BODIBRA®

心心功能內衣

My Heart Bodibra Group Limited
心心芭迪貝伊集團有限公司

Incorporated in the Cayman Islands with limited liability

Stock Code : 8297

BODIBRA®

2019-20

Annual Report

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

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

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

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Tam Chak Chi
Mr. Wong Wai Kit
(resigned on 14 May 2020)
Mr. Xu Xue
(appointed on 14 May 2020)

Non-Executive Directors

Mr. Ng Chi Ho Dennis
(resigned on 1 April 2019)

Independent Non-Executive Directors

Mr. Cai Chun Fai
Ms. Chan Ka Ming
(resigned on 14 May 2020)
Mr. Ong King Keung
Mr. Deng Guo Hong
(appointed on 14 May 2020)

BOARD COMMITTEES

Audit Committee

Mr. Cai Chun Fai *(Chairman)*
Ms. Chan Ka Ming
(resigned on 14 May 2020)
Mr. Ong King Keung
Mr. Deng Guo Hong
(appointed on 14 May 2020)

Nomination Committee

Mr. Cai Chun Fai
Ms. Chan Ka Ming *(Chairman)*
(resigned on 14 May 2020)
Mr. Tam Chak Chi
Mr. Xu Xue
(appointed on 14 May 2020)
Mr. Deng Guo Hong *(Chairman)*
(appointed on 14 May 2020)

Remuneration Committee

Mr. Cai Chun Fai
Ms. Chan Ka Ming *(Chairman)*
(resigned on 14 May 2020)
Mr. Tam Chak Chi
Mr. Xu Xue
(appointed on 14 May 2020)
Mr. Deng Guo Hong *(Chairman)*
(appointed on 14 May 2020)

AUTHORISED REPRESENTATIVES

Mr. Tam Chak Chi
Mr. Wong Wai Kit
(resigned on 14 May 2020)
Mr. Xu Xue
(appointed on 14 May 2020)

COMPLIANCE OFFICER

Mr. Tam Chak Chi

COMPANY SECRETARY

Ms. Lai Wai Ha of Akron Advisory Limited,
external service provider
(resigned on 1 October 2019)
Mr. Yu King Tin
(appointed on 1 October 2019)

REGISTERED OFFICE

P.O. Box 1350, Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2801–03, 28/F
Paul Y. Centre
51 Hung To Road, Kwun Tong
Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Estera Trust (Cayman) Limited
Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Boardroom Share Registrars (HK) Limited
2103B, 21/F
148 Electric Road
North Point, Hong Kong

PRINCIPAL BANKER

Hang Seng Bank Limited

COMPLIANCE ADVISER

Central China International Capital Limited

AUDITOR

World Link CPA Limited
(resigned on 30 March 2020)
McMillan Woods (Hong Kong) CPA Limited
(appointed on 31 March 2020)

GEM STOCK CODE

8297

WEBSITE

www.bodibra.com

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is one of the leading retailers of lingerie with shaping functions in Hong Kong, with production facilities in the People's Republic of China (the "**PRC**") and Hong Kong. During the year ended 31 March 2020 and up to the date of this report, the Group is principally engaged in the designing, manufacturing and sales of core lingerie products under the core brand of "Bodibra" and sub-brands, namely "June", "ooobiki", "Bodicare" and "invisi". The Group principally offers a wide range of the Group's own branded lingerie that are designed with shaping functions which aim to achieve better body appearances, including bras and panties, body shaping underwear and chest support vests. The Group also (1) sells other products without shaping functions, which primarily include breast cream, panties, nude bras, swimwear, bras straps and pads, and waist bands; (2) carries out trading of garments business; and (3) provides beauty services.

During the year, the Group has maintained its focus on Hong Kong market. For the year ended 31 March 2020, the Group had leased new retail outlets at (1) Shop No. 253 on level 2 of East Point City, 8 Chung Wa Road, Tseung Kwan O, which has commenced operation from 19 April 2019; (2) 1/F., 14-B Cameron Road, Kowloon, which has commenced operation from 7 June 2019 and (3) Shop No. 2105, 2/F., Commercial Development of OP Mall, Tsuen Wan, N.T., which has commenced operation from 23 January 2020. On the other hand, the Group has ceased operation of retail outlet at (1) 4/F., Mao Ye Bai Huo, HuaQiang Bei, Futian Qu, Shenzhen, Guangdong Province, the PRC, since 20 May 2019; (2) 3/F., Dong Peng Long Shang Ye Cheng (Hai Ya Bin Fen, Guang Chang) Nan Hai Da Dao, Yue Hai Jie Dao, Nan Shan, Shenzhen, Guangdong Province, the PRC, since 30 August 2019; (3) Rua Norte do Mercado de S. Domingos No. 2-4A, B R/C, Macau, since 15 August 2019; (4) No. 2, Sharp Street East, Hong Kong, since 2 December 2019; and (5) G/F, No. 45, Granville Road, Kowloon, Hong Kong, since 14 July 2019.

PROSPECTS

In view of the recent sustainable recovery from the novel coronavirus pneumonia (the "**COVID-19 pandemic**") and the resumption of the economic activities in mainland China and Hong Kong, it is expected that the consumers' spending sentiment and Hong Kong's economy will be improved. Nevertheless, such improvement is vulnerable as the uncertainties caused by, among others, COVID-19 pandemic and the unstable political environment in Hong Kong are expected to have adverse effects on local economy and thus the consumers' spending sentiment.

Looking forward, the board of directors of the Company (the "**Board**") will keep on strengthening the cost control measures to deal with the adverse market condition by (1) implementing cost-effective marketing strategies and (2) enhancing the inventory management. The Board will remain conservative and prudent towards its profitability and strive to improve the financial position under the challenging environment.

FINANCIAL REVIEW

Revenue

For the year ended 31 March 2020, the Group's revenue principally represents income derived from (1) sales of lingerie products and other complementary and ancillary products; (2) trading of garments; (3) provision of beauty services; and (4) income from unused credit packages, recorded a total amount of approximately HK$62.5 million, representing a decrease of approximately 14.3% compared with the revenue of approximately HK$72.9 million for the year ended 31 March 2019 as a result of the decrease in revenue due to weak retail sales caused by, among others, the COVID-19 pandemic and the prolonged social protests in Hong Kong.

Cost of Sales and Gross Profit

The Group's cost of sales recorded approximately HK$23.2 million for the year ended 31 March 2020, representing an increase of approximately 28.9% compared with the cost of sales of approximately HK$18.0 million for the year ended 31 March 2019. The increase in cost of sales was primarily due to the increase in direct cost.

The gross profit decreased by approximately 28.1% from approximately HK$54.8 million for the year ended 31 March 2019 to approximately HK$39.4 million for the year ended 31 March 2020.

Selling Expenses

Selling expenses decreased by approximately HK$12.8 million from approximately HK$37.6 million for the year ended 31 March 2019 to approximately HK$24.8 million for the year ended 31 March 2020, which was mainly due to the decrease in advertising expenses and staff costs.

Administrative and Other Operating Expenses

The Group's administrative and other operating expenses increased by approximately HK$4 million from approximately HK$42.4 million for the year ended 31 March 2019 to approximately HK$46.4 million for the year ended 31 March 2020, which was primarily due to the net effect of the decrease in staff costs, rental expenses and the increase in depreciation of right-of-use assets and the significant impairment loss on the right-of-use assets recorded pursuant to HKFRS 16.

Loss before Tax

As a result of the foregoing, the Group recorded a loss before tax of approximately HK$46.8 million for the year ended 31 March 2020 compared with a loss before tax of approximately HK$24.3 million for the year ended 31 March 2019, which was mainly due to (1) the significant impairment loss on the investment in an associate as its business of providing non-surgical medical aesthetic services in Hong Kong was significantly affected by the COVID-19 pandemic and the prolonged social protests in Hong Kong; (2) the significant impairment loss on the right-of-use assets recorded pursuant to HKFRS 16; and (3) the allowance for certain inventories.

Income Tax Expense

Income tax expense decreased by approximately HK$0.1 million from approximately HK$0.1 million for the year ended 31 March 2019 to approximately HK$100 for the year ended 31 March 2020.

Loss Attributable to Owners of the Company

As a result of the cumulative effect of the above factors, the Group had recorded a loss attributable to owners of the Company of approximately HK$46.8 million for the year ended 31 March 2020, compared with a loss attributable to owners of the Company of approximately HK$24.4 million for the year ended 31 March 2019. This was mainly attributable to (1) the significant impairment loss on the investment in an associate as its business of providing non-surgical medical aesthetic services in Hong Kong was significantly affected by the COVID-19 pandemic and the prolonged social protests in Hong Kong; (2) the significant impairment loss on the right-of-use assets recorded pursuant to HKFRS 16; and (3) the allowance for certain inventories.

DIVIDEND

The Board does not recommend the payment of dividend for the year ended 31 March 2020 (2019: Nil).

RESULTS OF FINANCIAL POSITION

The Group's total assets decreased by approximately HK$38.1 million to approximately HK$80.4 million as at 31 March 2020 (2019: approximately HK$118.5 million).

The Group's total liabilities increased by approximately HK$10 million to approximately HK$112.7 million as at 31 March 2020 (2019: approximately HK$102.7 million).

The equity attributable to owners of the Company decreased by approximately HK$48.1 million to approximately HK$32.3 million deficit as at 31 March 2020 (2019: approximately HK$15.8 million equity).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2020, the Group had net current liabilities of approximately HK$62.3 million (31 March 2019: approximately HK$35.6 million). The Group had cash and bank balances of approximately HK$3.3 million as at 31 March 2020 (31 March 2019: approximately HK$12.2 million).

CAPITAL STRUCTURE

During the year, there has been no change in the capital structure of the Group. The share capital of the Group only comprises of ordinary shares.

As at 31 March 2020, the Company's issued share capital was HK$4,800,000 of HK$0.01 each and the number of its issued ordinary shares was 480,000,000.

Details of changes in the Company's share capital for the year ended 31 March 2020 are set out in note 29 to the consolidated financial statements.

GEARING RATIO

Gearing ratio is calculated based on the total debts divided by total equity at the respective reporting date. As at 31 March 2020, the Group's gearing ratio was nil, while it was 8.0% as at 31 March 2019.

SIGNIFICANT INVESTMENTS/MATERIAL ACQUISITIONS AND DISPOSALS

On 19 April 2019, the Group entered into an agreement for the disposal of a vessel (certificate of ownership number 38556) at the consideration of HK$2,280,000, which has been fully satisfied in cash.

Saved as disclosed herein, there was no significant investment held by the Company or material acquisition and disposal made by the Company during the year.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the prospectus of the Company dated 26 June 2017 (the "**Prospectus**") and in this annual report, the Group currently has no plans for material investments or capital assets.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2020, the Group had 120 full-time employees (31 March 2019: 170 full-time employees). Remuneration packages offered to the Group's employees are consistent with the prevailing market terms and are reviewed on a regular basis. Discretionary bonuses may be awarded to employees taking into consideration the Group's performance and that of the individual employee.

Pursuant to the applicable laws and regulations, the Group has participated in relevant defined contribution retirement schemes administrated by the responsible government authorities in Macau and the PRC for its employees in Macau and the PRC. For the Group's employees in Hong Kong, all the arrangements pursuant to the mandatory provident fund requirements prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) have been duly implemented.

FOREIGN CURRENCY EXPOSURE

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars, Macau Pataca and Renminbi, being in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy. Management monitors foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arises. As at 31 March 2020, the Directors considered the Group's foreign exchange risk remained minimal.

CAPITAL COMMITMENTS

Save as disclosed in note 33 to the consolidated financial statements, as at 31 March 2020, the Group did not have other material capital commitments.

CONTINGENT LIABILITIES

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

PLEDGE OF ASSETS

As at 31 March 2020, the Group did not have any other mortgage or charge over its assets except for the deposits pledged to a bank to secure the rental of the office of the Group.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in note 39 to the consolidated financial statements, no other material subsequent events undertaken by the Company or by the Group after the reporting period.

COMPARISON OF BUSINESS OBJECTIVES AND ACTUAL BUSINESS PROGRESS

The following is a comparison between the business objectives of the Group as set out in the Prospectus with actual business progress for the year ended 31 March 2020.

