other income and net gains	8	846	766
Selling and distribution expenses		(13,200)	(8,917)
Administrative expenses		(13,323)	(15,783)
<b>Loss from operations</b>		<b>(7,281)</b>	(11,085)
Finance costs	10	(49)	(41)
<b>Loss before tax</b>		<b>(7,330)</b>	(11,126)
Income tax expense	11	(8)	(104)
<b>Loss for the year attributable to owners of the Company</b>	12	<b>(7,338)</b>	(11,230)
<b>Loss per share</b>			
Basic and diluted	17	<b>(HK0.73 cents)</b>	(HK1.12 cents)

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

	2021 HK\$'000	2020 HK\$'000
<b>Loss for the year</b>	(7,338)	(11,230)
<b>Other comprehensive income:</b>		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	(38)	(13)
Other comprehensive income for the year, net of tax	(38)	(13)
<b>Total comprehensive income for the year attributable to owners of the Company</b>	<b>(7,376)</b>	<b>(11,243)</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Note	2021 HK\$'000	2020 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	18	2,082	2,431
Right-of-use assets	19	1,309	2,071
Deferred tax assets	20	–	–
		<b>3,391</b>	<b>4,502</b>
<b>Current assets</b>			
Inventories	22	1,364	1,567
Trade receivables	23	8,821	7,082
Prepayments, deposits and other receivables	24	1,567	939
Financial assets at fair value through profit or loss (“FVTPL”)	25	10,341	–
Bank and cash balances	26	15,391	31,220
		<b>37,484</b>	<b>40,808</b>
<b>Current liabilities</b>			
Trade payables	27	867	954
Other payables and accruals	27	5,473	1,944
Contract liabilities	27	889	703
Lease liabilities	28	716	697
Current tax liabilities		33	23
		<b>7,978</b>	<b>4,321</b>
<b>Net current assets</b>		<b>29,506</b>	<b>36,487</b>
<b>Non-current liabilities</b>			
Lease liabilities	28	661	1,377
<b>NET ASSETS</b>		<b>32,236</b>	<b>39,612</b>
<b>Capital and reserves</b>			
Share capital	29	10,000	10,000
Reserves		22,236	29,612
<b>TOTAL EQUITY</b>		<b>32,236</b>	<b>39,612</b>

Approved by the Board of Directors on 18 June 2021 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 2021

	Share capital HK\$'000	Other reserve HK\$'000 <i>(note 31(b)(i))</i>	Foreign currency translation reserve HK\$'000 <i>(note 31(b)(ii))</i>	Share premium HK\$'000 <i>(note 31(b)(iii))</i>	Merger reserve HK\$'000 <i>(note 31(b)(iv))</i>	(Accumulated losses)/ Retained earnings HK\$'000	Total equity HK\$'000
At 1 April 2019	10,000	8	(29)	36,793	(360)	4,443	50,855
Loss and total comprehensive income for the year	-	-	(13)	-	-	(11,230)	(11,243)
At 31 March 2020 and 1 April 2020	<b>10,000</b>	<b>8</b>	<b>(42)</b>	<b>36,793</b>	<b>(360)</b>	<b>(6,787)</b>	<b>39,612</b>
Loss and total comprehensive income for the year	-	-	(38)	-	-	(7,338)	(7,376)
At 31 March 2021	<b>10,000</b>	<b>8</b>	<b>(80)</b>	<b>36,793</b>	<b>(360)</b>	<b>(14,125)</b>	<b>32,236</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2021

	Note	2021 HK\$'000	2020 HK\$'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Loss before tax		(7,330)	(11,126)
Adjustments for:			
Depreciation on property, plant and equipment	18	875	4,446
Depreciation on right-of-use assets	19	762	324
Interest income	8	(65)	(463)
Finance costs	10	49	41
Write off of trade receivables		313	–
(Reversal)/allowance for slow-moving inventories, net	9	(29)	579
Gain on disposals of property, plant and equipment	8 & 12	–	(2)
Gain on disposals of right-of-use assets	8 & 12	–	(48)
Change in fair value of financial assets at FVTPL		27	–
Unrealised foreign exchange gain, net		(10)	–
Operating loss before working capital changes		(5,408)	(6,249)
(Increase)/decrease in trade receivables		(2,052)	4,594
Decrease/(increase) in inventories		232	(304)
(Increase)/decrease in prepayments, deposits and other receivables		(628)	447
(Decrease)/increase in trade payables		(87)	42
Increase/(decrease) in other payables and accruals		3,529	(432)
Increase in contract liabilities		186	322
Cash used in operations		(4,228)	(1,580)
Income taxes refund		2	1,360
Finance costs paid		(49)	(41)
Net cash used in operating activities		(4,275)	(261)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchases of property, plant and equipment	18	(524)	(67)
Proceeds from disposals of property, plant and equipment		–	2
Proceeds from disposals of right-of-use assets		–	400
Purchase of financial assets at FVTPL		(10,368)	–
Decrease in pledged bank deposit		–	125
Interest received		65	463
Net cash (used in)/generated from investing activities		(10,827)	923
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Principal elements of lease payments	34(a)	(697)	(750)
Net cash used in financing activities		(697)	(750)
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>			
		(30)	(24)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>			
		(15,829)	(112)
<b>CASH AND CASH EQUIVALENTS AT 1 APRIL</b>			
		31,220	31,332
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH</b>			
		15,391	31,220
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>			
Bank and cash balances		15,391	31,220

