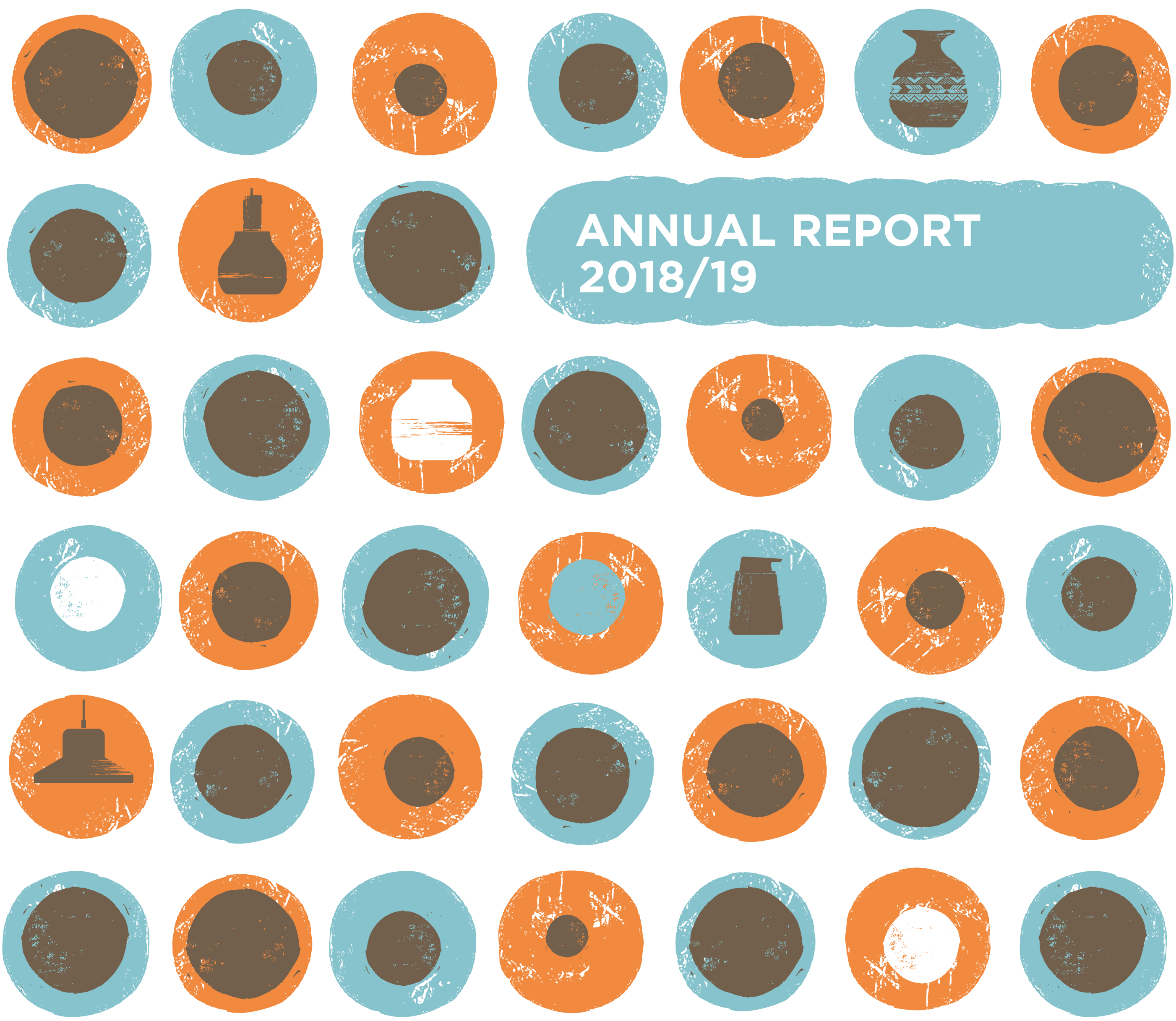
SATU HOLDINGS LIMITED
舍圖控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code：8392



ANNUAL REPORT 2018/19

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

*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.*

CONTENTS

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
(appointed with effect from 4 January 2019)
Ms. Tsang Wing Kiu *(CPA)*
(resigned with effect from 4 January 2019)

AUTHORIZED REPRESENTATIVES
Mr. She Leung Choi
Ms. Wong Nga Yan
(appointed with effect from 4 January 2019)
Ms. Tsang Wing Kiu
(resigned with effect from 4 January 2019)

COMPLIANCE OFFICER
Mr. She Leung Choi

COMPLIANCE ADVISER
Titan Financial Services Limited
(appointed with effect from 1 June 2019)
Sunfund Capital Limited
(terminated with effect from 27 May 2019)

REGISTERED OFFICE
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman
KY1-1111
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 People's Republic of China

LEGAL ADVISERS
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
Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR
Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong
(which will be relocated to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 11 July 2019)

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

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

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

COMPANY'S WEBSITE
www.bnc.cc

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 four financial years, as extracted from the published audited financial statements or published prospectus of the Company is set out below.

RESULTS

	Year ended 31 March			
	2016	2017	2018	**2019**
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***
Revenue	85,669	65,224	67,934	**58,900**
Cost of sales	(58,025)	(39,492)	(43,969)	**(41,362)**
Gross profit	27,644	25,732	23,965	**17,538**
Other income and net gains	236	429	1,245	**2,623**
Selling and distribution expenses	(10,847)	(6,053)	(6,697)	**(11,650)**
Administrative and other operating expenses	(5,765)	(7,381)	(21,958)	**(15,082)**
Profit/(loss) from operations	11,268	12,727	(3,445)	**(6,571)**
Finance costs	(72)	(28)	(74)	**(25)**
Profit/(loss) before tax	11,196	12,699	(3,519)	**(6,596)**
Income tax expense	(1,890)	(2,363)	(1,415)	**(428)**
Profit/(loss) for the year	9,306	10,336	(4,934)	**(7,024)**
Attributable to:				
Owners of the Company	9,432	10,347	(4,934)	**(7,024)**
Non-controlling interests	(126)	(11)	–	**–**
	9,306	10,336	(4,934)	**(7,024)**

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 March			
	2016	2017	2018	**2019**
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***
TOTAL ASSETS	21,288	29,504	61,519	**55,036**
TOTAL LIABILITIES	8,214	6,113	3,621	**4,181**
TOTAL EQUITY	13,074	23,391	57,898	**50,855**

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. No financial statements of the Group for the year ended 31 March 2015 have been published.

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 year ended 31 March 2019 (the "**Year**").

BUSINESS OVERVIEW

2018 was a year full of uncertainties. The escalating Sino-US trade dispute, the impact of Brexit and the slow-down of the global economy dampened consumer sentiment in the global market, affected the overall business conditions and increased volatility in the homeware market. Under this tough environment, this Year the Group's revenue dropped by approximately 13.3% to approximately HK$58.9 million (2018: HK$67.9 million) and recorded an attributable loss of approximately HK$7.0 million.

Nevertheless, this Year was also a significant year for the Group and one marked by a number of significant achievements, including the new renovation of our Shenzhen showroom, the establishment of our quality control laboratory and the launch of our own online sales platforms to increase our sales channels. These were our notable achievements for the Group, which will definitely help to optimize our business.

EXPORT BUSINESS

The Group's export business remains our core focus and we believe that strengthening our marketing efforts will create substantial returns for our shareholders in the long term. The Sino-US trade dispute inevitably affected the implementation schedule of our U.S. expansion plan, thus, we restructured and combined our US team and our European team into one whole export team which allows us to concentrate our resources to better arrange and implement our marketing plans.

To broaden our customer base, we actively participated in overseas trade shows and exhibitions, namely ASD Market Week in Las Vegas, Maison and Objet in Paris and Ambiente Fair in Frankfurt. By doing these, we move closer to our existing and potential customers and become more familiar with market trends. With the commencement of refurbishing our showroom in the PRC, we actively invite our existing and potential customers and show them our best design and products; with our quality control laboratory put into operation, we further assure the best quality of our products and are able to upgrade our production techniques.

E-COMMERCE BUSINESS

Other than the traditional business, we actively develop our E-commerce business by increasing our Amazon shops to broaden our product lines and sales channels. During the Year, two of our own online sales platforms were also in service. In the Year, our e-commerce sector reported approximately 43.5% of growth in revenue as compared to the previous financial year.

PROSPECT

Looking forward, while the global economy will no doubt slow down and the future can be troubling, our management remains cautious on the outlook for the global market as 2019 is set to be a challenging year. In spite of the market headwinds, our team will continuously improve our core competitiveness and proactively seek opportunities to expand our customer base and market share. Making use of our laboratory, we will further assure our quality and develop new and advanced production method. Utilising our strong design and sourcing team, we will widen our product range. We believe, with the combination of our US and European marketing experts and the Group's accumulated experiences in the homeware market, the Group will strive to stay ahead of the curve by bringing forth a precise and concise marketing approach.

As always, the Group remains open to new business opportunities and look forward to bringing fruitful returns for our shareholders. On behalf of the board, I would like to express my sincere appreciation to all our management team members and staff for their earnest dedications and contributions. Moreover, I would like to extend my heartfelt gratitude to our customers, business partners, and shareholders for their ongoing trust and support for the Group over the years.

She Leung Choi
Chairman
Hong Kong, 14 June 2019

MANAGEMENT DISCUSSION AND ANALYSIS

The Board of the Company is pleased to present the audited consolidated results of the Group for the year ended 31 March 2019 (the "**Year**"), together with the comparative figures for the year ended 31 March 2018 ("**2018**").

BUSINESS REVIEW AND PROSPECTS

For the Year, homeware export (mainly in Europe) continued to be the Group's core source of revenue. The Group also continued to engage in e-commerce sector with around 11.4% (2018: 6.9%) of the total revenue.

At the beginning of the Year, we established an American Marketing Team to explore the U.S. market. However, as the Sino-US trade tension is mounting and the global economic atmosphere continues to deteriorate, the implementation schedule of our plan to expand into the U.S. market was affected. After reviewing our expansion plan, we decided to restructure our marketing team by combining our export team and our American team. This action enables us to better utilize our manpower and concentrate our resources for formulating marketing strategies.

During the Year, both the unresolved Sino-US trade dispute and the continuing lack of a solution to the Brexit in the UK slowed down the global economy and dampened the confidence of consumers. In response to the current economic uncertainty, we took some actions to solidify our leading position in the global homeware market:

(i) Trade shows: In order to broaden customer base, we participated in renowned trade shows, namely, ASD Market Week in Las Vegas, Maison and Objet in Paris and the Ambiente Fair in Frankfurt this Year.