Business objectives for the year ended 31 March 2020 as set out in the Prospectus	Actual business progress up to 31 March 2020
Expand the retail network of the Group	
• Open three retail stores in PRC, including one-off renovation, rental deposits and inventory	The Group is in the process of assessing the feasibility to open stores in the PRC taking into account the China-US trade war and the resumption of the economic activities after recovery from the COVID-19 pandemic
• Employ 8 more sales persons in the PRC for our new retail stores and retain the new sales persons employed for our new retail stores	The Group is in the process of assessing the recruitment in the PRC taking into account the China-US trade war and the resumption of the economic activities after recovery from the COVID-19 pandemic
Further strengthen the brand awareness and reputation of the Group	
• Increase our marketing efforts by, among others, placing more advertisements in newspapers, magazines, social media, websites and billboards	The Group had kept on placing advertisements in social media and online video sharing platform

Business objectives for the year ended 31 March 2020 as set out in the Prospectus	Actual business progress up to 31 March 2020
Increase the production capacity and product development capabilities of the Group	
• Retain the production workers and product designers employed during the six months ending 31 March 2020 to continue to strengthen the production and research and development capabilities	The Group laid off some production workers and designers caused by the unstable political environment in Hong Kong and the COVID-19 pandemic. The Group is in the process of assessing the feasibility of recruitment of production workers and designers taking into account the effects of the China-US trade war and the progress of the resumption of the economic activities after the recovery from the COVID-19 pandemic both in Hong Kong and the PRC The Group is in the process of assessing the feasibility of finding a suitable new factory or a warehouse in the PRC by reference to the effects of the China-US trade war and the progress of the resumption of the economic activities after the recovery from the COVID-19 pandemic both in Hong Kong and the PRC
• Continue to work with CDAHK to improve the functionality of our lingerie products	The Group ceased the cooperation with CDAHK and will look for suitable professionals for the cooperation opportunities in order to improve the functionality of the lingerie products
Strengthen the operational efficiency of the Group	
• Purchase an enhanced POS module for our new retail stores	The Group is in the process of assessing the plan for upgrading the POS and VIP system to improve the efficiency of the Group's operation taking into account the progress of the recovery of the markets of Hong Kong, Macau and the PRC after the COVID-19 pandemic. The Group has enhanced a VIP mobile application that allows VIP members to login to obtain VIP account information
• Maintain and upgrade the software including finance, supply chains management and manufacturing modules	The Group is in the process of assessing and formulating the plan for improving such functions
• Continue to integrate the information technology systems and upgrade our information technology hardware such as servers, computers, printers and scanners	The Group is in the process of assessing and formulating the plan for the integration The Group has upgraded some of the information technology hardware and is in the process of upgrading other hardware, such as servers, printers and computers

The financial condition, results of operations, business and prospects of the Group would be affected by a number of risks and uncertainties as set out in the Prospectus under the section headed "Risk Factors".

USE OF PROCEEDS FROM THE LISTING

The net proceeds (the "**Net Proceeds**") from the public offer were approximately HK$16.7 million, which was based on the final offer price of HK$0.4 after deducting commission and expenses borne by the Company in connection with the public offer.

As disclosed in the announcement of the Company dated 11 January 2019, the Board on 11 January 2019 resolved to reallocate certain unutilized amount of the Net Proceeds, being approximately HK$8 million which was originally intended for expanding the Group's retail network to the working capital of the Group and other general corporate purposes (the "**Reallocation**"). Save for the Reallocation, the Company intends to allocate the remaining Net Proceeds as originally intended. The reasons and relevant details for the change in use of proceeds are set out in the announcement of the Company dated 11 January 2019.

The details of the original allocation of the Net Proceeds, the utilised amount of the Net Proceeds (taking into account of the Reallocation) up to 31 March 2020 and in accordance with the supplemental announcement of the Company dated 8 July 2019, the Board on 8 July 2019 provided the actual and expected timeline for utilizing the remaining balance of the Net Proceeds. The remaining balance of the Net Proceeds (taking into account of the Reallocation) are set out as follows:

	Original allocation of the Net Proceeds *HK$ million*	**Utilised amount of the Net Proceeds (taking into account of the Reallocation) up to 31 March 2020** *HK$ million*	**Balance (taking into account of the Reallocation) as at 31 March 2020** *HK$ million*
Expand the Group's retail network	13.4	5.4	–
Strengthen the Group's brand awareness and reputation	0.5	0.5	–
Increase the Group's production capacity and product development capabilities	1.2	1.2	–
Strengthen the Group's operational efficiency	1.4	1.4	–
Working capital and other general corporate purposes	0.2	8.2	–
	16.7	16.7	–

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Tam Chak Chi ("Mr. Tam"), aged 43, was appointed as an executive Director in December 2018. Mr. Tam is a member of each of the remuneration committee and nomination committee of the Board.

Mr. Tam holds a bachelor's degree of commerce from the University of Toronto. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Taxation Institute of Hong Kong and a member of each of the American Institute of Certified Public Accountants and the Chartered Global Management Accountant. Mr. Tam has more than 15 years of experience in providing accounting, auditing and financial services and has served various senior positions at various private and listed companies. He is currently an independent non-executive director of Hong Kong Finance Investment Holding Group Limited (stock code: 00007), the shares of which are listed on the Main Board of the Stock Exchange. Further, he is currently an independent non- executive director of Wealth Glory Holdings Limited (stock code: 8269) and AL Group Limited (stock code: 8360), the respective shares of which are listed on the GEM of the Stock Exchange, and a financial consultant of various private companies.

Mr. Xu Xue ("Mr. Xu"), aged 48, was appointed as an executive Director in May 2020. Mr. Xu is a member of each of the remuneration committee and nomination committee of the Board.

Mr. Xu graduated from Shaanxi Institute of Education* (陝西教育學院) (now known as Shaanxi Xueqian Normal University) in the People's Republic of China in 1996, majoring in history education. Mr. Xu has more than 20 years of management experience in manufacturing and electronics sectors and has been the founder of and served various senior positions in various private companies. He was previously an executive director of Republic Healthcare Limited (stock code: 8357) from 21 November 2018 to 15 August 2019, its shares are listed on the GEM.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Cai Chun Fai ("Mr. Cai"), aged 38, was appointed as an independent non-executive Director in February 2018. Mr. Cai is the chairman of the audit committee and a member of each of the nomination committee and remuneration committee of the Board.

Mr. Cai is an executive director and the company secretary of Zhaobangji Properties Holdings Limited (stock code: 1660), the shares of which are listed on the main board of the Stock Exchange, since March 2019. Mr. Cai holds the degree of Bachelor of Arts in Accountancy from the Hong Kong Polytechnic University. He is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Cai has over ten years' experience in auditing, accounting and financial management. Mr. Cai is an independent non-executive director of Royal Catering Group Holdings Company Limited (stock code: 8300) and was an independent non-executive director of Inno-Tech Holdings Limited (stock code: 8202) in February 2018, both the shares of which are listed on the GEM of the Stock Exchange.

Mr. Deng Guo Hong ("Mr. Deng"), aged 62, was appointed as an independent non-executive Director in May 2020. Mr. Deng is the chairman of each of the remuneration committee and nomination committee and a member of the audit committee of the Board.

* *For identification purpose only*

Mr. Deng graduated with a bachelor's degree in Medicine from China Three Gorges University (三峽大學) in Hubei Province, the People's Republic of China in February 1982. Mr. Deng has more than 38 years of management and consultancy experience in manufacturing, insurance, selling, leasing and government sectors and has served various senior positions at various private companies. He was previously an executive director of Nine Express Limited (currently known as Keyne Limited) (stock code: 0009) from 3 June 2016 to 18 August 2016, its shares are listed on the Main Board of the Stock Exchange.

Mr. Ong King Keung ("Mr. Ong"), aged 44, was appointed as an independent non-executive Director in December 2017 and is a member of the audit committee of the Board.

Mr. Ong obtained a bachelor degree in accountancy from the Hong Kong Polytechnic University and a master degree in corporate finance from the City University of Hong Kong. He is a member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He is currently a director of a professional audit firm in Hong Kong. He has over 15 years of experience in auditing and accounting industry.

Mr. Ong is an independent non-executive director of Risecomm Group Holdings Limited (stock code: 1679), the shares of which are listed on the main board of the Stock Exchange. Mr. Ong is also an independent non-executive director of Bingo Group Holdings Limited (stock code: 8220), the shares of which are listed on the GEM. Mr. Ong had also been an independent non-executive director of Deson Construction International Holdings Limited (stock code: 8268), the shares of which are listed on the GEM, since December 2014 and has been subsequently re-designated as a non-executive director since December 2015. Mr. Ong was an independent non-executive director of Koala Financial Group Limited (formerly Sunrise (China) Technology Group Limited) (stock code: 8226) for the period from February 2017 to September 2017 and China Candy Holdings Limited (stock code: 8182) for the period from February 2016 to September 2017 respectively, the respective shares of which are listed on the GEM. Mr. Ong was also an independent non-executive director of Tech Pro Technology Development Limited (stock code: 3823) for the period from March 2017 to February 2019 and China Water Affairs Group Limited (stock code: 855) for the period from March 2007 to November 2019 respectively, the respective shares of which are listed on the main board of the Stock Exchange.

SENIOR MANAGEMENT

Mr. Fok Wai Hung ("Mr. Fok"), aged 43, is the financial controller of the Group. Mr. Fok is responsible for the overall financial management and reporting and the corporate secretarial matters of the Group. He joined the Group in December 2014 as finance manager of My Heart Lingerie Limited, an indirect wholly-owned subsidiary of the Company. Mr. Fok is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE REPORT

INTRODUCTION

The Board is committed to achieve high standards of corporate governance by emphasising transparency, independence, accountability, responsibility and fairness. The Board strives to ensure that effective self-regulatory practices exist to protect the interests of the Shareholders and to enhance long-term Shareholders' value.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the principles of, and complied with, the applicable code provisions of the Corporate Governance Code (the "**CG Code**") as contained in Appendix 15 to the GEM Listing Rules during the year ended 31 March 2020 (the "**Period**"), except for the deviations as specified below. The Board will keep reviewing and updating such practices from time to time to ensure compliance with legal and commercial standards.

Under Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company has not appointed chief executive officer and chairman since 27 October 2017 and 6 February 2018 respectively. The roles and functions of chief executive officer and chairman have been performed by all the executive Directors collectively. The Board will keep reviewing its current structure from time to time and will appoint chief executive officer and chairman if the Board considers appropriate and necessary.

Under Code Provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and to gain and develop a balanced understanding of the views of shareholders. During the Period, Mr. Tam Chak Chi, executive Director, and Mr. Ong King Keung, independent non-executive Director, did not attend the annual general meeting of the Company held on 14 August 2019 due to other prior business engagements.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors (the "**Code of Conduct**") 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 "**Required Standard Dealings**"). The Company had also made specific enquiry of the Directors and to the best knowledge and the information available to the Board, each of them was in compliance with the Code of Conduct and Required Standard Dealings during the Period. Further, the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors during the Period.

BOARD OF DIRECTORS

The Board takes the responsibility to oversee all major matters of the Company, including but not limited to formulating and approving the overall strategies and business performance of the Company, monitoring the financial performance and internal control as well as overseeing the risk management system of the Company and monitoring the performance of senior executives. The Board is also responsible for performing the corporate governance duties including the development and reviewing the Company's policies and practices on corporate governance.

Directors have full access to all relevant information affecting the Group and may take independent professional advice, which will be paid by the Company as appropriate.

The Board has the responsibility for leadership and control of the Company. The Board is collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board is accountable to the Shareholders for the strategic development of the Group with the goal of maximising long-term Shareholder value, while balancing broader stakeholder interests.

As at the date of this report, the Board is comprised of five Directors including two executive Directors and three independent non-executive Directors. At least one-third of the Board are independent non-executive Directors and at least one of them has appropriate professional qualifications, or accounting or related financial management expertise. The Board members as at the date of this annual report are:

Executive Directors:
Mr. Tam Chak Chi *(Compliance officer)*
Mr. Xu Xue

Independent non-executive Directors:
Mr. Cai Chun Fai
Mr. Deng Guo Hong
Mr. Ong King Keung

Biographical details of the Directors are set out in the section of "Directors and Senior Management" on pages 11 to 12 of this annual report.

Directors' Training and Continuing Professional Development

Each newly appointed Director would receive a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the GEM Listing Rules and other relevant regulatory requirements.