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 1. GENERAL INFORMATION

Satu Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 27 March 2017 and its shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 16 October 2017. The address of the registered office is Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands and the principal place of business of the Company in Hong Kong 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, designing of homeware products and E-commerce business. Details of the principal activities of its subsidiaries are set out on note 21 to the consolidated financial statements.

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

## 2. 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 Group has applied the Amendments to Reference to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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

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

The Group has not applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 April 2020. These new and revised HKFRSs include the following which may be relevant to the Group.

	<b>Effective for accounting periods beginning on or after</b>
Amendments to HKFRS 16, COVID-19 Related Rents Concessions	1 June 2020
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform — Phase 2	1 January 2021
Amendments to HKFRS 3 Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16 Property, plant and equipment: proceeds before intended use	1 January 2022
Amendments to HKAS 37 Onerous contracts — cost of fulfilling a contract	1 January 2022
Annual Improvements to HKFRSs 2018–2020 Cycle	1 January 2022
Amendments to HKAS 1 Classification of liabilities as current or non-current	1 January 2023

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 it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

## 4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. certain financial instruments that are measured at fair value).

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (a) Consolidation (Continued)

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.

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.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 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. Property, plant and equipment 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 less their residual values 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%
Computer equipment	33.3%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (d) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (d) Leases (Continued)

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment.

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

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

### (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) Contract assets and contract liabilities

Contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses ("ECL") in accordance with the policy set out in note 4(q) and are reclassified to receivables when the right to the consideration has become unconditional.

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

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (g) 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 and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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

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

### (h) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

#### *Debt investments*

Debt investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.
- FVTOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of ECL, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- FVTPL if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Financial assets (Continued)

#### *Equity investments*

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income.

### (i) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

### (j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECL.

### (k) 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) *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.

#### (ii) *Equity instruments*

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (l) Revenue and other income

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Revenue from the sale goods through e-commerce platforms is recognised at a point in time when control of the goods has transferred to a customer, which is the point of homeware products received by the customer.

Revenue from the sale of homeware products is recognised at a point in time when control of the goods has transferred to customer upon delivery of homeware products.

Packaging, sample and design income are recognised over time when services rendered.

Interest income is recognised as it accrues using the effective interest method.

### (m) 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.

#### (ii) Pension obligation

The Group contributes to defined contribution retirement schemes which are available to all employees. 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.

#### (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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (n) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

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

### (o) 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.

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.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (o) Taxation (Continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

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.

### (p) 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.

### (q) Impairment of financial assets

The Group recognises allowance for impairment for ECL on trade receivables. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The ECL on this financial asset is estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For other financial assets, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (q) Impairment of financial assets (Continued)

#### *Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (q) Impairment of financial assets (Continued)

#### *Significant increase in credit risk (Continued)*

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (i) The financial instrument has a low risk of default;
- (ii) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- (iii) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of “investment grade” in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of “performing”. Performing means that the counterparty has a strong financial position and there is no past due amounts.

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

#### *Definition of default*

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

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (q) Impairment of financial assets (Continued)

#### *Credit-impaired financial assets*

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

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

#### *Write-off policy*

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

#### *Measurement and recognition of ECL*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (q) Impairment of financial assets (Continued)

#### *Measurement and recognition of ECL (Continued)*

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount.

### (r) 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.

### (s) 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

### Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

#### (a) *Significant increase in credit risk*

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

#### (b) *Determining the lease term*

In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation.

Generally, periods covered by an extension option in other properties leases have not been included in the lease liability because the Group could replace the assets without significant cost or business disruption.

The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. During the current financial year, no lease term has been reassessed.

### 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

### Key sources of estimation uncertainty (Continued)

#### (c) *Impairment of property, plant and equipment and right-of-use assets*

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

The carrying amounts of property, plant and equipment and right-of-use assets as at 31 March 2021 were approximately HK\$2,082,000 (2020: HK\$2,431,000) and approximately HK\$1,309,000 (2020: HK\$2,071,000) respectively.