(ii) Refurbishing our showroom: Our marketing team actively invited existing and potential customers to our showroom and presented them with our new designs endeavouring to seek partnership opportunities and at the same time, obtaining valuable frontline information for formulating sales policies and production plans.

(iii) Quality Control Laboratory: The commencement of our quality control laboratory brought us a strong research and development platform which further assures our product quality and develops new techniques of production.

(iv) Launch of own online platforms: During the Year, we launched our own online platforms to broaden our sales channels. Our e-commerce team also focuses on diversifying our product range.

Although the global economy appears to be challenging and consumer confidence has dropped to a low level, our experienced and stable management team will stay alert of the changing business environment that may impact our operations. At the same time, we will adjust and execute our business plans on a consistent and operative basis. We will endeavor to allocate our resources in an efficient and effective manner and in the best interest of the Group and our Stakeholders as a whole.

FINANCIAL REVIEW

Revenue

The Group's revenue for the Year was approximately HK$58.9 million, representing a decrease of approximately 13.3% as compared to that of approximately HK$67.9 million in 2018. Such decrease in revenue was primarily due to the decrease in sales orders from three major customers during the Year.

Cost of Sales

The Group's cost of sales decreased by approximately 5.9% from approximately HK$44.0 million in 2018 to approximately HK$41.4 million for the Year, which was in line with the decrease in revenue.

Gross Profit

Gross profit decreased by approximately 27.1% to approximately HK$17.5 million for the Year as compared to that of approximately HK$24.0 million in 2018. The gross profit margin dropped from approximately 35.3% in 2018 to approximately 29.8% for the Year because the Group has offered a relatively lower price to certain major customers for their large procurement volume due to keen competition during the Year.

Selling and Distribution Expenses

During the Year, selling and distribution expenses increased to approximately HK$11.7 million, representing an increase of approximately 74.6%, from approximately HK$6.7 million in 2018. It is mainly attributable to 1) the rise in the headcount and the salary increment of the marketing team; 2) the increase in the expenditure of promotion and exhibition and advertising to broaden the customer base of the Company; and 3) the increase in the freight and transportation charges for e-commerce sales during the Year.

Administrative and Other Operating Expenses

Excluding the listing expenses of approximately HK$13.5 million, which was non-recurring in nature in 2018, the Group's administrative and other operating expenses increased by approximately 77.6% from approximately HK$8.5 million in 2018 to approximately HK$15.1 million for the Year. Such increase was mainly due to the increase in salaries, allowances and other benefits as a result of the Group's expansion on management team, administration expenses for e-commerce business and the legal and professional fee such as fees for compliance adviser and legal adviser.

Income Tax Expense

The Group's income tax expense was approximately HK$0.4 million, decreased by approximately 71.4% as compared to approximately HK$1.4 million in 2018. The income tax expense for the Year was mainly the underprovision of the income tax expenses in prior year.

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$7.0 million, while profit of approximately HK$8.6 million in 2018 was recorded, after deducting the one-off listing expenses of approximately HK$13.5 million. The turnaround from profit to loss was mainly attributable to the decrease of gross profit as a result of the intense competition in the market and the increase in the Group's expenses, in particular the staff costs and recurring corporate expenses after Listing.

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 2019, the Group had bank and cash balances of approximately HK$31.3 million (2018: HK$41.6 million). As at 31 March 2019, the Group's indebtedness comprised finance lease payables of approximately HK$0.5 million (2018: HK$0.7 million).

Gearing ratio is calculated as total debts divided by total equity as at the respective year. As at 31 March 2019, the gearing ratio was approximately 1.0%, which remained stable as compared to that of 1.1% as at 31 March 2018.

As at 31 March 2019, the Group's total assets amounted to approximately HK$55.0 million (2018: HK$61.5 million) and net assets amounted to approximately HK$50.9 million (2018: HK$57.9 million). As at 31 March 2019, current ratio and quick ratio of the Group decreased to approximately 12.4 and 11.9 respectively, as compared to that of approximately 19.0 and 18.7 as at 31 March 2018 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 2019 and the date of this annual report, the issued share capital of the Company was HK$10,000,000 divided into 1,000,000,000 Shares of HK$0.01 each.

SEGMENTAL INFORMATION

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2019, the Group had a total of 34 full-time employees (including three executive Directors) (2018: 30 employees), and the total employee benefit expenses and Directors' emoluments paid to the executive Directors for the Year amounted to approximately HK$9.3 million (2018: HK$5.8 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. No option has been granted up to the date of this annual report.

PLEDGE OF ASSETS

The finance lease obligation as at 31 March 2019 was secured against a motor vehicle with carrying amount of approximately HK$0.5 million (2018: HK$0.7 million).

OPERATING LEASE COMMITMENTS

As at 31 March 2019, the Group had commitments for future minimum lease payments of approximately HK$2.3 million under the non-cancellable leases (2018: HK$4.1 million).

CAPITAL COMMITMENT

As at 31 March 2019 and 2018, the Group did not have any capital commitment.

CONTINGENT LIABILITIES

As at 31 March 2019 and 2018, the Group did not have any contingent liabilities.

MATERIAL ACQUISITIONS OR DISPOSAL

During the year ended 31 March 2019, the Group did not have any material acquisitions nor 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 2019. There was no other plan for material investments or capital assets as at 31 March 2019.

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 (2018: Nil).

During the year ended 31 March 2018, a subsidiary of the Company had declared a dividend of HK$7.0 million to its then shareholders in proportion to their respective shareholdings. The dividend of HK$7.0 million was paid in October 2017 prior to Listing.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. She Leung Choi (佘良材) ("**Mr. She**"), aged 49, 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. Alex She, an executive Director and son of Ms. Sze Sau Taap ("**Ms. Sze**"), a substantial shareholder of the Company. Mr. She was appointed as a Director on 27 March 2017 and was re-designated as an executive Director on 11 May 2017 and held various positions within the Group. Mr. She has been a director of B & C Industries Limited ("**B&C Industries HK**") since 2000 and has been involved in business and product development, marketing and the management of B&C Industries HK. Mr. She was involved in all aspects of and the day-to-day operation during the initial start-up stage of B&C Industries HK. As the business develops and the operation of B&C Industries HK expands over the years, Mr. She is now taking up a managerial role and is more focused on the overall business development, corporate strategic planning and corporate management of the Group. He is also a director of several subsidiaries of the Group.

Mr. She has over 17 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 48, is a founder of the Group and executive Director. Ms. Chan was appointed as a Director on 27 March 2017 and was re-designated as an executive Director on 11 May 2017 and held various positions within the Group. Ms. Chan has been a director of B&C Industries HK since 2000 and has been involved in business and product development of B&C Industries HK. Ms. Chan is responsible for the business operation, corporate management, corporate strategy implementations and product development of the Group. She is also a director of several subsidiaries of the Group.

Ms. Chan has over 17 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 48, is an executive Director. Mr. Alex She is brother of Mr. She and son of Ms. Sze. Mr. Alex She was appointed as a Director on 27 March 2017 and was re-designated as 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 17 years of operation and sales experience in the homeware products industry. Prior to joining the Group, he worked at Vun Fat Industrial Co. Ltd. from 1997 to 2001, as a manager. From 1996 to 2002, Mr. Alex She served as a director of Epoch Elite Limited, a private company incorporated in Hong Kong in December 1996, of which he was one of the founders. Epoch Elite Limited was dissolved by way of deregistration in November 2002.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Kim Ching (何劍菁), aged 41, was appointed as an independent non-executive Director on 22 September 2017. Mr. Ho has over 16 years of experience in the accounting and finance industry. Since June 2010, Mr. Ho has been working for Viva China Holdings Limited (stock code: 8032), shares of which are listed on the GEM 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 until now, 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 36, was appointed as an independent non-executive Director on 22 September 2017. Mr. Chan has over 13 years of experience in the accounting and finance industry. Since December 2017, Mr. Chan has been working for First Shanghai Capital Limited as director, mainly responsible for corporate finance transactions including new listing, takeovers and mergers and acquisitions. 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.

Ms. Fan Pui Shan (樊佩珊), aged 49, was appointed as an independent non-executive Director on 22 September 2017. Ms. Fan has over 24 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. Tsang Wing Kiu (曾詠翹), aged 45, joined the Group in April 2017 and is the chief financial officer and the company secretary of the Company. She is responsible for the supervision of financial management, investor relations and company secretarial matters of the Group. Ms. Tsang has approximately 21 years of experience in finance and accounting. Prior to joining the Group, Ms. Tsang worked at RSM Hong Kong, an international accounting firm, from April 2002 to September 2016 and was a senior manager when she left RSM Hong Kong. She is a member of each of The Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants. Ms. Tsang obtained a degree of bachelor of arts in business administration from the University of Greenwich in July 1995, and a degree of master of science in accountancy from The Hong Kong Polytechnic University in December 2006.

Ms. Tsang has resigned as Company's chief financial officer, company secretary and authorized representative with effect from 4 January 2019.

Ms. Wong Nga Yan (黃雅欣), aged 42, 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 company secretarial matters of the Group.

Ms. Wong has over 18 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 (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules. Save as disclosed below in the section headed "Chairman and Chief Executive" in this annual 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 all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors during the 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, deciding all significant financial (including major capital expenditure) and operational issues, developing, monitoring and reviewing the Group's corporate governance practices and all other functions reserved to the Board under the Company's articles of association (the "**Articles of Association**"). The Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference which are published on the respective websites of the Stock Exchange and the Company. The Board may from time to time delegate certain functions to 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.

As at the date of this annual 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 "Biography of Directors and Senior Management" in this annual report.

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

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

The Company will from time to time provide briefings to all Directors to develop and refresh their duties and responsibilities. All Directors are also encouraged to attend relevant training courses at the Company's expense and they have been requested to provide the Company with their training records. 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. During the Year, five meetings were held by the Board. All Directors participated to discuss the strategy, operational and financial performance and internal control of the Group. For all other Board meetings, notice is given in a reasonable time in advance. The Directors are allowed to include any other matters in the agenda that is required for discussion and resolution at the meeting. To enable the Directors to be properly briefed on issues arising at the Board meetings and to make informed decisions, an agenda and the accompanying Board papers together with all appropriate and relevant information in relation to the matters of the meetings are sent to all Directors at least three days before the intended date of each regular Board Meeting and three days or such other period as agreed before each other Board meeting. All Directors should have access to the advice and services of the company secretary of the Company (the "**Company Secretary**") with a view to ensuring that Board procedures and all applicable rules and regulations are followed. The Company Secretary is responsible for keeping all Board meetings' minutes. Draft and final versions of the minutes will be circulated to the Directors for comments and record within a reasonable time after each meeting and the final version is open for the Directors' inspection. According to the GEM Listing Rules, any Directors and their associates (as defined in the GEM Listing Rules) with a material interest in the transactions to be discussed at the Board meetings will abstain from voting on resolutions approving such transactions and are not counted in the quorum of the meetings.