In compliance with the code provision A.6.5 of the CG Code, all Directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. During the Period, all Directors have participated in continuous professional development in the following manner:

Directors	Attended seminar in relation to directors' responsibilities and the GEM Listing Rules	Reading materials relating to GEM Listing Rules update
Executive Directors		
Tam Chak Chi	✓	✓
Wong Wai Kit (resigned on 14 May 2020)		✓
Independent non-executive Directors		
Chan Ka Ming (resigned on 14 May 2020)		✓
Cai Chun Fai	✓	✓
Ong King Keung	✓	✓

The Group also provides briefings and other training to develop and refresh the Directors' knowledge and skills, and update all Directors on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirement to ensure compliance and to enhance their awareness of good corporate governance practices.

Directors' Attendance at Board Meeting and General Meeting

The Board is responsible for the management of the Company. During the Period, the Board had scheduled regular meeting and additional Board meetings were held as and when necessary. During the Period, the Board had held 7 Board meetings and an annual general meeting of the Company, which was held on 14 August 2019, with the attendance of the external auditor to answer questions. The attendance of each Director is set out as follows:

	Number of Meetings Attended/ Eligible to Attend for the Period	
Name of Directors	Board meeting	Annual general meeting
Executive Directors		
Tam Chak Chi	7/7	0/1
Wong Wai Kit (resigned on 14 May 2020)	7/7	1/1
Independent non-executive Directors		
Cai Chun Fai	7/7	1/1
Chan Ka Ming (resigned on 14 May 2020)	7/7	1/1
Ong King Keung	7/7	0/1

Independent non-executive Directors

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 5.09 of the GEM Listing Rules and considers that all three independent non-executive Directors as at 31 March 2020, namely, Mr. Cai Chun Fai, Ms. Chan Ka Ming and Mr. Ong King Keung are independent in accordance with the terms of the independence guidelines set out in Rule 5.09 of the GEM Listing Rules.

CHAIRMAN AND CHIEF EXECUTIVE

According to the code provision A.2.1 of the CG Code, the roles of the chairman and chief executive shall be separate and should not be performed by the same individual.

Save as disclosed in the section headed "Corporate Governance Practices", the Company (i) has not appointed chief executive officer ("**CEO**") since 27 October 2017 and (ii) has not appointed chairman since 6 February 2018. The roles and functions of the chairman and CEO have been performed by all the executive Directors collectively. The Board will keep reviewing the current structure of the Board from time to time and will appoint CEO and chairman if the Board considers appropriate and necessary.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the Directors has entered into a letter of appointment with the Company for an initial fixed term of one year commencing from their respective date of appointment and thereafter shall continue year to year unless terminated by at least one month's notice in writing served by either party on the other.

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

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the Shareholders in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed 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 at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not three or a multiple of three, then the number nearest to but not less than one-third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

BOARD COMMITTEES

The Board established three committees, namely the audit, remuneration and nomination committees, to oversee particular aspects of the Group's affairs. Each of the three committees has its specific terms of reference relating to authority and duties. The majority of members of the audit, remuneration and nomination committees of the Board are independent non-executive Directors.

The Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, they are able to seek independent professional advice in appropriate circumstances at the Company's expense. The Board committees will report back to the Board on their decisions or recommendations.

The Board is responsible for performing the corporate governance duties set out in the CG Code which include developing and reviewing the Company's policies and practices on corporate governance, training and continuous professional development of the Directors, and reviewing the Company's compliance with the code provisions in the CG Code and disclosures in this report.

Audit Committee

The audit committee of the Board (the "**Audit Committee**") was established on 13 July 2017 with written terms of reference, which was updated on 31 December 2018, in compliance with Rule 5.29 of the GEM Listing Rules and paragraph C.3.3 of the CG Code. The primary duties of the Audit Committee include, among others, (a) making recommendations to the Board on the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor; (b) reviewing the financial statements, the annual report and accounts, the half-year report and the quarterly reports and significant financial reporting judgements contained therein; and (c) reviewing the financial controls, internal control and risk management systems. As at the date of this report, the Audit Committee comprises all three independent non-executive Directors, namely Mr. Cai Chun Fai, Mr. Deng Guo Hong and Mr. Ong King Keung. Mr. Cai Chun Fai is the chairman of the Audit Committee.

During the Period, the Audit Committee held 4 meetings and the work performed by the Audit Committee during the Period included (i) review of the effectiveness of the internal control and risk management systems of the Company; (ii) consider and make recommendation to the Board for approval regarding the re-appointment of auditor (including the fees to be charged by the external auditor); (iii) review of the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 March 2019; (iv) review of the unaudited quarterly results and interim results together with the respective reports of the Group in respect of the year ended 31 March 2020, with recommendation to the Board for approval; (v) review of the terms of reference of the Audit Committee; and (vi) review and approval of the internal audit report and the performance of the internal audit function.

The members of the Audit Committee during the Period and the attendance of each committee member are as follows:

Name of Directors	Number of attendance	Number of meetings held during term of office
Cai Chun Fai	4	4
Chan Ka Ming (resigned on 14 May 2020)	4	4
Ong King Keung	4	4

Subsequent to the year ended 31 March 2020, the Audit Committee reviewed the annual report and annual results announcement, as well as the effectiveness of the risk management and internal control systems of the Group for the year ended 31 March 2020. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 March 2020 complied with applicable accounting standards, the requirements under the GEM Listing Rules and that adequate disclosures have been made.

Nomination Committee

The nomination committee of the Board (the "**Nomination Committee**") was established on 13 July 2017 with written terms of reference, which was updated on 31 December 2018, in compliance with paragraph A.5.2 of the CG Code. The primary duties of the Nomination Committee include, among others, (a) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the corporate strategy; (b) identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; (c) assessing the independence of the independent non-executive Directors; (d) making recommendations to the Board on the appointment and succession planning for the Directors. As at the date of this report, the Nomination committee comprises two independent non-executive Directors, namely Mr. Cai Chun Fai and Mr. Deng Guo Hong, and two executive Directors, namely Mr. Tam Chak Chi and Mr. Xu Xue. Mr. Deng Guo Hong is the chairman of the Nomination Committee.

In respect of evaluating and selecting a candidate for directorship, the Nomination Committee has to consider, among others, his/her character and integrity, diversity including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge appropriate to the requirements of the Group and its development.

During the Period, the Nomination Committee held 1 meeting and the work performed by the Nomination Committee during the Period included (i) review of the structure, size and composition of the Board; (ii) make recommendation to the Board for approval the re-election and appointment of directors after consideration of a range of diversity perspectives; and (iii) review of the terms of reference of the Nomination Committee and board diversity policy of the Company.

The members of the Nomination Committee during the Period and the attendance of each committee member are as follows:

Name of Directors	Number of attendance	Number of meetings held during term of office
Cai Chun Fai	1	1
Chan Ka Ming (resigned on 14 May 2020)	1	1
Tam Chak Chi	1	1

Remuneration Committee

The remuneration committee of the Board (the "**Remuneration Committee**") was established on 13 July 2017 with written terms of reference in compliance with Rule 5.35 of the GEM Listing Rules and paragraph B.1.2 of the CG Code. The primary duties of the Remuneration Committee, under the principle that no Director or any of his/her associates should be involved in deciding his/her own remuneration include, among others, making recommendations to the Board on (a) the remuneration policy and structure for all of the Directors and senior management of the Company; (b) the establishment of a formal and transparent procedure for developing remuneration policies; and (c) the remuneration packages of the executive Directors and senior management of the Company, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their offices or appointments. As at the date of this report, the Remuneration Committee comprises two independent non-executive Directors, namely Mr. Cai Chun Fai and Mr. Deng Guo Hong, and two executive Directors, namely Mr. Tam Chak Chi and Mr. Xu Xue. Mr. Deng Guo Hong is the chairman of the Remuneration Committee.

During the Period, the Remuneration Committee held 1 meeting and the work performed by the Remuneration Committee during the Period included review and make recommendation to the Board for approval the remuneration for the directors being appointed during the Period and the grant of bonus to the staffs of the Group.

The members of the Remuneration Committee during the Period and the attendance of each committee member are as follows:

Name of Directors	Number of attendance	Number of meetings held during term of office
Cai Chun Fai	1	1
Chan Ka Ming (resigned on 14 May 2020)	1	1
Tam Chak Chi	1	1

Details of the emolument of each Director are set out in note 13 to the consolidated financial statements.

BOARD DIVERSITY

The Company adopted a board diversity policy and discussed all measurable objectives set for implementing the same.

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 business requirements and development plan of the Group. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection and/or nomination of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, language, cultural and educational background, industry experience and professional experience appropriate to the requirements of the Company's business and its development.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company recognises the need for risk management and internal control in the strategic and operational planning, day-to-day management and decision making process and are committed to managing and minimising risks that may impact the continued efficiency and effectiveness of the operations or prevent it from achieving its business objectives.

The Board recognizes its responsibility to ensure the Company maintains a sound and effective risk management and internal control systems. The Group's risk management and internal control systems are designed and established to ensure that assets are safeguarded against improper use or disposal, relevant rules and regulations are adhered to and complied with, reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Group's performance are appropriately identified and managed. Review of the Group's risk management and internal controls covering major financial, operational and compliance controls, as well as risk management functions. The risk management and internal control systems can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage, rather than eliminate the risk of failure to achieve business objectives.

The Board undertakes the full responsibility to oversee and carry out an annual review on the adequacy and effectiveness of the Group's risk management and internal control systems. Both the compliance committee of the Company (the "**Compliance Committee**") and the Audit Committee provide the Board with their independent views on the adequacy and effectiveness of the Group's risk management and internal control systems, after taking into consideration of the internal assessment of senior management, the independent review result carried out by external professional consultant, and the recommendation provided by the external auditor, if any.

In order to ensure the completion of remediation of findings identified during resumption investigation project, the Group has carried out the following actions:

– The Compliance Committee has been set up to monitor all compliance issues of the Group;

– All significant acquisitions/transactions were reported to the Board by the Compliance Committee in Board meetings for proper approval;

– Adequate training, including the training in relation to the relevant legal and regulatory requirements of the Group, was provided to employees; and

– The Board has conducted review on the result of remediation carried out, including the relevant policies and procedures which have been strengthened.

It is proposed that the Board may conduct a follow-up review after the relevant recommendations from the Compliance Committee have been implemented.

In addition to the above, the process used to identify, evaluate and manage significant risks are summarized as follows:

Risk Identification

– Identifies risks that may potentially affect the Group's business and operations.

Risk Assessment

– Assesses the risks identified by using the assessment criteria developed by the management; and

– Considers the impact and consequence on the business and the likelihood of their occurrence.

Risk Response

– Prioritize the risks by comparing the results of the risk assessment; and

– Determines the risk management strategies and internal control processes to prevent, avoid or mitigate the risks.

Risk Monitoring and Reporting

– Performs ongoing and periodic monitoring of the risk and ensure that appropriate internal control processes are in place;

– Revises the risk management strategies and internal control processes in case of any significant change of situation; and

– Reports the results of risk monitoring to the management and the Board regularly.

The Company does not have an internal audit function and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. It was decided that the Board would be directly responsible for internal control of the Group and for reviewing its effectiveness.

The Board has engaged external professional consultant as its risk management and internal control review adviser (the "**Adviser**") to conduct the annual review of the risk management and internal control systems for the year ended 31 March 2020. Such review is conducted annually and cycles reviewed are under rotation basis. The scope of review was previously determined and approved by the Board. The Adviser has reported findings and areas for improvement to the Audit Committee and management of the Company. The Board/Audit Committee are of the view that there are no material internal control defeats noted. All recommendations from the Adviser are properly followed up by the Group to ensure that they are implemented within a reasonable period of time. The Board therefore considered that the risk management and internal control systems are effective and adequate.

In relation to the procedures and internal controls for handling and dissemination of inside information, they are as follows:

- Designated reporting channels from different operations informing any potential inside information to designated departments;
- Designated persons and departments to determine further escalation and disclosure as required; and
- Designated persons authorised to act as spokespersons and respond to external enquiries.

The Board is satisfied that the internal control system in place covering all material controls including financial, operational and compliance controls and risk management functions for the year under review and up to the date of this annual report is reasonably effective and adequate.

In March 2020, the Company engaged Java Consulting Limited to review the internal control systems of the Company (regarding fixed assets, procurement, cash management and financial cycles) and to make recommendations accordingly.