#### (d) *Impairment of trade receivables*

The management of the Group estimates the amount of impairment loss for ECL on trade receivables based on the credit risk of trade receivables. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

There were no impairment for trade receivables for the years ended 31 March 2021 and 2020 and the carrying amount of trade receivables as at 31 March 2021 was approximately HK\$8,821,000 (2020: HK\$7,082,000).

#### (e) *Write-down of inventories*

Management reviews the condition of inventories of the Group and makes provision against obsolete and slow-moving inventory items which are identified as no longer suitable for sale or use. Management estimates the net realisable value for such inventories based primarily on the latest invoice price and current market conditions. The Group carries out an inventory review at the end of each reporting period and makes provision against obsolete and slow-moving items. Management reassesses the estimation at the end of each reporting period.

The identification of obsolete and slow-moving inventory items requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact on the carrying values of inventories and the write-down of inventories recognised in the periods in which such estimates have been changed.

As at 31 March 2021, the carrying amount of inventories was HK\$1,364,000 (net of allowance for inventories of HK\$143,000) (2020: HK\$1,567,000 (net of allowance for inventories of HK\$182,000)).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

### Key sources of estimation uncertainty (Continued)

#### (f) Income tax

The Group is subject to income taxes in Hong Kong and the People's Republic of China (the "PRC"). 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\$8,000 (2020: HK\$104,000) 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					Total HK\$'000
	HKD HK\$'000	RMB HK\$'000	USD HK\$'000	GBP HK\$'000	Others HK\$'000	
<b>At 31 March 2021</b>						
Financial assets	782	551	32,994	179	244	34,750
Financial liabilities	1,117	4,401	800	– <sup>(i)</sup>	22	6,340
<b>At 31 March 2020</b>						
Financial assets	5,369	369	32,463	157	141	38,499
Financial liabilities	1,476	452	954	– <sup>(i)</sup>	16	2,898

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 6. FINANCIAL RISK MANAGEMENT (Continued)

### (a) Foreign currency risk (Continued)

#### Sensitivity analysis

The following table indicates the approximate change in the Group's loss after tax and accumulated losses 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 after tax and accumulated losses <i>HK\$'000</i>
Group		
<b>At 31 March 2021</b>		
RMB	9%	(281)
RMB	(9%)	281
GBP	11%	17
GBP	(11%)	(17)
<b>At 31 March 2020</b>		
RMB	7%	(17)
RMB	(7%)	17
GBP	7%	9
GBP	(7%)	(9)

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 6. FINANCIAL RISK MANAGEMENT (Continued)

### (b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institution with high credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk.

#### *Credit risk of trade receivables*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. The Group's largest customer shared nearly 33.6% (2020: 32.7%) 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.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 days to 120 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases. The directors of the Company assessed that there is no significant impairment loss need to be recognised in accordance with HKFRS 9 as at 31 March 2021.

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

#### *Credit risk of cash and bank balances*

For cash and bank balances, the Group has assessed that they are mainly placed with banks with high credit rating with no recent history of default in relation to these financial institutions and concluded that the expected credit loss rate for these balances is immaterial.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 6. FINANCIAL RISK MANAGEMENT (Continued)

### (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					Carrying amount HK\$'000
	Less than 1 year or on demand HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flow HK\$'000	
<b>At 31 March 2021</b>						
Trade payables	867	–	–	–	867	867
Other payables and accruals	5,473	–	–	–	5,473	5,473
Lease liabilities	746	586	88	–	1,420	1,377
<b>At 31 March 2020</b>						
Trade payables	954	–	–	–	954	954
Other payables and accruals	1,944	–	–	–	1,944	1,944
Lease liabilities	746	746	674	–	2,166	2,074

### (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

	2021 HK\$'000	2020 HK\$'000
<b>Financial assets:</b>		
Financial assets measured at FVTPL	10,341	–
Financial assets measured at amortised cost	24,409	38,499
<b>Financial liabilities:</b>		
Financial liabilities at amortised cost	6,340	2,898

### (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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 7. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

### (a) Disclosures of level in fair value hierarchy at 31 March:

Description	Fair value measurement using:			Total
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	2021 HK\$'000
<b>Recurring fair value measurements:</b>				
<b>Financial assets</b>				
Financial assets at FVTPL				
— Short-term cash management funds	–	10,341	–	10,341

There were no transfers between Level 1, 2 and 3 in the current year.