Details of the attendance of each Director at the meetings of the Board and its 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
Executive Directors:						
Mr. She Leung Choi	1/1	5/5	N/A	1/1	2/2	N/A
Ms. Chan Lai Yin	1/1	5/5	N/A	N/A	N/A	1/1
Mr. She Leung Ngai Alex	1/1	5/5	N/A	N/A	N/A	1/1
INEDs:						
Mr. Ho Kim Ching	1/1	4/5	4/4	1/1	2/2	N/A
Mr. Chan Ching Sum Sam	1/1	5/5	4/4	1/1	2/2	N/A
Ms. Fan Pui Shan	0/1	5/5	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 executive Directors during the Year.

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.

BOARD DIVERSITY POLICY

During the Year, 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.

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.

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.

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

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 its future dividend and/or in no way obligate the Group to declare a dividend at any time or from time to time.

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 currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive in Mr. She has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure enables the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of our Board and chief executive of the Company when it is appropriate and suitable, taking into account the circumstances of the Group as a whole.

Save for the deviation from the code provision of A.2.1 of the CG Code, the Company has adopted and complied with all the applicable code provisions set out in the CG Code during the Year.

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 paragraph 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 make recommendations to the Board on the appointment, reappointment and removal of external auditors, monitor the integrity of the financial statements and annual report and accounts, half-year report and quarterly reports, review the financial controls, risk management and internal control systems, and the financial and accounting policies and practices of the Group, and consider other topics as requested by the Board.

The Audit Committee comprises Mr. Ho Kim Ching, Mr. Chan Ching Sum Sam and Ms. Fan Pui Shan, all being INEDs. The chairman of the audit committee is Mr. Ho Kim Ching, who holds the appropriate professional qualification as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules. During the 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 ended 31 March 2019 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 March 2019 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 associates is involved in deciding his own remuneration. Details of the remuneration of Directors are set out in note 13 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".

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, the Nomination Committee held two meetings. 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 on 14 June 2019 and among other matters, (i) assessed the independence of the INEDs, (ii) reviewed the Board Diversity Policy; and (iii) recommended to the Board for consideration the re-appointment of the 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.

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 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. Alex She 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 an initial term of three years, commencing from 16 October 2017 and such service agreement may be terminated by not less than three months' notice in writing served by either party on the other or otherwise in accordance with their respective service agreement.

Each of the INEDs has signed a letter of appointment with the Company for 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).

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 2019 and 2018 are set out in note 13 to the consolidated financial statements.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors) whose particulars are contained in the section headed "Biography of Directors and Senior Management" in this annual 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. Apart from the provision of annual audit services, RSM Hong Kong provided the audit and non-audit services in connection with the listing of the Shares on the GEM.

The remuneration paid/payable to RSM Hong Kong, the auditor are set out below:

Services	**2019 Fee paid/ payable** *HK$'000*	**2018 Fee paid/ payable** *HK$'000*
Audit services — annual audit services	700	700
Audit services — listing services (included in listing expenses)	–	1,165
Non-audit services — listing services (included in listing expenses)	–	350
Total	700	2,215

RESPONSIBILITIES OF DIRECTORS FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of the Group for the Year, which 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 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 risk management and 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.

COMPANY SECRETARY

Ms. Tsang Wing Kiu ("**Ms. Tsang**") resigned as the Company Secretary on 4 January 2019. The Company has appointed Ms. Wong Nga Yan ("**Ms. Wong**") as the Company Secretary with effect from 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. Tsang and 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 "Biography of Directors and Senior Management" on pages 10 to 12 of this annual report.

COMPLIANCE OFFICER

Mr. She is the compliance officer of our Company. The biography of Mr. She is set out in the section headed "Biography of Directors and Senior Management" of this annual report.

SHAREHOLDERS' RIGHTS

Procedures for putting forward proposals at shareholders' meetings

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

Procedures for shareholders to convene a general meeting

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

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

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

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

If within 21 days of the deposit of the Requisition the Board fails to proceed to convene such meeting, the requisitionist(s) himself/themselves may do so in the same manner, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) by the Company.

Procedures for shareholders to send enquires to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong, presently at Unit 2504, 25/F, Nanyang Plaza, 57 Hung To Road, Kwun Tong, 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 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 ended 31 March 2019.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

The business review of the Group for the year ended 31 March 2019 is set out in the section headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2019 and the financial position of the Company and the Group as at 31 March 2019 are set forth in the consolidated financial statements on pages 62 to 110 of this annual report.

During the year ended 31 March 2019, the Board does not recommend the payment of a final dividend for the Year (2018: 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.

An analysis of the amount utilised of net proceeds up to 31 March 2019 is set out below:

	Estimated use of proceeds *HK$ million*	Adjusted use of proceeds *HK$ million*	Utilised up to 31 March 2018 *HK$ million*	Utilised during the Year *HK$ million*	Unutilised as at 31 March 2019 *HK$ million*	Expected timeline for utilizing the remaining proceeds(ii)
Broaden the existing customer base, increase market share in the existing target markets and expand into new markets	13.5	13.2	1.0	4.9	7.3	From 1 April 2019 to 30 September 2019
Enhance design and development capabilities	4.8	4.7	–(i)	0.7	4.0	From 1 April 2019 to 30 September 2019
Enhance our quality assurance capabilities	4.8	4.7	–(i)	4.1	0.6	From 1 April 2019 to 30 September 2019
Enhance brand recognition and awareness and promote corporate reputation	6.4	6.3	1.3	2.9	2.1	From 1 April 2019 to 30 September 2019
General working capital	2.5	2.4	0.7	1.1	0.6	From 1 April 2019 to 30 September 2019
Total	32.0	31.3	3.0	13.7	14.6	

(i) represented less than HK$100,000

(ii) The expected timeline for utilizing 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.

From the Listing Date to 31 March 2019, the net proceeds from the Listing were utilised in accordance with the proposed applications set out in the Prospectus under the section headed "Future Plans and Use of Proceeds". As at 31 March 2019, the Group had 1) completed the renovation of our showroom in the PRC; 2) participated in three exhibitions namely ASD Market Week in Las Vegas, Maison and Objet in Paris and Ambiente Fair in Frankfurt; 3) built up our laboratory with new equipment; and 4) provided external training courses for designers and quality control staff to enhance their understanding of the latest fashion trend and industry knowhow and product quality requirement and regulations respectively. Affected by the Sino-U.S. trade war and the uncertainties in the global macroeconomy, our business plan for the establishment of one liaison office in each of Europe and U.S. was deferred. Our management will closely monitor the impact on our plan arising from the Sino-U.S. trade war and may consider taking appropriate changes, if necessary. As at the date of this annual report, the Directors do not anticipate any change to the plan as to the use of proceeds and the balance of the fund would be utilised accordingly.

The remaining unused net proceeds as at 31 March 2019 were placed as bank balances with licensed bank in Hong Kong and will be applied in the manner consistent with the proposed allocations.

SHARES ISSUED IN THE YEAR

Details of the shares issued in the year ended 31 March 2019 are set out in note 26 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, 2 August 2019 at 11:00 a.m. (the "AGM"). The register of members of the Company will be closed from Tuesday, 30 July 2019 to Friday, 2 August 2019, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the forthcoming AGM. In order to be eligible to attend and vote at the forthcoming AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrars in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (which will be relocated to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 11 July 2019) for registration no later than 4:30 p.m. on Monday, 29 July 2019.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 March 2019, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to HK$14.6 million (2018: HK$22.6 million).

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 four financial years, as extracted from the audited consolidated financial statements of the Company or the Prospectus, is set out on page 3 of this annual report.

DIRECTORS

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

Chairman, Chief Executive Officer and Executive Director:

Mr. She Leung Choi

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

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 annual report, the Company still considers the INEDs to be independent.

Retirement and re-election of Directors

In accordance with Article 84 of the Articles of Association, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting of the Company, provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires.

Each of Mr. She Leung Ngai Alex and Ms. Chan Lai Yin will retire from office as Directors at the forthcoming annual general meeting of the Company to be held on 2 August 2019. Mr. She Leung Ngai Alex and Ms. Chan Lai Yin, 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. She Leung Ngai Alex and Ms. Chan Lai Yin.

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 an initial term of three years, commencing from the Listing Date and such service agreement may be terminated by not less than three months' notice in writing served by either party on the other or otherwise in accordance with their respective service agreement. 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.

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 annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Discussion on the environmental policies and performance is contained in the "Environmental, Social and Governance Report" on pages 43 to 57 of this annual report. This discussion form part of the report of directors.

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

As at 31 March 2019, so far as our Directors are aware, the persons (other than the Directors and chief executive of the Company) who will have or be deemed or taken to have interests and/or short positions in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the Securities and 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 will be as follows:

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

Notes:

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

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

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

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

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

As at 31 March 2019, the interests or short positions of the Directors or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will be required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or (b) to be entered into the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules will be as follows:

(i) Interest in the Company

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

Notes:

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

2. 611,250,000 Shares held by Hearthfire, which is wholly-owned by Mr. She Leung Choi, executive Director, and by virtue of the SFO, Mr. She Leung Choi is deemed to be interested in all the Shares held by Hearthfire.

3. 86,250,000 Shares held by Present Moment, which is wholly-owned by Ms. Chan Lai Yin, executive Director, and by virtue of the SFO, Ms. Chan Lai Yin is deemed to be interested in all the Shares held by Present Moment.

(ii) Interest in associated corporations

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

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

DIRECTORS' EMOLUMENT POLICY

The Remuneration Committee was established for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group having regard to the Group's operating results, individual performance and comparable market standard and practices. The Company has adopted a share option scheme (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.