AUDITOR'S REMUNERATION

During the year ended 31 March 2020, the fees paid to the Company's auditor, McMillan Woods (Hong Kong) CPA Limited and its network firm in respect of audit and non-audit services provided to the Group are as follows:

	HK$'000
Audit services	600

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group. The Board having made appropriate enquiries and examined major areas which could give rise to significant financial exposures. The Directors have reasonable expectation that the Group's ability to continue in operational existence for the foreseeable future by (1) inspecting and evaluating the Group's cash flow forecasts including its calculations and underlying key assumptions adopted; (2) obtaining a copy of letter of financial support from Mr. Chan Lin So Alan ("**Mr. Chan**"), a beneficial owner who owns as to 50% of the immediate and ultimate holding company of the Company, who intends to provide a credit line to the Group to finance its working capital requirements for the next twelve months; and (3) examining the assessment of the financial capability of Mr. Chan as to whether he can honour the aforementioned credit line. For these reasons, they continue to adopt the going concern basis in preparing the financial statements.

The Board also acknowledges its responsibility to ensure that the Group keeps accounting records which disclose in the annual, half-yearly and quarterly reports in accordance with the Hong Kong Financial Reporting Standards; and other inside information announcements and other financial disclosures required under the GEM Listing Rules, and reports to the regulators as well as to information required to be disclosed pursuant to statutory requirements.

AUDITOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The statement of external auditor of the Company, McMillan Woods (Hong Kong) CPA Limited, regarding its reporting responsibilities on the consolidated financial statements of the Group is set out in the section headed "Independent Auditor's Report" in this annual report.

COMPANY SECRETARY

Ms. Lai Wai Ha, delegated by Akron Advisory Limited, external service provider, has been appointed as the Company secretary (the "**Company Secretary**") since 1 June 2018 and up to 30 September 2019. Mr. Yu King Tin has been appointed as the Company secretary since 1 October 2019.

All Directors are entitled to have access to board papers and related materials and have access to the advice and services of the Company Secretary.

COMPLIANCE OFFICER

Mr. Tam Chak Chi, executive Director, has been appointed as compliance officer of the Company since 11 December 2018. Please refer to the section headed "Directors and Senior Management" of this annual report for the biographical details of Mr. Tam.

SHAREHOLDERS' RIGHTS

Shareholders' Rights to convene a general meeting and put forward proposals at general meetings

Extraordinary general meetings shall be convened on the requisition of 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. Such requisition shall be made in writing to the Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedure for directing Shareholders' enquiries to the Board

Shareholders may at any time send their enquires and concerns to the Board in writing through the Company Secretary at the Company's principal place of business in Hong Kong or send comments/suggestion to Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong. Shareholders may also make enquiries with the Board at the general meeting of the Company.

CONSTITUTIONAL DOCUMENTS

There were no changes in the constitutional documents of the Company during the Period. The Constitution is available on the respective websites of the Stock Exchange and the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1 BACKGROUND

The Group is principally engaged in designing, developing, manufacturing and selling its own branded lingerie. The Group principally offers lingerie that are designed with shaping functions which aims to achieve better body appearance, including bras, body shaping underwear and chest support vests. The Group also sells other complementary and ancillary products, primarily including breast cream, panties, nude bras, swimwear, bra straps and pads, and waist bands.

During the year, the Group had two factories situated in Hong Kong and Shenzhen, the PRC.

Unless otherwise stated, this report covers the Group's overall performance in three subject areas, namely, Environmental and Social of the business operations in Hong Kong, Macau and Shenzhen, the PRC for the year.

2 FOREWORD

The Group primarily adopts the principles and basis of the ESG Reporting Guide ("**ESG Guide**") as set out in Appendix 20 to the Rules Governing the Listing of Securities on GEM (the "**GEM Listing Rule**") of the Stock Exchange with an aim to establish a sound environment, social and governance structure.

This report comprises the environment, social and governance areas, which sets out the Company and its major subsidiaries' policies and practices in respect of three environmental aspects and eight social aspects in accordance with ESG Guide for the year. This report is designed to allow the Company's stakeholders, such as shareholders, investors, customers, suppliers, employees, creditors, regulators and the general public to have comprehensive understanding of the long-term sustainability information of the Group. The Group seeks to balance the views and interests of these stakeholders through constructive conversation with a view to setting the course for long term prosperity. The Board of directors is responsible for evaluating and determining the environmental, social and governance risks of the Group, and ensuring that relevant policy and control are in place and operate effectively.

The table underneath showed aspects on the ESG Guide to be assessed and those ESG issues were determined to be material to the Group.

ESG Aspects as set forth in ESG Guide	Material ESG issues to the Group
(A) Environmental	
A1 Emissions	Emission from town gas and vehicle
A2 Use of Resources	Use of energy and resources
A3 Environmental and Natural Resources	Air pollution
(B) Social	
B1 Employment and Labour Practices	Labour practices
B2 Employee Health and Safety	Workplace health and safety
B3 Development and Training	Employee development and training
B4 Labour Standards	Anti-child and forced labour
B5 Supply Chain Management	Supply chain management
B6 Product Responsibility	Product responsibility
B7 Anti-corruption	Anti-corruption, fraud prevention and anti-money laundering
B8 Community Involvement	Community contributions

A. Environmental

Environmental protection is one of the core values of the Group. The Group's products are designed to be safe and environmentally friendly for customer use, meaning recyclable and safe-to-dispose materials are specified in its designs, and clean production processes are adopted in its manufacturing process. Moreover, unnecessary packaging that can cause harm to environment is not introduced into its products. The Group considers the packaging material used for its products is immaterial since the unnecessary packaging is minimised.

In the operation of the Group's business, it has formulated a set of policies to enhance the efficiency of energy and resources utilisation, and to achieve the objectives of environmental protection and sustainable development. During the course of its operation, the Group has strictly complied with the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), and other relevant environmental protection laws and regulations. In addition, the Group has been dedicated to fulfilling its commitments in environmental protection in accordance with relevant policies and requirements.

The Group considers environmental protection an essential component of sustainable and responsible business. The Group strives to minimise negative impacts on the environment and to seek environmentally friendly methods of operation. Given the nature of the Group's business, electricity is the most significant resource consumed in the Group's factories and office in both Hong Kong and Shenzhen, the PRC.

The Group has narrowed down to the following key areas where it should exert the effort on:

- Usage of resources from the operations;
- Energy and water consumption; and
- Indoor environmental quality.

The Current Environmental Policies

The Group's main task is to measure and report the efforts in reducing carbon footprints, promote waste reduction at source, enhancing its waste disposal management and setting targets on environmental performance. To minimise the environmental impacts concerning the activities, products and services, the Group will:

- Comply with applicable legal requirements and other requirements which relate to the Group's environmental aspects, and to which the Group subscribes;
- Prevent pollution, reduce waste and minimise the consumption of resources from all daily operations and actively promote recycle, reuse and replace; and
- Educate, train and motivate employees to develop a social viewpoint that enables them to conduct business activities in an environmentally responsible manner.

The Group is committed to ensuring its businesses are operated in compliance with the following laws and regulations which have significant impact:

a. Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong);

b. Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong); and

c. the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》).

A1.1 Emissions Data from Gaseous Fuel Consumption

The design procedure and assemble process are major functions of the Group's Hong Kong and Shenzhen operations. Therefore, the key environmental impacts from the Group's operations are energy and paper consumption. To achieve environmental protection, the Group encourages employees to increase the use of e-statement or scanning rather than traditional photocopying to reduce the use of paper and greenhouse gas emissions; to switch-off all computers and office equipment such as lighting and air-conditioner at the end of each working day.

The Group's PRC factory ensures its products are produced efficiently in an energy-wise manner. The Group's PRC factory has integrated environmental objectives into the business decisions in a cost-effective manner. It has also required all staff to assume environmental responsibilities in normal operating procedures and has enhanced the awareness of environmental and resource efficiency issues amongst customers, staff and stakeholders. All important green and quality assurance policies have been posted on the notice board and stated in the standard operating procedures of the Group's manufacturing plant.

a. Since the Group did not have town fuel and town gas consumption during the year, therefore no emissions data applied.

b. the Group had certain motor vehicles during the year, the emissions data applied to the Group's motor vehicles are set out below:

	Key performance indicator ("KPI") 2020	Unit
NO_x	5,837	g
SO_x	151	g
PM	430	g
Total	**6,418**	**g**

A1.2 Greenhouse Gas Emission

	KPI 2020	Unit
Scope 1: Direct Emission	28	Tonnes
Scope 2: Indirect Emission	137	Tonnes
Scope 3: Other indirect Emission	0.21	Tonnes
Total	**165**	**Tonnes**

During the year, there were 165 tonnes (2019: 321.2) of carbon dioxide equivalent greenhouse gases (mainly carbon dioxide, methane and nitrous oxide) emitted from the Group's operation.

The total saleable area coverage for the Group was 3,781 m^2 in 2020. The annual emission intensity was 0.04 tonnes CO_2e/m^2.

Compliance with relevant laws and regulations:
The Group is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact relating to air and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous waste of the Group during the year. In addition, no significant fines or non-monetary sanctions for non-compliance with relevant laws and regulations had been reported in the year.

A1.3 Non-hazardous Waste

The Group generates no hazardous waste in its operation. However, there were non-hazardous waste arose from the use of electricity under the Group's operation but the management of the Group believed that these non-hazardous waste are insignificant.

A2 Use of Resources

The Group has adopted proactive measures in reducing the energy and resources consumption and vigorously promoting the philosophy of energy-saving and emission-reducing. The Group has specifically formulated a Policy of Energy Saving, aiming to conduct research and statistical works in respect of its energy consumption in a scientific way and ensure a reasonable usage of its resources.

For the Group's Hong Kong office, the Group has been encouraging its employees to establish energy-saving habits, such as switching off lights and electronic appliances before leaving the office, as well as setting indoor temperature at 25.5°C.

With an effective and efficient control on water usage, the Group has reduced our water consumption. Moreover, the Group is not aware of any material issue in sourcing water for daily usage.

A3 Environmental and Natural Resources

The Group has established a series of policies, mechanisms and measures on environmental protection and natural resources conservation to enhance its efficiency in the usage of energy, water and materials. The Group also complies with relevant local environmental regulations and international general practices, with an aim to reduce the use of natural resources and protect the environment.

There was no non-compliance case noted in relation to environmental laws and regulations during the year.

	KPI 2020	Unit
Electricity consumed	212,647	kWh
Oil consumed	99,336	kWh
Total energy consumed	311,983	kWh
Total floor area of facilities	3,781	m^2
Energy consumed per square meter	**83**	**kWh/m^2**
Water consumed	518	m^3
Water consumed per square meter	**0.14**	**m^3/m^2**

The Group has established a series of policies, mechanisms and measures on environmental protection and natural resources conservation to enhance its efficiency in the usage of energy, water and materials. The Group also complies with relevant local environmental regulations and international general practices, with an aim to reduce the use of natural resources and protect the environment.

There was no non-compliance case noted in relation to environmental laws and regulations during the year.

B. Social

Being a responsible business and employer, the Group is committed to consistently looking for ways to meet the corporate social responsibilities. The Group focuses on its staff, environment and community as well as its business partners.

B1 Employment and Labour Practices

The Group places a significant emphasis on developing human capital, providing competitive remuneration and welfare packages. Promotion opportunities and salary adjustments are benchmarked against individual performance. Employees are entitled to benefits such as annual leave, sick leave, maternity leave, marriage leave, funeral leave and medical coverage in accordance with local regulations.

The Group emphasises on equal opportunities for all personnel in respect of hiring, pay rates, training and development, promotion and other terms of employment. The Group is committed to providing a work environment free from any form of discrimination on the basis of ethnicity, gender, religion, age, disability or sexual orientation.

The Group has a wide diversity of cultures including employees with different genders, ages, skills, educational backgrounds, industry experiences and other qualifications in order to achieve the most suitable composition and balance.

The Group's remuneration package is structured with reference to the individual performance, working experience and prevailing salary levels in the market. In additional to basic salaries and mandatory provident fund for the Group's Hong Kong employees, fringe benefits include a basic five-day working week, flexible leave arrangement, medical coverage scheme and annual dinner.