### (b) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements:

Level 2 fair value measurements		Fair value			
Description	Valuation technique	2021 HK\$'000		2020 HK\$'000	
		Assets	Liabilities	Assets	Liabilities
Short-term cash management funds	Net asset value as published by the financial institution.	10,341	–	–	–

During the year, there were no changes in the valuation techniques used.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 8. REVENUE AND SEGMENT INFORMATION

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

	2021 HK\$'000	2020 HK\$'000
<b>Revenue</b>		
Sales of homeware products	60,625	49,762
<b>Other income and net gains</b>		
Government grants	761	–
Interest income	65	463
Packaging income	85	115
Sample and design income	83	105
Gain on disposals of right-of-use assets	–	48
Gain on disposals of property, plant and equipment	–	2
Change in fair value of financial assets at FVTPL	(27)	–
Foreign exchange loss, net	(211)	(226)
Others	90	259
	<b>846</b>	<b>766</b>

### 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 consider 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:

	2021 HK\$'000	2020 HK\$'000
United Kingdom	24,003	18,971
United States	5,414	6,127
Denmark	6,444	5,247
France	5,048	4,762
Poland	4,884	3,610
Australia	5,730	3,423
Germany	2,836	1,292
PRC	2,249	264
Switzerland	841	1,122
Italy	812	1,111
Others	2,364	3,833
	<b>60,625</b>	<b>49,762</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 8. REVENUE AND SEGMENT INFORMATION (Continued)

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

	2021 HK\$'000	2020 HK\$'000
Hong Kong	1,611	2,423
PRC	1,780	2,079
	<b>3,391</b>	<b>4,502</b>

### Information about major customers

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

	2021 HK\$'000	2020 HK\$'000
Customer A	14,037	13,868
Customer B	6,749	8,026
Customer C	6,190	N/A <sup>1</sup>

<sup>1</sup> The corresponding revenue did not contribute over 10% of the total revenue of the Group.

## 9. COST OF SALES

	2021 HK\$'000	2020 HK\$'000
(Reversal)/allowance for slow-moving inventories, net	(29)	579
Consumable materials	114	39
Cost of homeware products	39,165	32,619
Goods handling charges	1,756	2,204
Packing expenses	945	972
Others	278	500
	<b>42,229</b>	<b>36,913</b>

## 10. FINANCE COSTS

	2021 HK\$'000	2020 HK\$'000
Interest on lease liabilities	49	41

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 11. INCOME TAX EXPENSE

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

	2021 HK\$'000	2020 HK\$'000
Current tax		
– Hong Kong Profits Tax		
Provision for the year	24	14
Over-provision in prior years	(15)	–
	9	14
– PRC Enterprise Income Tax		
Provision for the year	1	–
(Over)/under provision in prior years	(2)	2
	(1)	2
Deferred tax (note 20)	–	88
	8	104

The Company was incorporated in the Cayman Islands and B & C Industries (BVI) Limited (“B&C BVI”) was incorporated in the BVI that are tax exempted as no business was carried on in the Cayman Islands and the BVI under the tax laws of the Cayman Islands and the BVI.

Under the two-tiered profits tax regime, the first HK\$2 million of profits of the qualifying group entity established in Hong Kong will be taxed at 8.25%, and profits above that amount will be subject to the tax rate of 16.5%. The profits of the group entities not qualifying for the two-tiered Profit Tax rate regime will continue to be taxed at a rate of 16.5%.

Pursuant to the PRC EIT Law and the respective regulations, the subsidiaries which operate in the Mainland China are subject to corporate income tax at a rate of 25% on the taxable income. Preferential tax treatment is available to the Group’s PRC subsidiaries.

Satu Fashion Products (Shenzhen) Company Limited was qualified as a Small and Low-profit Enterprise for the year ended 31 March 2021 and was subject to income tax at a preferential tax rate of 20%. Besides, pursuant to Caishui [2021] No. 12, Satu Fashion Products (Shenzhen) Company Limited was also entitled to a further deduction of 50% of the tax income for the year ended 31 March 2021.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 11. INCOME TAX EXPENSE (Continued)

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss before tax	(7,330)	(11,126)
Tax at the Hong Kong Profits Tax rate	(1,210)	(1,835)
Tax effect of income that is not taxable	(175)	(85)
Tax effect of expenses that are not deductible	279	337
Tax effect of temporary differences not recognised	19	758
(Over)/under provision in prior years	(17)	2
Tax effect of utilisation of tax losses not previously recognised	(24)	(17)
Tax losses not recognised	1,188	949
Tax concession	(54)	(7)
Effect of different tax rates of subsidiaries	2	2
Income tax expense	<b>8</b>	<b>104</b>