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

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

(d) Maximum number of Shares available for subscription

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

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

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

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

(e) **Maximum number of options to any one individual**

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

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

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

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

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

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

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

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

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

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

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

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

(f) Price of Shares

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

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

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

(iii) the nominal value of a Share,

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

(g) Granting options to connected persons

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

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

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

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

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

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

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

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

(h) Restrictions on the time of grant of options

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

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

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

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

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

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

(i) Rights are personal to grantee

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

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

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

(k) Performance target

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

(l) Rights on ceasing employment or death

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

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

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

(m) Rights on dismissal

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

(n) Rights on takeover

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

(o) Rights on winding-up

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

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

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

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

(q) Ranking of Shares

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

(r) Effect of alterations to capital

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

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

(s) Expiry of option

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

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

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

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

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

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

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

(t) Alteration of the Share Option Scheme

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

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

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

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

(u) Cancellation of options

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

(v) Termination of the Share Option Scheme

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

(w) Administration of the Board

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

(x) Present status of the Share Option Scheme

As at 31 March 2019 and to the date of this report, no option had been granted or agreed to be granted under the Share Option Scheme.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 March 2019.

MAJOR SUPPLIERS AND CUSTOMERS

The percentages of purchases and sales for the year ended 31 March 2019 attributable to the Group's major suppliers and customers are as follows:

Purchases	
— the largest suppliers	56%
— five largest suppliers in aggregate	90%
Sales	
— the largest customers	19%
— five largest customers in aggregate	63%

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

CONTINUING CONNECTED TRANSACTION

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

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

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

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

Details of the abovementioned transactions are set out in the section headed "Connected Transaction" in the prospectus and are disclosed as related party transactions under item (a) in respect of rental expenses to a related company of note 31 to the consolidated financial statements. The transactions under the 2017 Tenancy Agreement constitute de minimis continuing connected transactions of the Company under Rule 20.74(1)(c) of the GEM Listing Rules. Accordingly, the 2017 Tenancy Agreement and the transactions thereunder are exempted from the reporting, announcement, annual review, circular and the independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Save for the aforesaid transactions, the other related party transactions shown in note 31 to the consolidated financial statements do not constitute connected transactions or continuing connected transactions under the GEM Listing Rules.

* *For identification purpose only*

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that 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 annual 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 annual report; and (ii) the controlling shareholders will make an annual declaration on compliance with their Non-competition Undertaking in this annual report.

The Board would like to clarify that there were no conflicts of interests between the controlling shareholders and the Group arising from competing business for the year ended 31 March 2019. As such, the controlling shareholders confirmed that they have complied with their undertaking under the Non-competition Undertaking.

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

INTERESTS OF COMPLIANCE ADVISER

As at 31 March 2019, as notified by the then Company's compliance adviser, Sunfund Capital Limited (the "**Compliance Adviser**"), except for the compliance adviser agreement dated 12 June 2017 entered into between the Company and the then Compliance Adviser, neither the then Compliance Adviser nor its directors, employees or close associates (as defined under the GEM Listing Rules) had any interests in relation to the Company, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

As notified by Titan Financial Services Limited ("**Titan**"), the Company's compliance adviser, save for the compliance adviser agreement entered into between the Company and Titan dated 31 May 2019 in connection with the Listing, none of Titan or its directors, employees or associates (as defined under the GEM Listing Rules) had any interests in the Group from 1 June 2019 (effective date of the compliance adviser agreement) up to the date of this annual report, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

CHANGE OF COMPLIANCE ADVISER

As disclosed in the Company's announcement dated 27 May 2019, Sunfund Capital Limited ("**Sunfund**") and the Company have mutually agreed to terminate the compliance adviser agreement with effect from 27 May 2019 due to recent changes in the personnel of Sunfund.

Titan has been appointed as the new compliance adviser to the Company as required under Rule 6A.27 of the GEM Listing Rules with effect from 1 June 2019. For further details, please refer to the announcement of the Company dated 31 May 2019.

PERMITTED INDEMNITY PROVISIONS

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

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

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Year and up to the date of this annual report.

SUBSEQUENT EVENTS

Save as disclosed in the section headed "Change of Compliance Adviser", there was no important event affecting the Group that has occurred since 31 March 2019 and up to the date of this annual report.

AUDITOR

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

AUDIT COMMITTEE

The Audit Committee comprising three independent non-executive Directors, namely Mr. Ho Kim Ching, Mr. Chan Ching Sum Sam and Ms. Fan Pui Shan, has reviewed the accounting standards and policies adopted by the Group and this annual report including the audited consolidated financial statements of the Group for the year ended 31 March 2019.

On behalf of the Board

She Leung Choi
Chairman

Hong Kong, 14 June 2019

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

FORWARD

Satu Holdings Limited (the "**Company**", together with its subsidiaries, collectively as the "**Group**", "**Satu**", "**we**" or "**us**") is pleased to present its Environmental, Social and Governance ("**ESG**") Report ("**ESG Report**"). We incorporate the concept of sustainability into our ESG strategy and day-to-day operations. We believe that prudent management of environmental and social issues is a key factor in our long-term success in this rapidly changing world. With better understanding of the risks and opportunities regarding environmental protection, the Group endeavors to reduce wastage, preserves the planet for future generations, and responds 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 to 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 headed "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 certain data as key performance indicators in accordance with the principles of materiality, quantification, balance and consistence.

SCOPE AND REPORTING PERIOD

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

The ESG Report is prepared in compliance with the applicable disclosure requirements of Appendix 20 — the Environmental, Social and Governance Reporting Guide (the "**Guide**"), under the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "**GEM Listing Rules**").

The scope of this ESG Report covers our businesses and offices in Hong Kong and Shenzhen, the People's Republic of China (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 2018 to 31 March 2019 (the "**Reporting Period**").

For details of corporate governance, please refer to "Corporate Governance Report" on pages 13 to 24 of the Group's annual report.

MATERIALITY ASSESSMENT

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

- Greenhouse Gas 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 would like to listen to your feedback on our ESG Report and help us continuously improve our performance and sustainability, please contact us by any of the following means to share your opinions with us:

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 to them are listed below:

Stakeholders	Probable Points of Concern	Communication and Responses
Stock Exchange	Compliance with Listing Rules, and timely and accurate announcements.	Meetings, training, workshops, programs, website updates, and announcements.
Government	Compliance with laws and regulations, prevention of tax evasion, and social welfare.	Interaction and visits, and tax returns and other information.
Investors	Transparency, corporate governance, business strategies and performance, 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 human rights.	Issue of newsletters on the Company's website.
Suppliers	Payment schedule, and stable demand.	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, and rapid website updates.
Employees	Rights and benefits of employees, compensations, training and development, and working environment.	Conduction of staff activities, training, interviews with employees, and employee suggestion boxes.
Community	Community environment, employment opportunities, community development, and social welfare.	Employee voluntary activities.

OUR ENVIRONMENT ASPECT

Overview

We are principally engaged in the design, development and production management of a wide variety of homeware products. In the absence of production activities, our operations do not lead to any material adverse impact on the environment; in other words, the total emissions of greenhouse gas, resources used and waste generated by us are very limited. Nevertheless, we value environmental sustainability and have been striving to integrate the concept of environmental sustainability into every part of our daily business operations. We are committed to increasing the efficiency of resources utilization and enhancing our environmental performance by adopting world-class environmental protection practices in our business dealings.

We strive to work towards a 'green' and sustainable working environment by improving energy efficiency, addressing waste management and promoting the idea of recycling and reusing. 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 protection 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;
- Commit leadership and develop a strong culture of environmental stewardship within the entire workforce; and
- Make resources and systems available, with the provision of necessary training to empower our employees to fulfill our environmental responsibilities.

Compliance and Grievance

During the Reporting Period, we complied with all relevant environmental laws and regulations that have a significant impact on us. 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 two motor vehicles, one of which is a hybrid 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 959.77 liters (2018: 844.41[1] liters). The following table shows the emissions of key air pollutants within our operations:

Years ended 31 March

	Unit	**2019**	2018
Nitrogen Oxides (NOx)	Gram	**673.07**	522.90
Sulphur Oxides (SOx)	Gram	**14.11**	12.41[1]
Particulate Matter (PM)	Gram	**49.56**	38.50

Emissions, Greenhouse Gas Emissions and Resource Management

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

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

Based on our resource consumption, the following shows the breakdowns of the GHGs emissions[2] within our operations:

Years ended 31 March

	Sources	**Unit**	**2019**	2018
Scope 1: Direct Emissions	Vehicle combustion	Tonnes	**2.60**	2.29[1]
Scope 2: Energy Indirect Emissions	Purchased electricity	Tonnes	**38.38**	37.52[1]
Scope 3: Other Indirect Emissions	Business air travel	Tonnes	**10.96**[3]	2.20
Total GHGs Emissions		Tonnes	**51.94**	42.01
Carbon Intensity		tCO_2e/each million revenue in HKD	**0.88**	0.62

Use of Resources

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

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

The following summarises the energy consumed and the corresponding energy consumption intensity within our operations:

Years ended 31 March

	Unit	**2019**	2018
Energy Consumption	kWh[4]	**53,817.00**	53,873.00
Energy Consumption Intensity	kWh/each million revenue in HKD	**913.70**	793.02

1 In relation to the accuracy, completeness or achievability of the total consumption of vehicle fuel, we have re-examined and revised the relevant figures for the year ended 31 March 2018.

2 Greenhouse gas ("**GHG**") emissions data is presented in carbon dioxide equivalent with 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.

3 During the Reporting Period, we actively participated in overseas trade show and exhibitions, namely ASD Market Week in Las Vegas, Maison and Objet in Paris and Ambiente Fair in Frankfurt, in order to broaden the customer base and enhance our brand recognition. As a result, there was a rise in air travel and its corresponding GHGs emissions.

4 The methodology for data collection has been enhanced, in respect of which the management believed that it can better present the energy consumption figures this year, with the restatement of the figures of 2018.

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 major non-hazardous waste produced by us results from paper consumption for administrative work. The consumption of copier paper during the Reporting Period reached 357.5 kg (2018: 272.5 kg) which amounted to 6.07 kg per million of revenue (2018: 4.01[5] kg per million of revenue).

To minimize generation of wastes, we have implemented the policy of double-sided printing and copying and disseminated information by electronic means whenever possible to reduce the consumption of paper. We 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 offices in Hong Kong and the PRC. We do not have any issues in sourcing water, and the existing supply of water meets our daily operational needs. Water consumption by the Group is minimal, mainly for the purpose of basic cleaning and sanitation. In order to reduce water wastage, we actively promote water conservation awareness among our employees. For instance, staff are reminded to turn off the faucets tightly after use. As the water charges of some locations are included in the management fees, we are unable to collect and disclose relevant water usage data.

OUR SOCIAL ASPECT

Human Resources Management and Labour Standards

Human resources ("**HR**") management is an integral part of our overall business strategy. An effective HR management system helps to attract and retain competent employees, assist employees in adapting to 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.