The employee handbook of the Group's PRC subsidiaries had been developed in accordance with the Labour Law of the PRC and has been distributed to all employees since joining the Group. The remuneration policies are determined on the basis of performance, qualification and experience of individual employee. The remuneration generally includes salaries and allowances.

During the year, the Group's PRC subsidiaries had subscribed to those basic pension insurance, basic medical insurance, unemployment insurance, occupational injury insurance, maternity insurance as prescribed by the Social Insurance Law of the PRC, as well as housing fund schemes as prescribed by the Regulations on the Administration of Housing Fund.

Employees' wages, overtime payments and related benefits are made no less than the local government's minimum requirements. The normal working hours for general employees are normally 8 hours a day and 40 hours a week. Integrated computation of working hours is implemented with reference to the requirements of the Labour Law of the PRC.

The Group is committed to ensuring its businesses are operated in compliance with the following laws and regulations which have significant impact:

a. Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong);

b. Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong);

c. Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong);

d. Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong);

e. the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》);

f. the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》);

g. the Patent Law of the PRC (《中華人民共和國專利法》); and

h. The Production Safety Law of the PRC (《中華人民共和國安全生產法》).

Staff Composition
As at 31 March 2020, the Group employed a total of 132 staff (2019: 174), including operational office, sales and marketing, and back office division. All staff members are allocated in Hong Kong, the PRC and Macau.

(a) Employee's Age and Gender Distribution

	2020		2019	
	Male	**Female**	Male	Female
Age Group				
19–60	18%	81%	16%	75%
>60	0%	1%	2%	7%
Total	18%	82%	18%	82%

(b) Employee' s Geographical and Gender Distribution

	2020		2019	
	Male	**Female**	Male	Female
Hong Kong	14%	45%	13%	42%
The PRC	4%	34%	5%	36%
Macau	0%	3%	0%	4%
	18%	82%	18%	82%

The employee's turnover rate of the Group as of 31 March 2020 is 24%. The Group will continue to provide a well-structured and caring environment to employees to raise their sense of belonging and work efficiency in the Group.

The Group is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare on the Group during the year. In addition, no non-compliance with relevant laws and regulations that results in significant fines or sanctions had been reported during the year.

B2 Employee Health and Safety

The Group adopts non-discriminatory employment practices and provides a healthy and safe workplace. The Group seeks to attract and retain talented employees through providing a healthy and safe workplace for each and every employee in line with established internal guidelines and systems.

For the Group's employees, the Group provides its employee with flexible rest leave arrangement, medical and hospital scheme. The Group understands that a good working environment for its employees with a safe and comfortable working condition is very important. The Group has set a clear guideline of work arrangement for typhoon and rainstorm warning.

Smoking is prohibited in factory areas. First aid exercises are regularly performed. Regular fire prevention talks and fire-fighting drills are organised at least annually to improve employees' capability to deal with potential fire hazards.

Occupational Health and Safety Data

The information of work accidents are set out as below:

	2020		2019	
	Male	**Female**	Male	Female
Health and Safety				
Number of work-related fatalities	0%	0%	0%	0%
Lost days due to work injury	0%	0%	0%	0%

During the year, the Group had no non-compliance cases regarding violation of relevant laws and regulations on occupational health and safety.

B3 Development and Training

The Group has committed to providing on-the-job education and training to its employees in order to enhance their knowledge and skills. All employees are encouraged to enhance their skills and knowledge at every opportunity in order to perform their current job more efficiently and effectively and to be better prepared for career opportunities which may arise. During the year, regular training courses were provided to the employees including but not limited to orientation training, technical training and quality training.

Performance evaluations are initiated annually. In order to recognise value in the skill and experience of the Group's employees, the Group has adopted a policy that any promotions will be considered internally first before hiring any outside staff. It is the Group's policy to select the most suitable candidate for appointment to a higher rank based on merit, rather than on the seniority of the candidates.

B4 Labour Standards

The Group fully understands that the exploitation of child and forced labour are universally prohibited, and therefore takes the responsibility against child and forced labour very seriously. The Group strictly complied with all laws and regulations against child labour and forced labour in the Group's PRC factory situated in Shenzhen, the PRC.

For entry registration, all employees must present valid documents to the Company as follows: (i) identity card and vocational qualification certificate; (ii) social security card; (iii) medical or health certificate; (iv) recent photos; and (v) other relevant information and documents required by the Company. The above procedures can ensure no child labour will be employed in the Group's manufacturing plant.

All employees of the PRC subsidiaries are entitled to sick leave, injury leave and maternity leave with medical proof in accordance with the Labour Law of PRC and Law of the PRC on the Protection of Labour Rights and Interests and other applicable regulations. In addition, all employees work normally 8 hours daily and are not encouraged to work overtime. However, if overtime work is required, the relevant employees and supervisor will agree mutually in written form. Overtime work is compensated in accordance with the provisions of the Labour Law of PRC.

During the year, the Group had no non-compliance case regarding violation of relevant child labour and forced labour laws.

B5 Supply Chain Management

The Group has the greatest respect for the laws and regulations that govern its business. The Group always adheres to international best practices and conducts fair and unbiased procurement processes when dealing with suppliers.

The Group adheres to the principle of transparency and implements the value of honesty, integrity and fairness in its supply chain management. The Group's procurement procedures provide directions and guidelines on evaluation and engagement when dealing with suppliers of goods and services to ensure business is conducted with legally, financially and technically-sound entities. In addition, approval procedures are in place to ensure that supplier engagements are monitored and approved by the appropriate level of management.

B6 Product Responsibility

A high priority for the Group is to ensure customer satisfaction in terms of the products and services. Strenuous efforts are made to ensure compliance with the relevant laws and regulations relating to product health and safety, advertising, labelling and privacy matters of the jurisdictions in which the Group operates. The Group requires its employees to comply with applicable governmental and regulatory laws, rules, codes and regulations.

During the year, the Group did not have any recalled products and did not receive any compliant from its customers in relation to either its quality of services or products. The Group had no non-compliance case regarding violations of relevant laws and regulations on product responsibility and data privacy.

B7 Anti-corruption

Corruption, bribery, extortion, money laundering or fraud in any form is strictly prohibited. The Group's anti-corruption policies set out standards of conduct to which all employees are required to adhere in order to promote an environment of integrity in the workplace.

To combat corruption and to govern conflicts of interest, unless with the Group's approval, Directors and employees are prohibited from accepting any valuable items from co-workers, customers, suppliers or other stakeholders. Unless with approval the Board and the senior management members are also prohibited from engaging in any activities that involve a potential conflict of interest with the Group or may do harm to the Group's overall interests. Breaches are subject to disciplinary actions, including termination of employment contracts where necessary.

Various policies have also been formulated to accord with the Securities and Futures Commission's Guideline on Anti-Money Laundering and Counter-Terrorist Financing, including the basic procedures for customer identification and due diligence, suspicious transactions report and recordkeeping. Ongoing staff training has also been carried out to ensure each of the employees is fully aware of these policies.

In the year, there was no legal case concerning corruption brought against the Group or employees.

B8 Community Involvement

The focuses of the Group's community investment are education, social welfare and environmental protection. The management believes that it can act effectively to help alleviate social problems and respond positively to charitable programmes and volunteering services. In the future, the Group will continue to fulfill our social responsibility and contribute to the society.

REPORT OF THE DIRECTORS

The Directors hereby present this report and the audited consolidated financial statements of the Group for the year ended 31 March 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The major activities of its principal subsidiaries are set out in note 37 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

To the best knowledge of the Board is aware, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the business and operation of the Group during the year.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 46 of this annual report.

The Board does not recommend the payment of dividend for the year ended 31 March 2020 (2019: Nil).

DIVIDEND POLICY

The Company considers stable and sustainable returns to the Shareholders to be its goal.

In order to strike a balance between maintaining sufficient capital to grow the business and rewarding the Shareholders, the declaration of dividends and the amount of dividend will be subject to the discretion of the Board and will depend on, among other things, the followings:

(i) the results of operations of the Group;

(ii) the retained earnings of the Company;

(iii) the cash flow availability and requirements of the Group;

(iv) the financial conditions of the market and the Group;

(v) the capital requirements and development plan of the Group; and

(vi) any other factors that the Board may considered relevant.

The payment of the dividend by the Company is also subject to any restrictions under the articles of association of the Company, the Cayman Islands Companies Law and the applicable laws and regulations. The Board will review the policy from time to time and may update and/or revise the same at any time as it deems fit and appropriate.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the property, plant and equipment of the Group are set out in note 17 to the consolidated financial statements.

BUSINESS REVIEW

For business review of the Group for the year, please refer to "Management Discussion and Analysis" section of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

As a responsible corporate citizen, the Company recognized its responsibility to protect the environment from its business activities. The Group has endeavoured to comply with applicable laws and regulations regarding environmental protection and adopted effective environmental practices to ensure the business of the Group meet the required standards and ethics in respect of environmental protection.

PRINCIPAL RISKS AND UNCERTAINTIES

The financial condition, results of operations, business and prospects of the Group would be affected by a number of risks and uncertainties as set out in the Prospectus under the section headed "Risk Factors".

For principal risk of the Group for the year, please refer to note 6 to the consolidated financial statements.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the latest five financial years is set out on pages 109 to 110 of this annual report.

SHARE CAPITAL

Details of the movements in the Company's share capital during the year are set out in note 29 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the year ended 31 March 2020 and up to the date of this report.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in note 31(b) to the consolidated financial statements and in the consolidated statement of changes in equity on page 49 of this annual report respectively.

DISTRIBUTABLE RESERVES

No distributable reserves was available for distribution as at 31 March 2020 (2019: approximately HK$1,115,000).

DONATIONS

During the years ended 31 March 2020 and 2019, charitable and other donations made by the Group were less than HK$10,000.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group has no major customers due to the nature of the principal activities of the Group.

The Group's largest and five largest suppliers' aggregate amount represented approximately 40.6% (2019: approximately 17.5%) and 72.4% (2019: approximately 50.3%) of the Group's total purchases respectively.

To the best knowledge of the Directors, none of the Directors nor any of their close associates (as defined in the GEM Listing Rules) nor any Shareholders who or which own more than 5% of the Company's issued share capital had any beneficial interest in any of the Group's five largest suppliers during the year.

DIRECTORS

The Directors during the year and up to the date of this annual report were as follows:

Executive Directors

Mr. Tam Chak Chi	
Mr. Wong Wai Kit	(resigned on 14 May 2020)
Mr. Xu Xue	(appointed on 14 May 2020)

Independent non-executive Directors

Mr. Cai Chun Fai	
Ms. Chan Ka Ming	(resigned on 14 May 2020)
Mr. Ong King Keung	
Mr. Deng Guo Hong	(appointed on 14 May 2020)

Pursuant to article 112 of the articles of association of the Company (the "**Articles**"), 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 or as an addition Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the Shareholders in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. 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 under such article shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting. As such, Mr. Xu Xue and Mr. Deng Guo Hong shall retire from office at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

Pursuant to article 108(a) of the Articles, notwithstanding any other provisions in the Articles, at each annual general meeting 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 (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. As such, Mr. Cai Chun Fai shall retire from office at the forthcoming annual general meeting of the Company and, being eligible, offer himself for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS

The biographical details of the Directors are disclosed in the section headed "Directors and Senior Management" of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors has entered into a letter of appointment with the Company for an initial term of one year with effect from their respective date of appointment and thereafter shall continue year to year unless terminated by either party. Either party has the right to give not less than one month's written notice to terminate the letter of appointment.

Save as disclosed above, none of the Directors has proposed or entered into any service agreement or appointment letter with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than the statutory compensation.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors a confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and considers all the independent non-executive Directors to be independent.

PERMITTED INDEMNITY PROVISIONS

Pursuant to the Articles, the Directors shall be entitled to be indemnified out of the assets or profits of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Company.

CORPORATE GOVERNANCE

Save as disclosed in this annual report, the Company had complied with all the applicable code provisions as set out in the CG Code during the Period.

Details of the principal corporate governance practices of the Group are set out in the section headed "Corporate Governance Report" on pages 13 to 23 of this annual report.

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals are set out in notes 13 and 14 to the consolidated financial statements.

EMOLUMENT POLICY

The Directors and senior management of the Company receive compensation in the form of directors' fees, salaries, benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and performance of the Group. The Group also reimburses the Directors and senior management of the Company for expenses which are necessarily and reasonably incurred for provision of services to the Group or executing their functions in relation to the Group's operations. The Group regularly reviews and determines the remuneration and compensation packages of the Directors and senior management by reference to, among other things, market level of remuneration and compensation paid by comparable companies, respective responsibilities of the Directors and performance of the Group. The Directors may also be offered options under share option scheme.