At the end of the reporting period, the Group has estimated unused tax loss for subsidiaries incorporated in Hong Kong of approximately HK\$16,756,000 (2020: HK\$10,498,000) 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. 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\$15,000 (2020: HK\$154,000) 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 2021, the Group's tax losses for subsidiaries incorporated in the PRC will expire in the following years:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
In 2022	15	20
In 2021	–	134
	<b>15</b>	<b>154</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 12. LOSS FOR THE YEAR

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

	2021 HK\$'000	2020 HK\$'000
Auditor's remuneration	560	700
(Reversal)/allowance for slow-moving inventories, net	(29)	579
Cost of homeware products	39,165	32,619
Depreciation on right-of-use assets	762	324
Depreciation on property, plant and equipment	875	4,446
Change in fair value of financial assets at FVTPL	27	–
Foreign exchange loss, net	211	226
Write off of trade receivable	313	–
Gain on disposals of right-of-use assets	–	48
Gain on disposals of property, plant and equipment	–	2
Operating lease charges in respect of:		
— Office premises	1,657	2,131
— Warehouse	543	264

## 13. EMPLOYEE BENEFITS EXPENSES

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

	2021 HK\$'000	2020 HK\$'000
Salaries, bonuses and allowances	5,731	6,039
Retirement benefit scheme contributions	267	342
	<b>5,998</b>	<b>6,381</b>

### Five highest paid individuals

The five highest paid individuals in the Group during the year included three (2020: three) directors whose emoluments are reflected in the analysis presented in note 14. The emoluments of the remaining two (2020: two) individuals are set out below:

	2021 HK\$'000	2020 HK\$'000
Salaries, bonuses and allowances	1,137	1,060
Retirement benefit scheme contributions	34	34
	<b>1,171</b>	<b>1,094</b>

The emoluments fell within the following band:

	Number of individuals	
	2021	2020
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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 14. 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
<b>Year ended 31 March 2021</b>				
Executive directors:				
Mr. She Leung Choi	–	1,151	18	1,169
Mr. She Leung Ngai Alex	–	803	18	821
Ms. Chan Lai Yin	–	983	18	1,001
	–	2,937	54	2,991
Independent non-executive directors:				
Mr. Ho Kim Ching	120	–	–	120
Mr. Chan Ching Sum Sam	120	–	–	120
Ms. Fan Pui Shan	120	–	–	120
	360	–	–	360
	360	2,937	54	3,351

	Fees HK\$'000	Salaries, bonuses and allowances HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
<b>Year ended 31 March 2020</b>				
Executive directors:				
Mr. She Leung Choi	–	770	18	788
Mr. She Leung Ngai Alex	–	585	18	603
Ms. Chan Lai Yin	–	700	18	718
	–	2,055	54	2,109
Independent non-executive directors:				
Mr. Ho Kim Ching	120	–	–	120
Mr. Chan Ching Sum Sam	120	–	–	120
Ms. Fan Pui Shan	120	–	–	120
	360	–	–	360
	360	2,055	54	2,469

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 14. BENEFITS AND INTERESTS OF DIRECTORS (Continued)

### (a) Directors' emoluments (Continued)

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 for the years ended 31 March 2021 and 2020.

### (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 33 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.

### (d) Consideration provided to third parties for making available directors' services

During the year ended 31 March 2021, no consideration was provided to or receivable by third parties for making available director's services (2020: Nil).

## 15. DIVIDENDS

No dividends were paid, declared or proposed during the year ended 31 March 2021 and 2020.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 16. 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 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.

## 17. LOSS PER SHARE

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

	2021 HK\$'000	2020 HK\$'000
<b>Earnings</b>		
Loss attributable to owners of the Company	7,338	11,230
	'000	'000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculation of basic loss per share	1,000,000	1,000,000

The diluted loss per share is equal to the basic loss per share as there were no dilutive potential ordinary share in issue during the years ended 31 March 2021 and 2020.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Furniture and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Cost</b>					
At 1 April 2019	6,636	3,368	1,157	446	11,607
Reclassification due to adoption of HKFRS16	–	–	(827)	–	(827)
Additions	27	40	–	–	67
Disposals	–	–	(330)	–	(330)
Exchange differences	–	(2)	–	–	(2)
At 31 March 2020 and 1 April 2020	6,663	3,406	–	446	10,515
Additions	–	386	–	138	524
Exchange differences	–	3	–	1	4
At 31 March 2021	6,663	3,795	–	585	11,043
<b>Accumulated depreciation and impairment</b>					
At 1 April 2019	2,978	599	743	62	4,382
Reclassification due to adoption of HKFRS16	–	–	(413)	–	(413)
Charge for the year	3,665	632	–	149	4,446
Disposals	–	–	(330)	–	(330)
Exchange differences	–	(1)	–	–	(1)
At 31 March 2020 and 1 April 2020	6,643	1,230	–	211	8,084
Charge for the year	9	693	–	173	875
Exchange differences	–	2	–	–	2
At 31 March 2021	6,652	1,925	–	384	8,961
<b>Net book value</b>					
At 31 March 2021	11	1,870	–	201	2,082
At 31 March 2020	20	2,176	–	235	2,431