We have adopted HR policies that are in line with the employment laws in Hong Kong and the PRC, including but not limited to, the Employment Ordinance, the Minimum Wage Ordinance, and the Employees' Compensation Ordinance in Hong Kong as well as the "Labour Contract Law of the People's Republic of China (中華人民共和國勞動合同法)", the "Labour Law of the People's Republic of China (中華人民共和國勞動法)" and the "Provisions on the Prohibition of Using Child Labour (禁止使用童工規定)" in the PRC. During the Reporting Period, we complied with the major employment laws and regulations. Child and forced labour are strictly prohibited in our businesses and operations.

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

To avoid forced and child labour, our Human Resources and Administration Department performs detailed interview screening procedures for each candidate. A thorough background check is conducted to verify personal data stated on the application forms by examining the applicants' original identity card and making detailed inquiries to ensure that we do not employ child labour.

5 Consumption of copier paper per million of revenue was restated in 2018 for consistency of basis of calculation.

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

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

We enter into individual employment agreements with our employees, with employment terms covering, among other things, positions, salaries, working hours, annual leave entitlement and other benefits.

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

By Gender	2019	2018
Male	11	10
Female	23	20
Total	34	30

By Grade	2019	2018
General staff	19	15
Middle management	11	11
Senior management	4	4
Total	34	30

During the Reporting Period, there were 6 leavers (2018: 14 leavers) comprising 3 male and 3 female employees (2018: 9 male and 5 female employees), mainly of the age group of 18–40 years old. Among the leavers, 83% of them (2018: 78%) were serving the function at general staff level.

Health and Safety

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

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

To prevent accidents by:

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

To prevent fire by:

- ensuring illuminated ‘EXIT’ signs are installed over the 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 and the escape doors are unlocked;
- providing suitable and adequate fire safety measures;

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:

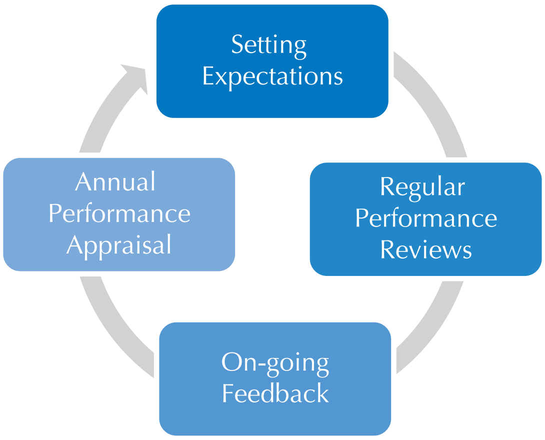
- keeping adequate first aid facilities in the premises.

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

Staff Development and Training

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

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



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

We understand the indispensability of employee improvement, and encourage our staff to attend external job-related courses to enhance their professional skills and knowledge. Statistics of staff training during the Reporting Period is shown as follows:

By Gender	No of employees	%
Male	1	33%
Female	2	67%
Total	3	100%

By Grade	No of employees	%
Entry level	2	67%
Middle level	1	33%
Total	3	100%

Years ended 31 March

	2019	2018[6]
Total number of hours of training received by trainees	**12**	N/A
Average number of hours of training per trainee by gender		
Male	**4**	N/A
Female	**4**	N/A
Average number of hours of training per trainee by employment category		
Entry level	**4**	N/A
Middle level	**4**	N/A
Management level	**–**	N/A

OPERATING PRACTICES

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

Our customers, some of the international homeware brand owner corporations and licensees, pay great attention to the product quality. We have a robust quality assurance process and control procedures to ensure that our product quality meets the regulatory standards and customers' expectations.

[6] We have not maintained detailed on-the-job training records for the year ended 31 March 2018. As a result, no relevant comparative data can be disclosed in 2018.

Supply Chain Management

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

Acceptance

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

Regular Assessment

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

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

Inspection

From time to time, our customers will also conduct assessments of certain aspects of our selected suppliers, including technical capabilities, professional ethics, health and safety and labour standards. During the Reporting Period, our suppliers subjected to those assessments had obtained satisfactory results from those inspections.

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

Product Responsibility

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

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

Health and Safety

We are dedicated to designing, developing and supplying 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.

Design

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

Supplies

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

Production

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

Completion

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

During the Reporting Period, we did not receive any significant quality defects claims or product claims or requests for refunds or returns from our customers regarding our products. And, we have also complied with the product safety standards and trading conduct requirements such as those specified in 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 the "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 the confidentiality agreements with our major third-party factories so as to protect the intellectual property rights of our customers and us during the production processes;

3. For our Group's designs, the Group generally retains the intellectual property rights of the designs or vests the intellectual property rights to 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 operations under appropriate categories and in appropriate jurisdictions in consideration of the related costs and benefits.

As at the year ended 31 March 2019, we have eight registered trademarks in the E.U., the U.S., the U.K., Hong Kong and the PRC which are material to our businesses, in respect of which two were registered during the Reporting Period.

During the Reporting Period, we were in compliance with the relevant laws and regulations in relation to intellectual property rights applicable in the places of our operations. 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 prohibit our employees to dispatch or use such data for other purposes. On this basis, we consider that we are exposed to a low risk level in the area of data privacy. Nevertheless, our practices of collecting, maintaining and using our customer information are in line with the Personal Data (Privacy) Ordinance in Hong Kong.

Integrity in Business

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

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

After its successful listing on the GEM of the Stock Exchange, the Group has adopted a whistle blowing policy for the reporting of any concerns of complaints about malpractice, impropriety, or wrongdoing.

During the Reporting Period, the Group complied with major 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 Group was not involved in any legal cases regarding corruption practices brought against the Group or its employee.

Community Investment

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

APPENDIX 1: SEHK ESG REPORTING GUIDE INDEX

The Stock Exchange Reporting Guide General Disclosures		Reference Section/ Remark	Comply or Explain
A. Environment			
A1 Emission			
General Disclosure	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
KPI A1.1	The types of emissions and respective emissions data.	Air Pollution Control	Complied
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions, Greenhouse Gas Emission and Resource Management	Complied
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Not applicable — Waste generation is considered insignificant, please refer to the section headed "Waste Management".	Explained
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management	Complied
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Emissions, Greenhouse Gas Emission and Resource Management	Complied
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Waste Management	Complied

The Stock Exchange Reporting Guide General Disclosures		Reference Section/ Remark	Comply or Explain
A2 Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Emissions, Greenhouse Gas Emission and Resource Management	Complied
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Use of Resources	Complied
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Not applicable — water usage is considered insignificant, please refer to the section headed "Water Usage".	Explained
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Use of Resources	Complied
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Water Usage	Complied
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable — Packaging materials used in operation were insignificant.	Explained
A3 The Environment and Natural Resources			
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	Use of Resources	Complied
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Not applicable. We do not have significant impacts of activities on the environment and natural resources.	Explained
B. Social			
B1 Employment			
General Disclosure	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

The Stock Exchange Reporting Guide General Disclosures		Reference Section/ Remark	Comply or Explain
B2 Health and Safety			
General Disclosure	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
B3 Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Staff Development and Training	Complied
B4 Labour Standards			
General Disclosure	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
B5 Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management	Complied
B6 Product Responsibility			
General Disclosure	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
B7 Anti- corruption			
General Disclosure	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
B8 Community Investment			
General Disclosure	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

INDEPENDENT AUDITOR'S REPORT

RSM Hong Kong

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

T +852 2598 5123
F +852 2598 7230

www.rsmhk.com

羅申美會計師事務所

香港銅鑼灣恩平道二十八號
利園二期二十九字樓

電話 +852 2598 5123
傳真 +852 2598 7230

www.rsmhk.com

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 62 to 110, which comprise the consolidated statement of financial position as at 31 March 2019, 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 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Inventory valuation and allowance Refer to notes 5(iii) and 20 to the consolidated financial statements and the accounting policies in note 4(e) on page 76. At 31 March 2019, the Group held gross inventories of approximately HK$2,115,000 and allowance for inventory of approximately HK$273,000. As described in the accounting policies in note 4(e) to the consolidated financial statements, inventories are carried at the lower of cost and net realisable value. As a result, the directors apply judgement in determining the appropriate allowance for obsolete stock based upon a detailed analysis of obsolescence.	Our procedures in relation to inventory valuation and allowance included: — Identifying and assessing aged and obsolete inventory when attending inventory counts; — Comparing the net realisable value, obtained through a detailed review of sales subsequent to the end of the reporting period, to the cost price of inventories; and — Reviewing the adequacy of disclosures included in the consolidated financial statements.
Impairment assessment of trade receivables Refer to note 21 to the consolidated financial statements. As at 31 March 2019, the carrying amount of trade receivables was approximately HK$11,676,000 which represented 23.0% 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.	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; — Testing the accuracy and completeness of the data used by management 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; 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.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

RSM Hong Kong
Certified Public Accountants
Hong Kong
14 June 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Revenue	7	**58,900**	67,934
Cost of sales	8	**(41,362)**	(43,969)
Gross profit		**17,538**	23,965
Other income and net gains	7	**2,623**	1,245
Selling and distribution expenses		**(11,650)**	(6,697)
Administrative and other operating expenses		**(15,082)**	(21,958)
Loss from operations		**(6,571)**	(3,445)
Finance costs	9	**(25)**	(74)
Loss before tax		**(6,596)**	(3,519)
Income tax expense	10	**(428)**	(1,415)
Loss for the year attributable to owners of the Company	11	**(7,024)**	(4,934)
Loss per share			
Basic and diluted	16	**(HK0.70 cents)**	(HK0.57 cents)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	2019 HK$'000	2018 HK$'000
Loss for the year	**(7,024)**	(4,934)
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(19)**	28
Other comprehensive income for the year, net of tax	**(19)**	28
Total comprehensive income for the year attributable to owners of the Company	**(7,043)**	(4,906)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	17	**7,225**	1,074
Deferred tax assets	18	**88**	101
Deposits paid for property, plant and equipment	22	**–**	959
		7,313	2,134
Current assets			
Inventories	20	**1,842**	807
Trade receivables	21	**11,676**	12,559
Prepayments, deposits and other receivables	22	**1,386**	3,971
Current tax assets		**1,362**	422
Pledged bank deposit	23	**125**	–
Bank and cash balances	23	**31,332**	41,626
		47,723	59,385
Current liabilities			
Trade payables	24	**914**	1,496
Other payables and accruals	24	**2,386**	1,320
Deposits receipt in advance	24	**381**	152
Finance lease payables	25	**167**	159
Current tax liabilities		**9**	3
		3,857	3,130
Net current assets		**43,866**	56,255
Non-current liabilities			
Finance lease payables	25	**324**	491
NET ASSETS		**50,855**	57,898
Capital and reserves			
Share capital	26	**10,000**	10,000
Reserves		**40,855**	47,898
TOTAL EQUITY		**50,855**	57,898