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

As at 31 March 2020, none of the Directors nor chief executives of the Company and their respective associates had any interests and short positions in any Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**")), which are 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) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules.

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

So far as is known to the Directors, as at 31 March 2020, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions (directly or indirectly) in the Shares or underlying shares of the Company that would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in the Shares of the Company

Name of Shareholder	Nature of interest/ holding capacity	Number of shares	Percentage of issued share capital of the Company
Global Succeed Group Limited	Beneficial owner (Note)	360,000,000	75%
Mr. Chan Lin So Alan	Interest in a controlled corporation	360,000,000	75%
Mr. Yiu Koon Pong	Interest in a controlled corporation	360,000,000	75%

Note: Global Succeed Group Limited is the direct shareholder of the Company. According to the information available to the Company, Global Succeed Group Limited is beneficially owned as to 50% by Mr. Chan Lin So Alan and 50% by Mr. Yiu Koon Pong. By virtue of the SFO, each of Mr. Chan Lin So Alan and Mr. Yiu Koon Pong is deemed to be interested in the 360,000,000 shares held by Global Succeed Group Limited. Global Succeed Group Limited disposed some of its shares of the Company on 21 April 2020 (the "**Disposal**"). After the Disposal, Mr. Chan Lin So Alan, Mr. Yiu Koon Pong and Global Succeed Group Limited remains as the controlling shareholders of the Company. Mr. Chan Lin So Alan is a consultant of the Company as at 31 March 2020 and up to the date of this annual report.

Save as disclosed above, as at 31 March 2020, the Directors were not aware of any other persons (other than the Directors or chief executive of the Company) who had, or was deemed to have, interest or short positions in the Shares or underlying shares of the Company would fall to be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme as set out below, no equity-linked agreements were entered into by our Group, or existed during the year ended 31 March 2020.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme (the "**Share Option Scheme**") on 19 June 2017 for the purpose of providing incentives or rewards to participants for their contribution to our Group and/or to enable our Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any invested entity.

Under the Share Option Scheme, the Board may grant options to eligible persons. Eligible persons of the Share Option Scheme include, among others, any employee (whether full-time or part-time employee), director (including non-executive director and independent non-executive director), supplier, customer, adviser (professional or otherwise), shareholder of any member of the Group (the "**Participants**").

The total number of Shares in respect of which options may be granted under the Share Option Scheme and other schemes must not, in aggregate, exceed 10% of the Shares in issue on the Listing Date. The Company may refresh the 10% limit by seeking prior approval from the Shareholders in a general meeting, provided that the total number of Shares which may be issued upon exercise of all options and any other share option schemes of the Company, in aggregate, must not exceed 10% of the total number of Shares in issue as at the date of such Shareholders' approval of the refreshed limit.

No Participant shall be granted options which if exercised in full would result in the total number of Shares already issued under all the options granted to him which have been exercised and issuable under all the options granted to him which are for the time being subsisting and unexercised in any 12-month period would exceed 1% of the total number of Shares in issue, provided that if approved by Shareholders in general meeting with such Participant and his close associates (or his associates if such Participant is a connected person) abstaining from voting, our Company may make further grant of options to such Participant (the "**Further Grant**") notwithstanding that the Further Grant would result in the total number of Shares already issued under all the options granted to such Participant which have been exercised and issuable under all the options granted to him which are for the time being subsisting and unexercised in any 12-month period exceed 1% of the total number of Shares in issue.

If a grant of option to a substantial Shareholder or an independent non-executive Director or their respective associates will result in the Shares issued and to be issued upon exercise of all options granted and to be granted (whether exercised, cancelled or 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% of the relevant class of Shares in issue; and (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5.0 million, then the proposed grant of options must be approved by the Shareholders in a general meeting.

Options may be exercised at any time during a period as the Directors may determine which shall not exceed ten years from the date of grant. The subscription price is determined by the Board in its absolution discretion at the time of the grant of the relevant option buy in any case the relevant subscription price shall not be less than the highest of (i) the closing price of the Shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant of the option, which must be a trading day; (ii) the average closing price of the Shares as stated in the daily quotations sheets of the Stock Exchange for the five trading days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share.

The Share Option Scheme will remain in force for a period of ten years commencing on 19 June 2017, the adoption date and ending on the tenth anniversary of the adoption date (both dates inclusive) or unless terminated earlier by the Shareholders in general meeting.

Up to the date of this report, no share option had been granted by the Company under the Share Option Scheme.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in note 35 to the consolidated financial statements, neither Director nor a connected entity of a Director had any material interest, either directly or indirectly, in any transactions, arrangements or contract of significance to the business of the Group, to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed under the sections "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" and "Share Option Scheme" at no time during the year ended 31 March 2020 was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the Directors or the controlling shareholder of the Company or any of their respective close associates (as defined in the GEM Listing Rules) had any business or interest in a business that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the year ended 31 March 2020.

DEED OF NON-COMPETITION

On 19 June 2017, Global Succeed Group Limited, Mr. Yiu Koon Pong and Mr. Chan Lin So Alan (the "**Controlling Shareholders**") entered into the deed of non-competition in favour of the Company (for itself and each of the subsidiaries of the Company). Pursuant to which each of the Controlling Shareholders, irrevocably and unconditionally, jointly and severally, undertakes to and covenants to the Company (for itself and as trustee for other members of the Group), among others, that from the Listing Date, each of the Controlling Shareholders shall not, and shall procure each of his/its close associates (other than the Group) not to, whether on his/its own account or in conjunction with or on behalf of any person, firm or company and whether directly or indirectly (other than through the Group), whether as a shareholder, director, employee, partner, agent, or otherwise (other than being a director of shareholder of the Group or members of the Group), carry on or be engaged in, directly or indirectly, a business which is, or be interested or involved or engaged in or acquire or hold any rights or interest (save for the holding in aggregate by the Controlling Shareholders and their close associates of not more than 5% shareholding interest in any company listed on the Stock Exchange or any other stock exchange) or otherwise involved in (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business which competes or may in any aspect compete directly or indirectly with the business or which is similar to the business currently and may from time to time engaged by the Group. Please refer to the section "Relationship with Controlling Shareholders – Deed of Non-competition" in the Prospectus.

To the best knowledge of and information available to the Directors, each Controlling Shareholders has complied with the aforesaid undertaking during the year ended 31 March 2020. The independent non-executive Directors, based on the information available to them, considered the aforesaid undertakings have been complied with.

INTERESTS OF THE COMPLIANCE ADVISER

Central China International Capital Limited confirmed neither the compliance adviser nor its directors, employees or close associates (as defined under the GEM Listing Rules) held any interests in relation to the Company or in the share capital of any member of the Group as at 31 March 2020 which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group during the year are set out in note 35 to the consolidated financial statements.

CONTINUING CONNECTED TRANSACTIONS

Save as disclosed in note 35 to the consolidated financial statements, the Group has not entered into other connected transaction or continuing connected transaction during the year which should be disclosed pursuant to the requirements under the GEM Listing Rules.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any part of the business of the Company were entered into or existed during the year ended 31 March 2020.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in note 39 to the consolidated financial statements, no other significant event after the reporting period of the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained a sufficient public float throughout the year ended 31 March 2020 as required under the GEM Listing Rules.

AUDITOR

McMillan Woods (Hong Kong) CPA Limited was appointed as auditor of the Company in place of World Link CPA Limited following its resignation as auditor of the Company on 31 March 2020.

The consolidated financial statements for the year ended 31 March 2020 have been audited by McMillan Woods (Hong Kong) CPA Limited who will retire and, being eligible, offer itself for re-appointment at the forthcoming annual general meeting of the Company. A resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

By order of the Board

Tam Chak Chi
Executive Director
Hong Kong, 23 June 2020

INDEPENDENT AUDITOR'S REPORT

McMillanWoods
Professionalism at the forefront

To the shareholders of
My Heart Bodibra Group Limited
(Incorporated in Cayman Islands with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of My Heart Bodibra Group Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 46 to 108, which comprise the consolidated statement of financial position as at 31 March 2020, 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.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Material uncertainties relating to going concern

We draw attention to note 2 to the consolidated financial statements which indicate that the Group incurred a loss of approximately HK$46,839,000 for the year ended 31 March 2020 and as at 31 March 2020, the Group had net current liabilities and net liabilities of approximately HK$62,308,000 and HK$32,286,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent upon the outcomes of the Group as set out in note 2 to the consolidated financial statements to obtain source of funding in the immediate and longer term, at a level sufficient to finance the working capital requirements of the Group. The consolidated financial statements do not include any adjustments that would result from the failure to meet its financial obligations in the foreseeable future. We consider that the material uncertainty has been adequately disclosed in the consolidated financial statements. However, in view of the extent of the uncertainty relating to the outcomes of the Group's funding activities, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

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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 Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

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.

McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountants
Hui Chi Kong
Audit Engagement Director
Practising Certificate Number – P07348

3/F., Winbase Centre
208 Queen's Road Central,
Hong Kong

Hong Kong, 23 June 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Note	2020 *HK$'000*	2019 *HK$'000*
Revenue	8	**62,529**	72,875
Cost of sales		**(23,157)**	(18,047)
Gross profit		**39,372**	54,828
Other income	9	**1,568**	95
Selling expenses		**(24,753)**	(37,623)
Administrative and other operating expenses		**(46,438)**	(42,409)
Loss from operations		**(30,251)**	(25,109)
Finance costs	10	**(1,107)**	(75)
Share of profit of an associate		**896**	861
Impairment of investments in associates		**(16,377)**	–
Loss before tax		**(46,839)**	(24,323)
Income tax expense	11	**–**	(95)
Loss for the year attributable to the owners of the Company	12	**(46,839)**	(24,418)
Other comprehensive income for the year, net of tax:			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**243**	(218)
Total comprehensive income for the year attributable to the owners of the Company		**(46,596)**	(24,636)
Loss per share			
Basic (HK cents)	16(a)	**(9.76)**	(5.09)
Diluted (HK cents)	16(b)	**(9.76)**	(5.09)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	17	5,207	12,493
Right-of-use assets	18	10,077	–
Investments in associates	19(a)	18,020	33,501
Goodwill	20	440	440
Other receivables	22	4,642	5,570
		38,386	52,004
Current assets			
Inventories	21	25,918	36,071
Trade and other receivables	22	4,664	9,957
Amount due from ultimate holding company	23	153	145
Amount due from an associate	19(b)	7,153	7,260
Pledged bank deposits	24	835	835
Cash and bank balances	24	3,269	12,234
		41,992	66,502
Current liabilities			
Trade and other payables	25	4,391	6,004
Contract liabilities	26	86,966	95,234
Amount due to a director	23	–	26
Lease liabilities	27	12,812	–
Finance lease payables	27	–	666
Current tax liabilities		131	153
		104,300	102,083
Net current liabilities		(62,308)	(35,581)
Total assets less current liabilities		(23,922)	16,423
Non-current liabilities			
Lease liabilities	27	8,364	–
Finance lease payables	27	–	602
		8,364	602
Net (liabilities)/assets		(32,286)	15,821

	Note	2020 HK$'000	2019 HK$'000
Equity			
Share capital	29	4,800	4,800
Reserves	30	(37,086)	11,021
Total (deficit)/equity		(32,286)	15,821

Approved and authorised for issue by the Board of Directors on 23 June 2020.