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 19. RIGHT-OF-USE ASSETS

	Leased property HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At 1 April 2019 upon initial adoption of HKFRS16	–	414	414
Additions	1,853	480	2,333
Depreciation	(154)	(170)	(324)
Disposals	–	(352)	(352)
At 31 March 2020 and 1 April 2020	1,699	372	2,071
Depreciation	(618)	(144)	(762)
At 31 March 2021	1,081	228	1,309

Lease liabilities of HK\$1,377,000 (2020: HK\$2,074,000) are recognised with related right-of-use assets of HK\$1,309,000 as at 31 March 2021 (2020: HK\$2,071,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

	2021 HK\$'000	2020 HK\$'000
Depreciation expenses on right-of-use assets	762	324
Interest expense on lease liabilities (included in finance cost)	49	41
Expenses relating to short-term lease (included in selling and distribution expenses and administrative expenses)	2,200	2,395

Details of total cash outflow for leases is set out in note 34(b).

For both years, the Group leases office premises for its administration and operations. Lease contract is entered into for fixed term of 3 years (2020: 3 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

## 20. DEFERRED TAX ASSETS

The following are deferred tax assets recognised by the Group:

	Accelerated tax depreciation HK\$'000
At 1 April 2019	88
Charge to consolidated profit or loss for the year (note 11)	(88)
At 31 March 2020, 1 April 2020 and 31 March 2021	–

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 21. PARTICULARS OF THE SUBSIDIARIES

Particulars of the subsidiaries as at 31 March 2021 are as follows:

Name	Principal country of operation/country of incorporation/kind of legal entity	Particulars of issued share capital	Percentage of ownership interest/voting power/profit sharing		Principal activities
			Direct	Indirect	
B&C BVI	BVI/Limited liability company	USD1	100%	–	Investment holding
B&C Industries Limited (“ <b>B&amp;C HK</b> ”)	Hong Kong/Limited liability company	10,000 ordinary shares of HK\$1 each	–	100%	Designing, developing and sales of homeware products
Satu Brown International Limited (“ <b>Satu Brown HK</b> ”)	Hong Kong/Limited liability company	10,000 ordinary shares of HK\$1 each	–	100%	Designing and e-commerce business
South Technology (International) Limited (“ <b>South Technology HK</b> ”)	Hong Kong/Limited liability company	100 ordinary shares of HK\$1 each	–	100%	Designing and e-commerce business
Creative Fine International Limited	Hong Kong/Limited liability company	100 ordinary shares of HK\$1 each	–	100%	E-commerce business
Fancy Master International Limited	Hong Kong/Limited liability company	100 ordinary shares of HK\$1 each	–	100%	E-commerce business
Shooting Star International Limited	Hong Kong/Limited liability company	100 ordinary shares of HK\$1 each	–	100%	E-commerce business
Satu Fashion Products (Shenzhen) Company Limited* (舍圖時尚用品(深圳)有限公司)	PRC/Wholly foreign-owned enterprise	RMB500,000	–	100%	Designing of “Satu Brown” products
South Technology Business (Shenzhen) Company Limited* (正南電子商務(深圳)有限公司)	PRC/Wholly foreign-owned enterprise	RMB350,000	–	100%	Marketing and sales of homeware products

\* For identification purpose only

As at 31 March 2021, the bank and cash balances of the Group’s subsidiaries in the PRC denominated in RMB amounted to approximately HK\$393,000 (2020: HK\$330,000). 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 22. INVENTORIES

	2021 HK\$'000	2020 HK\$'000
Finished goods	1,364	1,567

As at 31 March 2021, the carrying values of inventories are approximately HK\$1,364,000 (2020: HK\$1,567,000), which are net of provision of obsolete and slow-moving inventories of approximately HK\$143,000 (2020: HK\$182,000).

None of the inventories are expected to be recovered after more than twelve months from 31 March 2021.

## 23. TRADE RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Trade receivables	8,821	7,082

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:

	2021 HK\$'000	2020 HK\$'000
0 to 30 days	1,466	2,506
31 to 60 days	1,581	154
61 to 120 days	5,733	4,422
Over 121 days	41	–
	8,821	7,082

The Group does not hold any collateral as security or other credit enhancements over these balances.