Approved by the Board of Directors on 14 June 2019 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 2019

	Share capital HK$'000	Other reserve HK$'000 (note 28(b)(i))	Foreign currency translation reserve HK$'000 (note 28(b)(ii))	Share premium HK$'000 (note 28(b)(iii))	Merger reserve HK$'000 (note 28(b)(iv))	Retained earnings HK$'000	Total equity HK$'000
At 1 April 2017	20	8	(38)	–	–	23,401	23,391
Loss and total comprehensive income for the year	–	–	28	–	–	(4,934)	(4,906)
Group reorganisation	360	–	–	–	(360)	–	–
Shares issued pursuant to the capitalisation issue *(note 26(b))*	7,120	–	–	(7,120)	–	–	–
Shares issued under the share offer *(note 26(c))*	2,500	–	–	43,913	–	–	46,413
Dividend paid *(note 14)*	–	–	–	–	–	(7,000)	(7,000)
At 31 March 2018 and 1 April 2018	**10,000**	**8**	**(10)**	**36,793**	**(360)**	**11,467**	**57,898**
Loss and total comprehensive income for the year	**–**	**–**	**(19)**	**–**	**–**	**(7,024)**	**(7,043)**
At 31 March 2019	**10,000**	**8**	**(29)**	**36,793**	**(360)**	**4,443**	**50,855**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before tax		**(6,596)**	(3,519)
Adjustments for:			
Depreciation	*17*	**2,433**	541
Interest income	*7*	**(352)**	(85)
Finance costs	*9*	**25**	74
Allowance for slow-moving inventories	*20*	**273**	–
Gain on disposals of property, plant and equipment	*7&11*	**–**	(47)
Operating loss before working capital changes		**(4,217)**	(3,036)
Decrease in trade receivables		**883**	1,984
(Increase)/decrease in inventories		**(1,308)**	535
Decrease/(increase) in prepayments, deposits and other receivables		**2,585**	(3,021)
Decrease in trade payables		**(582)**	(1,375)
Increase in other payables and accruals		**1,066**	776
Increase/(decrease) in deposits receipt in advance		**229**	(88)
Cash used in operations		**(1,344)**	(4,225)
Income taxes paid		**(1,347)**	(2,742)
Finance costs paid		**(25)**	(74)
Net cash used in operating activities		**(2,716)**	(7,041)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment	*32(a)*	**(7,627)**	(58)
Proceeds from disposals of property, plant and equipment		**–**	47
Increase in pledged bank deposit		**(125)**	–
Interest received		**352**	85
Net cash (used in)/generated from investing activities		**(7,400)**	74
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of bank borrowings	*32*	**–**	(427)
Increase in amounts due to shareholders	*32*	**–**	587
Repayment of finance lease payables	*32*	**(159)**	(177)
Proceeds from issue of ordinary shares under the share offer		**–**	46,413
Dividends paid	*14*	**–**	(7,000)
Net cash (used in)/generated from financing activities		**(159)**	39,396
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(19)**	27
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(10,294)**	32,456
CASH AND CASH EQUIVALENTS AT 1 APRIL		**41,626**	9,170
CASH AND CASH EQUIVALENTS AT 31 MARCH		**31,332**	41,626
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		**31,332**	41,626

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 Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, 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 19 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 a number of new HKFRSs and amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 to the consolidated financial statements 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 years reflected in these consolidated financial statements.

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

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for annual periods beginning on or after 1 April 2018. Of these, the following developments are relevant to the Group's financial statements:

(i) HKFRS 9 Financial Instruments

(ii) HKFRS 15 Revenue from Contracts with Customers

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 9 Financial instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

The adoption of HKFRS 9 resulted in the following changes to the Group's accounting policies.

(a) Classification

From 1 April 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through other comprehensive income ("FVTOCI") or at fair value through profit or loss ("FVTPL"); and

- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVTOCI.

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

(a) Application of new and revised HKFRSs (Continued)

HKFRS 9 Financial instruments (Continued)

(b) Measurement

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

At initial recognition, the Group measures financial assets at its fair value plus, in the case of financial assets not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment losses are presented as separate line item in the statement of profit or loss.

- FVTPL: Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

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

(a) Application of new and revised HKFRSs (Continued)

HKFRS 9 Financial instruments (Continued)

(c) Impairment

From 1 April 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

No significant financial impact of the adoption of HKFRS 9 on the Group's opening retained earnings as at 1 April 2018.

Impairment on other receivables are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

Set out below is the impact of the adoption of HKFRS 9 on the Group.

The following table and the accompanying note below explain the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 April 2018.

Financial assets	**Classification under HKAS 39**	**Classification under HKFRS 9**	**Carrying amount under HKAS 39** *HK$'000*	**Carrying amount under HKFRS 9** *HK$'000*
Trade and other receivables *(note)*	Loans and receivables	Amortised cost	15,356	15,356

Note:

Trade and other receivables that were classified as loans and receivables under HKAS 39 are now classified at amortised cost. No allowance for impairment of the trade receivables was recognised in opening accumulated losses at 1 April 2018 on transition to HKFRS 9.

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

(a) Application of new and revised HKFRSs (Continued)

HKFRS 15 Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

The adoption of HKFRS 15 resulted in the following changes to the Group's accounting policies on revenue recognition.

Under HKFRS 15, revenue from the sale of goods through e-commerce platforms is recognised when the Group sells and has delivered a product to the customer and the Group received sales and acceptance confirmations, and there is no unfulfilled obligation that could affect the customer's acceptance of the product. Payment of the transaction price is due immediately when the customer purchases the goods. Accordingly, the Group's online sale is recognised when the product is received by customer. For other sales of homeware products, revenue is recognised when control of the products has transferred, being when the products are delivered to the customer. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The adoption of HKFRS 15 does not have significant financial impacts on the consolidated financial statements.

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

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 April 2018. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 16 Leases	1 April 2019
HK(IFRIC) 23 Uncertainty over Income Tax Treatments	1 April 2019
Annual Improvements to HKFRSs 2015–2017 Cycle	1 April 2019
Amendments to HKAS 28 Long-term Interest in Associates and Joint Ventures	1 April 2019
Amendments to HKFRS 3 Definition of a Business	1 April 2020
Amendments to HKAS 1 and HKAS 8 Definition of Material	1 April 2020

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of HKFRS 16 which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's first quarter report for the three months ended 30 June 2019. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

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

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

HKFRS 16 Leases

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

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

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

As disclosed in note 30 to the consolidated financial statements, the Group's future minimum lease payments under non-cancellable operating leases amounted approximately to HK$2,277,000 as at 31 March 2019. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's consolidated financial statements from 2020 onwards.

HK(IFRIC) 23 Uncertainty over Income Tax Treatments

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

(a) Consolidation

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

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

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

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

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).

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment

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

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

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

Leasehold improvements	Over the lease term
Furniture and equipment	20%
Motor vehicles	30%
Computer equipment	33.3%

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

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

(d) Leases

(i) Operating leases

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

(ii) Finance leases

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Inventories

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

(f) Recognition and derecognition of financial instruments

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

Financial assets 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.

(g) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets (Continued)

Debt investments (Continued)

— 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 expected credit losses, 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.

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.

Policy prior to 1 April 2018

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets (Continued)

Loans and receivables

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

(h) Trade and other receivables

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.

(i) 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 expected credit losses ("ECL").

(j) Financial liabilities and equity instruments

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

(i) 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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Revenue recognition

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 when services rendered.

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

Policy prior to 1 April 2018

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

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

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

(l) Employment benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligation

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

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

(iii) Termination benefits

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) 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.

(o) 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 expected credit losses 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

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

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in the financial instrument's external or internal credit rating (if available);

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its debt obligation to the Group; and

— an actual or expected significant deterioration in the operating results of the debtor.

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.

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; or

(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 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Impairment of financial assets (Continued)

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.

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;

— it is becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Impairment of financial assets (Continued)

Measurement and recognition of ECL

The measurement of expected credit losses 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.

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 through a loss allowance account.

Policy prior to 1 April 2018

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) 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.

(q) Events after the reporting period

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

(i) Property, plant and equipment and depreciation

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

The carrying amount of property, plant and equipment as at 31 March 2019 was approximately HK$7,225,000 (2018: HK$1,074,000).

(ii) Impairment of trade receivables

Prior to the adoption of HKFRS 9 on 1 April 2018, the management of the Group assesses at the end of each reporting period whether there is any objective evidence that trade receivables and contract assets are impaired. The provision policy for bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of trade receivables and contract assets, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(ii) Impairment of trade receivables (Continued)

Since the adoption of HKFRS 9 on 1 April 2018, 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 2018 and 2019 and the carrying amount of trade receivables as at 31 March 2019 was approximately HK$11,676,000 (2018: HK$12,559,000)

(iii) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the aging and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

As at 31 March 2019, allowance for slow-moving inventories amounted to approximately HK$273,000 (2018: Nil).

(iv) Income tax

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the year, approximately HK$428,000 (2018: HK$1,415,000) of income tax was charged to profit or loss based on the estimated profit.

6. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

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

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

	Exposure to foreign currencies					
	HKD	**RMB**	**USD**	**GBP**	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2019						
Financial assets	**15,460**	**546**	**27,120**	**117**	**79**	**43,322**
Financial liabilities	**1,532**	**855**	**906**	**–**	**7**	**3,300**
At 31 March 2018						
Financial assets	36,444	457	19,637	490	140	57,168
Financial liabilities	1,067	116	1,618	5	10	2,816

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

	Increase/ (decrease) in foreign exchange rate	**Effect on loss after tax and retained earnings** *HK$'000*	**Effect on equity** *HK$'000*
Group			
At 31 March 2019			
RMB	**7%**	**(38)**	**24**
RMB	**(7%)**	**38**	**(24)**
GBP	**8%**	**8**	**–**
GBP	**(8%)**	**(8)**	**–**
At 31 March 2018			
RMB	11%	–(i)	(36)
RMB	(11%)	–(i)	36
GBP	14%	(57)	–
GBP	(14%)	57	–

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

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

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

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk

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 has low credit risk.