Xu Xue
Director

Tam Chak Chi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Share capital HK$'000	Share premium account HK$'000 (note 30 (a))	Capital reserve HK$'000 (note 30 (b))	Foreign currency translation reserve HK$'000 (note 30 (c))	Statutory reserve HK$'000 (note 30 (d))	Accumulated losses HK$'000	Total equity HK$'000
At 1 April 2018	4,800	34,250	(34)	256	243	942	40,457
Loss and total comprehensive income for the year	–	–	–	(218)	–	(24,418)	(24,636)
Appropriations	–	–	–	–	282	(282)	–
Changes in equity for the year	–	–	–	(218)	282	(24,700)	(24,636)
At 31 March 2019 and 1 April 2019	4,800	34,250	(34)	38	525	(23,758)	15,821
Adjustments on initial application of HKFRS 16	**–**	**–**	**–**	**–**	**–**	**(1,511)**	**(1,511)**
Restated balance as at 1 April 2019	**4,800**	**34,250**	**(34)**	**38**	**525**	**(25,269)**	**14,310**
Loss and total comprehensive income for the year	**–**	**–**	**–**	**243**	**–**	**(46,839)**	**(46,596)**
At 31 March 2020	**4,800**	**34,250**	**(34)**	**281**	**525**	**(72,108)**	**(32,286)**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
Cash flows from operating activities			
Loss before tax		(46,839)	(24,323)
Adjustments for:			
Allowance for inventories		1,395	3,492
Allowance for other receivables		593	–
Depreciation of property, plant and equipment		4,345	4,952
Depreciation of right-of-use assets		8,608	–
Finance costs		1,107	75
Impairment of amount due from an associate		107	–
Impairment of investments in associates		16,377	–
Impairment of property, plant and equipment		1,260	–
Impairment of right-of-use assets		11,537	–
Interest income		(5)	(28)
Net loss on disposals of property, plant and equipment		991	–
Share of profit of an associate		(896)	(861)
Operating loss before working capital changes		(1,420)	(16,693)
Decrease/(increase) in inventories		8,353	(4,595)
Decrease/(increase) in trade and other receivables		5,592	(1,641)
Increase in amount due from ultimate holding company		(8)	(15)
Decrease in amount due from an associate		–	240
(Decrease)/increase in trade and other payables		(1,548)	653
(Decrease)/increase in contract liabilities		(8,263)	7,027
(Decrease)/increase in amount due to a director		(26)	26
Cash generated from/(used in) operations		2,680	(14,998)
Hong Kong Profits Tax paid		–	(748)
People's Republic of China ("**PRC**") Enterprise Income Tax ("**EIT**") paid		–	(132)
Interest on lease liabilities (2019: finance lease charges paid)		(1,107)	(75)
Net cash generated from/(used in) operating activities		1,573	(15,953)
Cash flow from investing activities			
Acquisition of a subsidiary	36(a)	–	(448)
Acquisition of an associate		–	(32,640)
Purchases of items of property, plant and equipment		(2,936)	(6,824)
Movement of balance with related parties		–	(1,614)
Proceeds from disposals of property, plant equipment		3,583	–
Increase in pledged bank deposits		–	(835)
Interest received		5	28
Net cash from/(used in) investing activities		652	(42,333)

	Note	2020 HK$'000	2019 HK$'000
Cash flow from financing activities			
Repayment of bank borrowings		–	(129)
Principal elements of lease payments (2019: repayment of finance lease payables)		(11,785)	(1,037)
Net cash used in financing activities		(11,785)	(1,166)
Net decrease in cash and cash equivalents		(9,560)	(59,452)
Effect of foreign exchange rate changes		595	(25)
Cash and cash equivalents at beginning of year		12,234	71,711
Cash and cash equivalents at end of year		3,269	12,234
Analysis of cash and cash equivalents			
Cash and bank balances	24	3,269	12,234

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

1. CORPORATE INFORMATION

My Heart Bodibra Group 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 May 2016. The address of its registered office is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business in Hong Kong is located at Unit 2801–03, 28/F., Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong. The Company's shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 13 July 2017 (the "**Listing**").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 37 to the consolidated financial statements.

In the opinion of the directors of the Company, as at 31 March 2020, Global Succeed Group Limited, a company incorporated in the British Virgin Islands (the "**BVI**") and jointly controlled by Mr. Chan Lin So, Alan ("**Mr. Chan**") and Mr. Yiu Koon Pong ("**Mr. Yiu**"), is the immediate and ultimate holding company of the Company.

2. BASIS OF PREPARATION

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

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

2. BASIS OF PREPARATION *(continued)*

Going concern assumption

For the year ended 31 March 2020, the Group incurred a loss of approximately HK$46,839,000 and as at 31 March 2020, the Group had net current liabilities and net liabilities of approximately HK$62,308,000 and HK$32,286,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. In preparing these consolidated financial statements, the directors of the Company have given careful consideration to the impact of the current and anticipated future liquidity of the Group. The validity of the Group to operate as a going concern is dependent upon the successful outcomes of the Group to (i) attain profitable and positive cash flows from operations; and (ii) obtain external source of funding or new credit line, at a level sufficient to finance the working capital requirements of the Group for the next twelve months. Having considered the above scenarios, the directors considered that it is appropriate to adopt the going concern in preparing these consolidated financial statements. In order to strengthen the Group's capital base and liquidity in the foreseeable future, the Group has taken the following measures:

- the directors of the Company have been taking various cost control measures to tighten the costs of operations and implementing various strategies to enhance the Group's revenue;

- actively negotiating with bankers to obtain credit facility to finance the Group's operation; and

- Mr. Chan, a beneficial owner who owns as to 50% of the immediate and ultimate holding company of the Company, agreed to provide financial support to finance the Group's working capital requirements.

Based on the cash flow projections of the Group and having taken into account the available financial resources of the Group with the above measures, the directors have concluded that the Group is able to continue as a going concern and to meet their financial liabilities as and when they fall due for the next twelve months. Should the Group be unable to continue as a going concern, adjustments would have to be made to the financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and current liabilities respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HKFRSs

(a) Application of new and revised HKFRSs

The HKICPA has issued a new HKFRS, HKFRS 16 Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 Leases, and the related interpretations, HK(IFRIC) 4 Determining whether an Arrangement contains a Lease, HK(SIC) 15 Operating Leases – Incentives and HK(SIC) 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 April 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(i) *New definition of a lease*

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 April 2019. For contracts entered into before 1 April 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

3. ADOPTION OF NEW AND REVISED HKFRSs *(continued)*

(a) Application of new and revised HKFRSs *(continued)*

HKFRS 16 Leases *(continued)*

(ii) Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 5.5%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

– elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 March 2020;

– applied a single discount rate to a portfolio of leases with similar remaining terms for similar class of underlying assets in a similar economic environment. Specifically, discount rate for certain leases of leasehold lands and properties was determined on a portfolio basis;

– used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension options;

– excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

– relied on the assessment of whether leases are onerous by applying HKAS 37 as an alternative to an impairment review.

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

3. ADOPTION OF NEW AND REVISED HKFRSs *(continued)*

(a) Application of new and revised HKFRSs *(continued)*

HKFRS 16 Leases *(continued)*

(ii) Lessee accounting and transitional impact (continued)

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

The following table reconciles the operating lease commitments as at 31 March 2019 to the opening balance for lease liabilities recognised as at 1 April 2019:

	HK$'000
Operating lease commitments disclosed as at 31 March 2019	19,578
Less: commitments relating to lease exempt from capitalisation:	
– leases with remaining lease term ending on or before 31 March 2020	(8,385)
Add: lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options	1,725
	12,918
Less: total future interest expenses	(766)
Present value of remaining lease payments, discounted using the incremental borrowing rate as at 1 April 2019	12,152
Add: finance lease liabilities recognised as at 31 March 2019	1,268
Lease liabilities recognised as at 1 April 2019	13,420
Of which are:	
Current lease liabilities	6,705
Non-current lease liabilities	6,715
	13,420

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of consolidated financial position at 31 March 2019.

3. ADOPTION OF NEW AND REVISED HKFRSs *(continued)*

(a) Application of new and revised HKFRSs *(continued)*

HKFRS 16 Leases *(continued)*

(ii) Lessee accounting and transitional impact (continued)

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "Finance leases payables", these amounts are included within "Lease liabilities", and the depreciated carrying amount of the corresponding leased assets is identified as right-of-use assets. There is no impact on the opening balance of equity.

The following table summaries the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

		Effects of adoption of HKFRS 16			
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16	**Carrying amount as at 31 March 2019**	**Reclassification**	**Recognition of leases**	**Impairment of right-of-use assets**	**Carrying amount as at 1 April 2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets					
Right-of-use assets	–	–	11,549	(908)	10,641
Liabilities					
Lease liabilities	–	1,268	12,152	–	13,420
Finance lease payables	1,268	(1,268)	–	–	–

(iii) Impact of the financial results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 April 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their principal element and interest element. These elements are classified as financing cash outflows and operating cash outflows respectively. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

3. ADOPTION OF NEW AND REVISED HKFRSs *(continued)*

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

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 April 2019. These new and revised HKFRSs include the following which may be relevant to the Group.

		Effective for accounting periods beginning on or after
Amendments to HKFRS 3	Definition of a Business	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform	1 January 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 it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

The significant accounting policies applied in the preparation of the 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Consolidation *(continued)*

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

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

Intragroup 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 loss, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Group.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the sum of the consideration transferred in a business combination to calculate the goodwill.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("**CGUs**") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's entire carrying amount of that associate (including goodwill) and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) 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 ("**HK$**"), 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 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)*

(e) Property, plant and equipment

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

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

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

Leasehold improvements	Over the shorter of the term of the lease and 3 years
Equipment	20%
Furniture and fixtures	20%
Motor vehicles	20%
Vessels	33.33%

The residual values, 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.

(f) Leases

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

The Group as lessee

Policy applicable from 1 April 2019

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Leases *(continued)*

The Group as lessee *(continued)*

Policy applicable from 1 April 2019 (continued)

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

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

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

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

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

The Group presents right-of-use assets that do not meet the definition of investment properties and lease liabilities separately in the consolidated statement of financial position.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Leases *(continued)*

The Group as lessee *(continued)*

Policy prior to 1 April 2019

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases, except for the property held under operating leases that would otherwise meet the definition of an investment property was classified as investment property on a property-by-property basis and, if classified.

Where the Group acquired the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets were recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, were recorded as obligations under finance leases. Depreciation was provided at rates which wrote off the cost or valuation of the assets over the term of the relevant lease or, where it was likely the Group would obtain ownership of the asset, the life of the asset. Finance charges implicit in the lease payments were charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

Where the Group had the use of assets held under operating leases, payments made under the leases were charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis was more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received were recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. 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.

When inventories are sold, the carrying amount of those inventories is recognised as cost of sales in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised in the profit or loss in the period of write-down or loss occurs. The amount of any reversal of any write-down of inventories recognised as an increment in the amount of inventories and recognised in the profit or loss in the period in which the reversal occurs.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Contract liabilities

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

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

(i) 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 fair value through profit or loss ("**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 FVTPL 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.

(j) 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) 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 expected credit losses ("**ECL**").

(l) Cash and cash equivalents

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

(m) 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.

(n) 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.

(o) Equity instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) 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 of goods is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the retail stores. Payment of the transaction price is due immediately at the point the customer purchases the goods. Under the Group's standard contract terms, customers have a right of return within 7 days. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognised for those products expected to be returned. At the same time, the Group has a right to recover the product when customers exercise their right of return so consequently recognises a right to returned goods asset and a corresponding adjustment to cost of sales. The Group uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method. It is considered highly probable that a significant reversal in the cumulative revenue recognised will not occur given the consistent level of returns over previous years.

Revenue from beauty service is recognised at the point of time when the services are rendered.

Receipts in advance from credit packages, member vouchers and beauty packages are recognised as contract liabilities in the consolidated statement of financial position, and are recognised as revenue when control of the goods has transferred or services are rendered as described in the above accounting policy for revenue from the sale of goods and provision of services.

The unused credit packages are recognised as revenue generated from the course of the ordinary activities of the Group upon the second anniversary of the contractual expiry date of the relevant credit packages.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Employee 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 obligations

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

(iii) Termination benefits

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

(r) 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 goodwill or from the initial recognition (other than in a business combination) 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 investments in subsidiaries and associates, and interests in joint arrangements, 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Taxation *(continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(s) Related parties

For the purposes of these consolidated financial statements, a related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or a parent of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Related parties *(continued)*

(B) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

(t) Impairment of non-financial asset

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 first against the goodwill of the unit and then 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Impairment of financial assets

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

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

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)*

(u) 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:

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

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

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

(i) The financial instrument has a low risk of default;

(ii) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and

(iii) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) 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 issuer or the counterparty;

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

– the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;

– it is becoming probable that the counterparty will enter bankruptcy or other financial reorganization; 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)*

(u) Impairment of financial assets *(continued)*

Measurement and recognition of ECL

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

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.

(v) Provisions 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.