As of 31 March 2021, trade receivables of approximately HK\$431,000 (2020: HK\$317,000) 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:

	2021 HK\$'000	2020 HK\$'000
0 to 30 days	431	317

The Group applied simplified approach to provide the ECL prescribed by HKFRS 9. The impairment methodology is set out in note 4 to the consolidated financial statements.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

As of 31 March 2021 and 2020, when assessing the ECL associated with trade receivables, the Group estimated the ECL rate is close to zero on the current trade receivables and trade receivables aged within 30 days.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 23. TRADE RECEIVABLES (Continued)

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

	2021 HK\$'000	2020 HK\$'000
GBP	–	– <sup>(i)</sup>
USD	8,762	7,038
RMB	35	34
Others	24	10
	<b>8,821</b>	<b>7,082</b>

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

## 24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Prepayments		
Goods purchased	593	188
Administrative and operating expenses	777	554
	<b>1,370</b>	<b>742</b>
Deposits		
Rental deposits	189	189
Utility deposits	8	8
	<b>197</b>	<b>197</b>
	<b>1,567</b>	<b>939</b>

## 25. FINANCIAL ASSETS AT FVTPL

	2021 HK\$'000	2020 HK\$'000
Measured at fair value		
Short-term cash management funds analysed as current assets	<b>10,341</b>	–

The carrying amounts of the above financial assets are measured at FVTPL in accordance with HKFRS 9.

Fair value is determined with reference to quoted price from financial institution.

Subsequent after the end of reporting period, the cash management funds will be redeemed in April 2021 and July 2021, respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 26. BANK AND CASH BALANCES

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

	2021 HK\$'000	2020 HK\$'000
USD	13,891	25,425
HKD	584	5,172
RMB	517	335
GBP	179	157
Others	220	131
	<b>15,391</b>	<b>31,220</b>

As at 31 March 2021, the bank and cash balances of the Group denominated in RMB amounted to HK\$517,000 (2020: HK\$335,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

## 27. TRADE AND OTHER PAYABLES, ACCRUALS AND CONTRACT LIABILITIES

	2021 HK\$'000	2020 HK\$'000
Trade payables	867	954
Other payables and accruals		
Accrued staff costs	424	589
Accrued administrative and operating expenses	5,020	1,327
Others	29	28
	<b>5,473</b>	<b>1,944</b>
Contract liabilities	889	703
	<b>7,229</b>	<b>3,601</b>

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

	2021 HK\$'000	2020 HK\$'000
30 to 90 days	790	813
91 to 180 days	— <sup>(i)</sup>	96
Over 180 days	77	45
	<b>867</b>	<b>954</b>

The credit period normally ranges from 30 to 90 days.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 27. TRADE AND OTHER PAYABLES, ACCRUALS AND CONTRACT LIABILITIES (Continued)

There were no significant changes in the contract liabilities balances during the reporting period.

Contract liabilities represent receipt in advance from customers and the movement during the year is as below:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Balance at 1 April	703	381
Decrease in contract liabilities as a result of recognising revenue during the year was included in the contract liabilities at the beginning of the period	(703)	(381)
Increase in contract liabilities as a result of billing in advance of sales of goods	889	703
Balance at 31 March	<b>889</b>	<b>703</b>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
HKD	1,117	1,476
USD	1,689	1,657
RMB	4,401	452
GBP	— <sup>(i)</sup>	— <sup>(i)</sup>
Others	22	16
	<b>7,229</b>	<b>3,601</b>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 28. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Within one year	746	746	716	697
More than one year, but not exceeding two years	586	746	575	716
More than two years, but not more than five years	88	674	86	661
	<b>1,420</b>	2,166	<b>1,377</b>	2,074
Less: Future finance charges	(43)	(92)	N/A	N/A
Present value of lease obligations	<b>1,377</b>	2,074	<b>1,377</b>	2,074
Less: Amount due for settlement within 12 months (shown under current liabilities)			(716)	(697)
Amount due for settlement after 12 months			<b>661</b>	1,377

It is the Group's policy to lease certain of its motor vehicles under finance leases. The lease term is 5 years. At 31 March 2021, the effective borrowing rate was 4.85% (2020: 4.85%). Interest rate is fixed at the contract date and thus expose the Group to fair value interest rate risk. Lease is 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 a nominal price.

All lease liabilities are denominated in HKD.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 29. SHARE CAPITAL

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

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 lease liabilities) 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 2021 was 4.3% (2020: 5.2%). The decrease in the gearing ratio of the Group is primarily from the decrease in the balance of lease liabilities as at 31 March 2021.