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 35.0% (2018: 50.4%) 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 Group assessed that there is no significant loss allowance recognised in accordance with HKFRS 9 as at 31 March 2019.

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.

Prior to 1 April 2018

Prior to 1 April 2018, an impairment loss was recognised only when there was objective evidence of impairment.

The aging analysis of trade debtors that were not considered to be impaired was as follows:

	2018 *HK$'000*
Neither past due nor impaired	10,901
Up to 30 days	1,623
Over 30 days	35
	1,658
	12,559

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

Pledged bank deposits and cash and bank balances

For pledged bank deposits and 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.

(c) Liquidity risk

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

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

	Maturity Analysis — undiscounted cash outflows					
	Less than 1 year or on demand	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total undiscounted cash flow**	**Carrying amount**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2019						
Trade payables	**914**	**–**	**–**	**–**	**914**	**914**
Other payables and accruals	**2,386**	**–**	**–**	**–**	**2,386**	**2,386**
Finance lease payables	**184**	**184**	**153**	**–**	**521**	**491**
At 31 March 2018						
Trade payables	1,496	–	–	–	1,496	1,496
Other payables and accruals	1,320	–	–	–	1,320	1,320
Finance lease payables	184	184	337	–	705	650

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Interest rate risk

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

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

(e) Categories of financial instruments at 31 March

	2019	2018
	HK$'000	*HK$'000*
Financial assets:		
Financial assets measured at amortised cost	**43,322**	–
Loans and receivables (including cash and cash equivalents)	**–**	57,168
Financial liabilities:		
Financial liabilities at amortised cost	**3,300**	2,816

(f) Fair values

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

7. REVENUE AND SEGMENT INFORMATION

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

	2019	2018
	HK$'000	*HK$'000*
Revenue		
Sales of homeware products	**58,900**	67,934
Other income and net gains		
Interest income	**352**	85
Packaging income	**197**	422
Sample and design income	**133**	403
Gain on disposals of property, plant and equipment	**–**	47
Exchange gain	**1,494**	–
Others	**447**	288
	2,623	1,245

7. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information

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

Geographical information

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

	2019	2018
	HK$'000	*HK$'000*
United Kingdom	**22,220**	24,512
Denmark	**11,203**	14,023
France	**4,450**	7,110
Australia	**2,536**	947
Poland	**1,621**	3,267
Italy	**1,596**	1,709
Germany	**1,067**	1,287
Netherlands	**487**	798
Others	**13,720**	14,281
	58,900	67,934

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

	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**591**	950
PRC	**6,250**	124
Others	**384**	–
	7,225	1,074

Information about major customers

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

	2019	2018
	HK$'000	*HK$'000*
Customer A	**9,716**	11,716
Customer B	**11,123**	17,015
Customer C	**7,966**	14,096
Customer D	**6,376**	N/A[1]

[1] The corresponding revenue did not contribute over 10% of the total revenue of the Group.

8. COST OF SALES

	2019	2018
	HK$'000	*HK$'000*
Allowance for slow-moving inventories	**273**	–
Consumable materials	**169**	2,896
Cost of homeware products	**37,470**	37,738
Goods handling charges	**2,216**	1,927
Packing expenses	**917**	1,016
Others	**317**	392
	41,362	43,969

9. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest on bank overdrafts	**–**	1
Interest on bank borrowings	**–**	2
Interest on discounted bills	**–**	33
Finance lease charges	**25**	38
	25	74

10. INCOME TAX EXPENSE

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

	2019	2018
	HK$'000	*HK$'000*
Current tax		
— Hong Kong Profits Tax		
Provision for the year	**9**	1,380
Under-provision in prior year	**406**	50
	415	1,430
— PRC Enterprise Income Tax		
Over-provision in current year	**–**	2
Under-provision in prior year	**–**	3
	–	5
Deferred tax *(note 18)*	**13**	(20)
	428	1,415

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.

10. INCOME TAX EXPENSE (CONTINUED)

Hong Kong Profits Tax has been provided at a rate of 16.5% (2018: 16.5%) on the estimated assessable profit for the year ended 31 March 2019.

On 21 March 2018, the Inland Revenue (Amendment) (No. 7) Bill 2017, which introduces a two-tiered profits tax regime, was substantively enacted. Under the two-tiered profits tax regime, the first HK$2 million of assessable profits of qualifying corporations will be taxed at 8.25% with effect from the year assessment 2018/2019. Profits above HK$2 million will continue to be subject to the tax rate of 16.5%.

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

No provision for PRC Enterprise Income Tax has been made in the consolidated financial statements for the year ended 31 March 2019 since the Group has either sufficient tax losses brought forward to set off against current year's assessable profit or no estimated assessable profit for the year.

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:

	2019	2018
	HK$'000	*HK$'000*
Loss before tax	**(6,596)**	(3,519)
Tax at the Hong Kong Profits Tax rate of 16.5% (2018: 16.5%)	**(1,088)**	(581)
Tax effect of income that is not taxable	**(51)**	(42)
Tax effect of expenses that are not deductible	**419**	2,375
Tax effect of temporary differences not previously recognised	**5**	(51)
Under provision in current year	**–**	(401)
Under provision in prior year	**406**	53
Tax effect of utilisation of tax losses not previously recognised	**(6)**	–
Tax losses not recognised	**767**	90
Tax concession	**(27)**	(30)
Effect of different tax rates of subsidiaries	**3**	2
Income tax expense	**428**	1,415

At the end of the reporting period, the Group has estimated unused tax loss for subsidiaries incorporated in Hong Kong of approximately HK$5,171,000 (2018: HK$525,000) 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$778,000 (2018: HK$840,000) 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.

10. INCOME TAX EXPENSE (CONTINUED)

As at 31 March 2019, the Group's tax losses for subsidiaries incorporated in the PRC will expire in the following years:

	2019 HK$'000	2018 HK$'000
In 2023	–	20
In 2022	20	63
In 2021	134	349
In 2020	624	408
	778	840

11. LOSS FOR THE YEAR

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

	2019 HK$'000	2018 HK$'000
Auditor's remuneration	710	705
Cost of homeware products	37,470	37,738
Depreciation	2,433	541
Foreign exchange (gain)/loss, net	(1,494)	82
Listing expenses	–	13,470
Gain on disposal of property, plant and equipment	–	(47)
Operating lease charges in respect of:		
— Office premises	2,532	1,959
— Warehouse	67	–

12. EMPLOYEE BENEFITS EXPENSES

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

	2019 HK$'000	2018 HK$'000
Salaries, bonuses and allowances	7,090	4,357
Retirement benefit scheme contributions	388	386
	7,478	4,743

12. EMPLOYEE BENEFITS EXPENSES (CONTINUED)

Five highest paid individuals

The five highest paid individuals in the Group during the year included three (2018: three) directors whose emoluments are reflected in the analysis presented in note 13. The emoluments of the remaining two (2018: two) individuals are set out below:

	2019	2018
	HK$'000	*HK$'000*
Salaries, bonuses and allowances	**1,202**	870
Retirement benefit scheme contributions	**34**	32
	1,236	902

The emoluments fell within the following band:

	Number of individuals	
	2019	2018
Nil to HK$1,000,000	**2**	2

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

13. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director is set out below:

	Fees	**Salaries, bonuses and allowances**	**Retirement benefit scheme contributions**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2019				
Executive director:				
Mr. She Leung Choi	**–**	**650**	**18**	**668**
Mr. She Leung Ngai Alex	**–**	**520**	**18**	**538**
Ms. Chan Lai Yin	**–**	**585**	**18**	**603**
	–	**1,755**	**54**	**1,809**
Independent non-executive director:				
Mr. Ho Kim Ching	**120**	**–**	**–**	**120**
Mr. Chan Ching Sum Sam	**120**	**–**	**–**	**120**
Ms. Fan Pui Shan	**120**	**–**	**–**	**120**
	360	**–**	**–**	**360**
	360	**1,755**	**54**	**2,169**

13. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (Continued)

	Fees	Salaries, bonuses and allowances	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2018				
Executive director:				
Mr. She Leung Choi	–	360	18	378
Mr. She Leung Ngai Alex	–	336	17	353
Ms. Chan Lai Yin	–	336	17	353
	–	1,032	52	1,084
Independent non-executive director:				
Mr. Ho Kim Ching	63	–	–	63
Mr. Chan Ching Sum Sam	63	–	–	63
Ms. Fan Pui Shan	63	–	–	63
	189	–	–	189
	189	1,032	52	1,273

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 2019 and 2018.

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

14. DIVIDENDS

No dividends were paid, declared or proposed during the year ended 31 March 2019. During the year ended 31 March 2018, a subsidiary of the Company declared a dividend of HK$7.0 million to its then shareholders, and the dividend was paid in October 2017.

15. RETIREMENT BENEFIT SCHEME

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

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

16. LOSS PER SHARE

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

	2019	2018
	HK$'000	*HK$'000*
Earnings		
Loss attributable to owners of the Company	**7,024**	4,934
Number of shares		
	'000	*'000*
Weighted average number of ordinary shares for the purpose of calculation of basic loss per share	**1,000,000**	864,384

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 2019 and 2018.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Computer equipment HK$'000	Total HK$'000
Cost					
At 1 April 2017	1,314	493	780	–	2,587
Additions	–	58	827	–	885
Disposals/write-off	–	–	(450)	–	(450)
Exchange differences	–	2	–	–	2
At 31 March 2018 and 1 April 2018	1,314	553	1,157	–	3,024
Additions	5,322	2,818	–	446	8,586
Exchange differences	–	(3)	–	–	(3)
At 31 March 2019	6,636	3,368	1,157	446	11,607
Accumulated depreciation and impairment					
At 1 April 2017	838	240	780	–	1,858
Charge for the year	285	91	165	–	541
Disposals/write-off	–	–	(450)	–	(450)
Exchange differences	–	1	–	–	1
At 31 March 2018 and 1 April 2018	1,123	332	495	–	1,950
Charge for the year	1,855	268	248	62	2,433
Disposals/write-off	–	–	–	–	–
Exchange differences	–	(1)	–	–	(1)
At 31 March 2019	2,978	599	743	62	4,382
Net book value					
At 31 March 2019	3,658	2,769	414	384	7,225
At 31 March 2018	191	221	662	–	1,074

At 31 March 2019 the carrying amount of a motor vehicle held by the Group under finance leases amounted to HK$414,000 (2018: HK$662,000).