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 2021, 25% of the shares were in public hands.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 30. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

### (a) Statement of financial position of the Company

	Note	2021 HK\$'000	2020 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		101	–
Investment in a subsidiary		380	380
		<b>481</b>	380
<b>Current assets</b>			
Prepayments		231	239
Amounts due from group companies		5,352	1,921
Bank and cash balances		9,231	22,418
		<b>14,814</b>	24,578
<b>Current liabilities</b>			
Amount due to a subsidiary		407	4,511
Accruals		285	260
		<b>692</b>	4,771
<b>Net current assets</b>		<b>14,122</b>	19,807
<b>NET ASSETS</b>		<b>14,603</b>	20,187
<b>Capital and reserves</b>			
Share capital	29	10,000	10,000
Reserves	30(b)	4,603	10,187
<b>TOTAL EQUITY</b>		<b>14,603</b>	20,187

Approved by the Board of Directors on 18 June 2021 and are signed on its behalf by:

**Mr. She Leung Choi**  
Executive Director

**Ms. Chan Lai Yin**  
Executive Director

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 30. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

### (b) Reserve movement of the Company

	Share premium HK\$'000 (note 31(b)(iii))	Accumulated losses HK\$'000	Total HK\$'000
1 April 2019	36,793	(22,221)	14,572
Loss and total comprehensive income for the year	–	(4,385)	(4,385)
At 31 March 2020 and 1 April 2020	36,793	(26,606)	10,187
Loss and total comprehensive income for the year	–	(5,584)	(5,584)
At 31 March 2021	36,793	(32,190)	4,603

## 31. 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.

#### (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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 32. CONTINGENT LIABILITIES

As at 31 March 2021, the Group did not have any significant contingent liabilities.

## 33. 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:

	2021 HK\$'000	2020 HK\$'000
Rental expense to Pansino Homeware (Shenzhen) Co., Ltd* (泛華家居用品(深圳)有限公司) (“Pansino Shenzhen”) (note 1)	1,657	1,527
Sales of motor vehicle to Mr. She (note 2)	–	400

Notes:

- Mr. She is interested in this transaction to the extent that he is the beneficial owner of Pansino Shenzhen.
- The sales proceeds of motor vehicle from Mr. She was based on the market value and resulting in a gain on disposal of HK\$48,000 recorded.

\* For identification purpose only

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

	2021 HK\$'000	2020 HK\$'000
Short-term benefits	3,776	2,854

## 34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) 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.

	1 April 2020 HK\$'000	Cash flows HK\$'000	Non-cash changes		31 March 2021 HK\$'000
			Finance costs recognised HK\$'000 (note 10)	Additions of right-of-use assets HK\$'000 (note 19)	
Lease liabilities	2,074	(746)	49	–	1,377

	1 April 2019 HK\$'000	Impact on initial application of HKFRS 16 HK\$'000	Restated balance at 1 April 2019 HK\$'000	Cash flows HK\$'000	Non-cash changes		31 March 2020 HK\$'000
					Finance costs recognised HK\$'000 (note 10)	Additions of right-of-use assets HK\$'000 (note 19)	
Finance lease payables	491	(491)	–	–	–	–	–
Lease liabilities	–	491	491	(791)	41	2,333	2,074
	491	–	491	(791)	41	2,333	2,074

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

### (b) Total cash outflow for leases

Amounts included in the cash flow statements for leases comprise the following:

	2021 HK\$'000	2020 HK\$'000
Within operating cash flows	2,249	2,436
Within financing cash flows	697	750
	<b>2,946</b>	<b>3,186</b>

These amount relate to the following:

	2021 HK\$'000	2020 HK\$'000
Lease rental paid	2,200	2,395
Principal elements of lease payments	697	750
Interest of lease payments	49	41
	<b>2,946</b>	<b>3,186</b>

## 35. OPERATING LEASE ARRANGEMENT

During the year ended 31 March 2021, the Group entered into short-term leases for office and warehouse in the PRC. As at 31 March 2021, the outstanding lease commitments relating to office and warehouse are approximately HK\$1,830,000 (2020: HK\$1,684,000).

## 36. EVENTS AFTER THE REPORTING PERIOD

After the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. The Group is paying close attention to the development of, and the disruption to business and economic activities caused by, the COVID-19 outbreak and attentively evaluates its impact on the financial position, cash flows and operating results of the Group. Given the dynamic and persistent nature of the COVID-19 outbreak, it is not practicable to provide a reasonable estimate of its impact on the Group's financial position, cash flows and operating results at the date on which these financial statements are authorised for issue.