18. DEFERRED TAX ASSETS

The following are deferred tax assets recognised by the Group:

Group	Accelerated tax depreciation *HK$'000*
At 1 April 2017	81
Charge to consolidated profit or loss for the year *(Note 10)*	20
At 31 March 2018 and 1 April 2018	101
Credit to consolidated profit or loss for the year *(Note 10)*	(13)
At 31 March 2019	88

19. PARTICULARS OF THE SUBSIDIARIES

Particulars of the subsidiaries as at 31 March 2019 are as follows:

Name	Principal country of operation/ country of incorporation	Particular of issued share capital	Percentage of ownership interest/ voting power/ profit sharing		Principal activities
			Direct	Indirect	
B&C BVI	BVI	USD1	100%	–	Investment holding
B & C Industries Limited ("B&C HK")	Hong Kong	10,000 ordinary shares of HK$1 each	–	100%	Designing, developing and sales of homeware products
Satu Brown International Limited ("Satu Brown HK")	Hong Kong	10,000 ordinary shares of HK$1 each	–	100%	Designing and e-commerce business
South Technology (International) Limited ("South Technology HK")	Hong Kong	100 ordinary shares of HK$1 each	–	100%	Designing and e-commerce business
Creative Fine International Limited	Hong Kong	100 ordinary shares of HK$1 each	–	100%	E-commerce business
Fancy Master International Limited	Hong Kong	100 ordinary shares of HK$1 each	–	100%	E-commerce business
Shooting Star International Limited	Hong Kong	100 ordinary shares of HK$1 each	–	100%	E-commerce business

19. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Name	Principal country of operation/ country of incorporation	Particular of issued share capital	Percentage of ownership interest/ voting power/ profit sharing Direct	Indirect	Principal activities
Satu Fashion Products (Shenzhen) Company Limited* (舍圖時尚用品(深圳)有限公司)	PRC	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	RMB350,000	–	100%	Marketing and sales of homeware products

* For identification purpose only

As at 31 March 2019, the bank and cash balances of the Group's subsidiaries in the PRC denominated in RMB amounted to approximately HK$502,000 (2018: HK$429,000). Conversion of the RMB into foreign currency is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

20. INVENTORIES

	2019	2018
	HK$'000	*HK$'000*
Finished goods	**1,842**	807

As at 31 March 2019, the carrying values of inventories are HK$1,842,000 (2018: HK$807,000), which are net of provision of obsolete and slow-moving inventories of HK$273,000 (2018: HK$Nil).

None of the inventories are expected to be recovered after more than twelve months from 31 March 2019.

21. TRADE RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**11,676**	12,559

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.

21. TRADE RECEIVABLES (CONTINUED)

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

	2019	2018
	HK$'000	*HK$'000*
0 to 30 days	**3,077**	3,083
31 to 60 days	**468**	409
61 to 120 days	**8,131**	8,772
Over 120 days	**–**	295
	11,676	12,559

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

As of 31 March 2019, trade receivables of approximately HK$1,314,000 (2018: HK$1,658,000) 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:

	2019	2018
	HK$'000	*HK$'000*
0 to 30 days	**1,314**	1,623
Over 30 days	**–**	35
	1,314	1,658

Starting from 1 April 2018, the Group applied simplified approach to provide the ECL prescribed by HKFRS 9. The impairment methodology is set out in Note 3.

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 1 April 2018 (upon the adoption of HKFRS 9), when assessing the ECL associated with trade receivables, the Group estimated the expected credit loss rate is close to zero on the current trade receivables, trade receivables aged within 30 days and trade receivables aged over 30 days.

As of 31 March 2019, when assessing the ECL associated with trade receivables, the Group estimated the expected credit loss rate is close to zero on the current trade receivables and trade receivables aged within 30 days.

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

	2019	2018
	HK$'000	*HK$'000*
GBP	**7**	2
USD	**11,665**	12,548
Others	**4**	9
	11,676	12,559

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 **HK$'000**	2018 HK$'000
Prepayments		
Goods purchased	**85**	14
Administrative and operating expenses	**1,112**	974
	1,197	988
Deposits		
Rental deposits	**181**	178
Utility deposits	**8**	8
Deposits paid for property, plant and equipment	**–**	959
	189	1,145
Other receivables		
Rebates from suppliers	**–**	2,547
Design service fee receivables	**–**	244
Others	**–**	6
	–	2,797
	1,386	4,930
Non-current portion	**–**	959
Current portion	**1,386**	3,971
	1,386	4,930

23. PLEDGED BANK DEPOSIT AND BANK AND CASH BALANCES

The Group's pledged bank deposit represented deposit pledged to bank to secure banking facilities granted to the Group.

The carrying amounts of the Group's pledged bank deposit and bank and cash balances at 31 March 2019 are denominated in the following currencies:

	2019 **HK$'000**	2018 HK$'000
USD	**15,454**	4,542
HKD	**15,272**	36,014
RMB	**546**	451
GBP	**110**	488
Others	**75**	131
	31,457	41,626

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

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**914**	1,496
Other payables and accruals		
Accrued staff costs	**615**	470
Accrued administrative and operating expenses	**1,762**	850
Others	**9**	–
	2,386	1,320
Deposits receipt in advance	**381**	152
	3,681	2,968

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

	2019	2018
	HK$'000	*HK$'000*
0 to 90 days	**898**	1,496
91 to 180 days	**3**	–
Over 180 days	**13**	–
	914	1,496

The credit period ranges from 0 to 30 days.

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

	2019	2018
	HK$'000	*HK$'000*
HKD	**1,533**	1,218
USD	**1,286**	1,618
RMB	**855**	116
GBP	**–**	6
Others	**7**	10
	3,681	2,968

25. FINANCE LEASE PAYABLES

	Minimum lease payments		Present value of minimum lease payments	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**184**	184	**167**	159
In the second to fifth years, inclusive	**337**	521	**324**	491
	521	705	**491**	650
Less: Future finance charges	**(30)**	(55)	**N/A**	N/A
Present value of lease obligations	**491**	650	**491**	650
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(167)**	(159)
Amount due for settlement after 12 months			**324**	491

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 2019, the effective borrowing rate was 5.44% (2018: 5.44%). 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 finance lease payables are denominated in HKD.

26. SHARE CAPITAL

		Number of shares	Amount
	Note		*HK$'000*
Authorised:			
Ordinary shares of HK$0.01 each			
At 1 April 2017		38,000,000	380
Increase in authorised share capital	*(a)*	9,962,000,000	99,620
At 31 March 2018, 1 April 2018 and 31 March 2019		10,000,000,000	100,000
Issued and fully paid:			
Ordinary shares of HK$0.01 each			
At 1 April 2017		3	–
Shares issued upon Group Reorganisation		37,999,997	380
Shares issued pursuant to the capitalisation issue	*(b)*	712,000,000	7,120
Shares issued under the share offer	*(c)*	250,000,000	2,500
At 31 March 2018, 1 April 2018 and 31 March 2019		1,000,000,000	10,000

26. SHARE CAPITAL (CONTINUED)

Note:

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

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

(c) On 16 October 2017, the Company issued 250,000,000 new shares at HK$0.22 each in relation to the share offer. The premium on the issue of shares, amounting to approximately HK$43,913,000, net of listing-related expenses, was credited to the Company's share premium account. These new shares rank pari passu with the existing shares in all respects.

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 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 2019 was 1.0% (2018: 1.1%). The decrease in the gearing ratio of the Group is primarily from the decrease in the balance of finance lease payables.

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 2019, 25% of the shares were in public hands.

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

(a) Statement of financial position of the Company

	Note	2019 HK$'000	2018 HK$'000
Non-current assets			
Investment in a subsidiary		**380**	380
Current assets			
Prepayments		**378**	440
Amounts due from group companies		**11,499**	–
Bank and cash balances		**12,604**	32,455
		24,481	32,895
Current liabilities			
Amount due to a subsidiary		**–**	466
Accruals		**289**	250
		289	716
Net current assets		**24,192**	32,179
NET ASSETS		**24,572**	32,559
Capital and reserves			
Share capital	*26*	**10,000**	10,000
Reserves	*27(b)*	**14,572**	22,559
TOTAL EQUITY		**24,572**	32,559

Approved by the Board of Directors on 14 June 2019 and are signed on its behalf by:

Mr. She Leung Choi
Executive Director

Ms. Chan Lai Yin
Executive Director

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

(b) Reserve movement of the Company

	Share premium *HK$'000* *(note 28(b)(iii))*	**Retained earnings** *HK$'000*	**Total** *HK$'000*
At 1 April 2017	–	–	–
Loss and total comprehensive income for the year	–	(14,234)	(14,234)
Shares issued pursuant to the capitalisation issue *(note 26(b))*	(7,120)	–	(7,120)
Shares issued under the share offer *(note 26(c))*	43,913	–	43,913
At 31 March 2018 and 1 April 2018	36,793	(14,234)	22,559
Loss and total comprehensive income for the year	–	(7,987)	(7,987)
At 31 March 2019	36,793	(22,221)	14,572

28. 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.

28. RESERVES (CONTINUED)

(b) Nature and purpose of reserves (Continued)

(iii) Share premium

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

(iv) Merger reserve

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

29. CONTINGENT LIABILITIES

As at 31 March 2019, the Group did not have any significant contingent liabilities.

30. LEASE COMMITMENTS

At 31 March 2019, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2019 ***HK$'000***	2018 *HK$'000*
Within one year	**2,128**	2,131
In the second to fifth years inclusive	**149**	1,979
	2,277	4,110

Operating lease payments represent rentals payable by the Group for its office premises. Leases are negotiated for an average term of 3 years (2018: 3 years) and rentals are fixed over the lease terms and do not include contingent rentals.

31. 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:

	2019 ***HK$'000***	2018 *HK$'000*
Rental expense to Pansino Homeware (Shenzhen) Co., Ltd* (泛華家居用品(深圳)有限公司) ("Pansino Shenzhen") *(Note)*	**1,672**	1,352

Note:

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

* For identification purpose only

31. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	2019 **HK$'000**	2018 HK$'000
Short-term benefits	**2,710**	1,685

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transaction

Additions to property, plant and equipment during the year of approximately HK$959,000 (2018: HK$827,000) were settled by offsetting deposits paid for property, plant and equipment (2018: financed by finance lease).

(b) Reconciliation of liabilities arising from financing activities

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

			Non-cash changes			
	1 April 2018 *HK$'000*	**Cash flows** *HK$'000*	**Loan assignment** *HK$'000*	**Finance costs recognised** *HK$'000* *(note 9)*	**Acquisition of property, plant and equipment** *HK$'000* *(note 17)*	**31 March 2019** *HK$'000*
Finance lease payables	650	(184)	–	25	–	491

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