(w) 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 or those that indicate the going concern assumption is not appropriate 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. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

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

(a) Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the successful outcomes of the Group to attain profitable and positive cash flows from operations. Details are explained in note 2 to the consolidated financial statements.

(b) Significant increase in credit risk

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

(c) Recognition of contract liabilities

Receipts in advance from credit packages, money voucher and beauty packages are recognised as contract liabilities in the consolidated statement of financial position. Subsequently, the amounts will be recognised as revenue when the customers make the purchase using the credits purchased. The credit package is a programme offered to the Group's customers and having a valid period of two years from the date of purchase. Under the programme, the customers enjoy a pre-determined discount rate on the marked price of the Group's products in future purchases using the credits purchased and the pre-determined discount rate varies depending on the initial lump-sum amount paid to subscribe for the credit packages. The Group, subject to internal approval, may extend the valid period and allow the customers to continue to use the credit packages to purchase goods after the expiry dates up to the fourth anniversary of the date of original purchase.

Therefore, the directors of the Company are required to exercise judgement in the application of revenue recognition policies. In such assessment, the directors of the Company consider the general practice and grace period normally adopted by the Group as well as historical customer behaviour and usage pattern of the credit packages. After careful consideration of these factors, the directors of the Company consider that it is appropriate to recognise any unused credit packages as revenue generated from the course of the ordinary activities of the Group upon the second anniversary of the contractual expiry date of the relevant credit packages.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(continued)*

Key sources of estimation uncertainty

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

(a) Income taxes

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.

No income tax was charged to profit or loss for the year ended 31 March 2020. Income tax of approximately HK$95,000 was charged to profit or loss for the year ended 31 March 2019.

(b) Impairment of property, plant and equipment and right-of-use assets

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

The carrying amount of property, plant and equipment and right-of-use assets as at 31 March 2020 were approximately HK$5,207,000 (2019: HK$12,493,000) and HK$10,077,000 (2019: Nil) respectively.

(c) Investments in associates

Investments in associates are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the investments associates exceeds their recoverable amount. The recoverable amount is determined with reference to the fair value less costs of disposal. Calculation of fair value by market approach requires valuation technique which used price and other relevant information generated by market transactions involving identical and comparable group of assets and liabilities or business, a suitable discount rate and marketability discount rate. Where the fair value less costs of disposal are less than expected or there are unfavourable events and change in facts and circumstance which result in revision of fair value less costs of disposal, a material impairment loss may arise.

Impairment of investments in associates of approximately HK$16,377,000 (2019: Nil) was made for the year ended 31 March 2020.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(continued)*

Key sources of estimation uncertainty *(continued)*

(d) Allowance for slow-moving inventories

The Group makes allowance for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories or that the inventories have no further use. 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.

Allowance for slow-moving inventories of approximately HK$1,395,000 (2019: HK$3,492,000) was made for the year ended 31 March 2020.

(e) Impairment of trade receivables

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

No impairment of trade receivable was made for the year ended 31 March 2020 (2019: Nil).

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, interest rate risk and liquidity 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 minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities.

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 arises.

6. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Credit risk

The carrying amounts of trade and other receivables, amounts due from ultimate holding company and an associate, pledged bank deposits and bank balances included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

The Group has no significant concentrations of credit risk. At the end of reporting period, the credit risk on trade receivables is limited because the Group's trade receivables are due from banks with good high credit-ratings assigned by international credit-rating agencies.

For deposits and other receivables, 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 deposits and other receivables has not increased significantly since initial recognition, the Group measures the loss allowance for the deposits and other receivables at an amount equal to 12-month ECL. The Group has assessed that the ECL of deposits and other receivables is insignificant as at 31 March 2020 under 12-month ECL model.

Amounts due from ultimate holding company and an associate are closely monitored by the directors.

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

(c) Interest rate risk

The Group's lease liabilities (2019: finance lease payables) bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

The Group's pledged bank deposits and bank balances bear interests at variable interest rates and therefore are subject to cash flow interest rate risks.

Except as stated above, the Group does not have other significant interest-bearing assets and liabilities at the end of reporting period, its income and operating cash flows are substantially independent of changes in market interest rates.

No sensitivity analysis is presented since the directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate pledged bank deposits and bank balances is limited due to their short maturities or the insignificant amounts involved.

6. FINANCIAL RISK MANAGEMENT *(continued)*

(d) Liquidity risk

The Group's policy is to regularly monitor 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 following tables show the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Group can be required to pay.

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

	On demand	Less than 1 year	1 to 2 years	2 to 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 March 2020					
Trade and other payables	–	4,391	–	–	4,391
Lease liabilities	–	13,611	6,260	2,464	22,335
31 March 2019					
Trade and other payables	–	6,004	–	–	6,004
Amount due to a director	26	–	–	–	26
Finance lease payables	–	699	585	22	1,306

(e) Categories of financial instruments at 31 March

	2020	2019
	HK$'000	*HK$'000*
Financial assets:		
Financial assets at amortised cost	17,300	27,253
Financial liabilities:		
Financial liabilities at amortised cost	4,391	6,030

(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. OPERATING SEGMENT INFORMATION

As the Group's activities (other than design, manufacture and sales of lingerie products) do not meet the quantitative thresholds of operating segment. Accordingly, the directors of the Company have determined that the Group has only one operating and reportable segment, being the manufacture and sales of lingerie products through its retail stores.

Information reported to the directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses only on revenue analysis by nature of revenue and geographical location of customers.

Since this is the only one operating segment of the Group, no segment information is presented other than entity-wide disclosures.

Geographical information

The Group's revenue from external customers by location of operations and information about the its non-current assets (excluding investments in associates, goodwill and other receivables) by location of assets are as follows:

	Revenue		Non-current assets	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**55,080**	66,424	**12,738**	10,619
Macau	**7,211**	6,038	**2,024**	1,189
The PRC, (other than Hong Kong and Macau)	**238**	413	**522**	685
	62,529	72,875	**15,284**	12,493

Information about major customers

There was no revenue from individual customers of the Group contributing over 10% of the Group's revenue during the year ended 31 March 2020 (2019: Nil).

8. REVENUE

Revenue represents the aggregation of net amounts received and receivable during the year. An analysis of the Group's revenue for the year is as follows:

	2020 *HK$'000*	2019 *HK$'000*
Products and services transferred at a point in time:		
Sales of lingerie products and other complementary and ancillary products	56,533	67,714
Trading of garments	40	465
Provision of beauty services	1,586	89
Income from unused credit packages	4,370	4,607
	62,529	72,875

9. OTHER INCOME

	2020 *HK$'000*	2019 *HK$'000*
Bank interest income	5	28
Rental rebate	707	–
Others	856	67
	1,568	95

10. FINANCE COSTS

	2020 *HK$'000*	2019 *HK$'000*
Interest expenses on lease liabilities	1,107	–
Finance lease charges	–	75
	1,107	75

11. INCOME TAX EXPENSE

	2020 HK$'000	2019 HK$'000
Current tax – Hong Kong Profits Tax		
Over-provision in prior years	–	(38)
Current tax – Macao Complementary Tax		
Provision for the year	–	102
Current tax – PRC EIT		
Under-provision in prior years	–	31
	–	95

No provision for Hong Kong Profits Tax is made since the Group has no assessable profit for the year ended 31 March 2020 (2019: Nil).

For the Group's subsidiary established and operated in Macau is subject to Macao Complementary Tax, under which taxable income of up to MOP600,000 is exempted from taxation with taxable income beyond this amount to be taxed at the rate of 12% for the years ended 31 March 2020 and 2019.

For the Group's subsidiaries established and operated in the PRC are subject to PRC EIT at the rate of 25%. No provision for EIT is made since the Group has no assessable profit for the year ended 31 March 2020 (2019: Nil).

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:

	2020 HK$'000	2019 HK$'000
Loss before tax	(46,839)	(24,323)
Tax at the Hong Kong Profits Tax rate of 16.5% (2019: 16.5%)	(7,728)	(4,013)
Tax effect of income that is not taxable	(10)	(4)
Tax effect of expenses that are not deductible	3,798	2,040
Tax effect of share of profit of an associate	(148)	(142)
Tax effect of tax losses not recognised	2,335	1,952
Tax effect of temporary differences not recognised	1,789	1,005
Over-provision in prior years	–	(7)
Tax benefits	(50)	(72)
Effect of different tax rates of subsidiaries	14	(664)
Income tax expense	–	95

12. LOSS FOR THE YEAR

The Group's loss for the year is arrived at after charging:

	2020 *HK$'000*	2019 *HK$'000*
Allowance for inventories	1,395	3,492
Allowance for other receivables	593	–
Auditor's remuneration	600	700
Cost of inventories recognised as an expense	23,157	18,047
Depreciation of property, plant and equipment	4,345	4,952
Depreciation of right-of-use assets	8,608	–
Impairment of amount due from an associate	107	–
Impairment of investments in associates	16,377	–
Impairment of property, plant and equipment	1,260	–
Impairment of right-of-use assets	11,537	–
Net foreign exchange losses	1,121	36
Net loss on disposals of property, plant and equipment	991	–
Operating leases on land and buildings		
– Minimum lease payment	5,619	17,458
– Contingent rentals	170	1,406
	5,789	18,864
Staff cost (including directors' emoluments)		
– Salaries, bonuses and allowances	26,386	32,501
– Retirement benefit scheme contributions	1,416	2,252
	27,802	34,753

13. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance are as follows:

	2020 HK$'000	2019 HK$'000
Fees	360	606
Other emoluments		
Salaries, allowances and benefits in kind	1,020	2,145
Retirement benefit scheme contributions	36	85
	1,056	2,230
	1,416	2,836

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
31 March 2020				
Executive directors				
Mr. Wong Wai Kit (note (vi))	–	600	18	618
Mr. Tam Chak Chi (note (vii))	–	420	18	438
	–	1,020	36	1,056
Independent non-executive directors				
Mr. Ong King Keung	120	–	–	120
Mr. Cai Chun Fai	120	–	–	120
Ms. Chan Ka Ming (note (ix))	120	–	–	120
	360	–	–	360

13. BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

(a) Directors' emoluments *(continued)*

	Fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Retirement benefit scheme contributions *HK$'000*	Total *HK$'000*
31 March 2019				
Executive directors				
Mr. Fok Wai Hung (note (i))	–	587	17	604
Mr. Lam Ka Yuen (note (ii))	–	302	16	318
Ms. Luk Mo Yan (note (iii))	–	395	20	415
Mr. Yeung Man Sun (note (iv))	–	450	17	467
Mr. Wong Wai Kit (note (vi))	–	282	9	291
Mr. Tam Chak Chi (note (vii))	–	129	6	135
	–	2,145	85	2,230
Non-executive director				
Mr. Ng Chi Ho Dennis (note (viii))	239	–	–	239
Independent non-executive directors				
Mr. Lam Tat Fung (note (v))	90	–	–	90
Mr. Ong King Keung	120	–	–	120
Mr. Cai Chun Fai	120	–	–	120
Ms. Chan Ka Ming (note (ix))	37	–	–	37
	367	–	–	367

13. BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

(a) Directors' emoluments *(continued)*

Notes:

(i) Mr. Fok Wai Hung was appointed as an executive director on 29 December 2017 and resigned on 11 December 2018. Salaries, allowances and benefits in kind and retirement benefit scheme contributions of approximately HK$193,000 paid to him during the year ended 31 March 2019 after his resignation as an executive director had not been included in the emolument analysis.

(ii) Mr. Lam Ka Yuen was appointed as an executive director on 29 December 2017 and retired on 14 August 2018. Salaries, allowances and benefits in kind and retirement benefit scheme contributions of approximately HK$308,000 paid to him during the year ended 31 March 2019 after his retirement as an executive director had not been included in the emolument analysis.

(iii) Ms. Luk Mo Yan was appointed as an executive director on 6 February 2018 and retired on 14 August 2018. Salaries, allowances and benefits in kind and retirement benefit scheme contributions of approximately HK$31,000 paid to her during the year ended 31 March 2019 after her retirement as an executive director had not been included in the emolument analysis.

(iv) Mr. Yeung Man Sun was appointed as an executive director on 6 February 2018 and resigned on 11 December 2018.

(v) Mr. Lam Tat Fung was appointed as an independent non-executive director on 29 December 2017 and resigned on 11 December 2018.

(vi) Mr. Wong Wai Kit was appointed as an executive director on 12 October 2018 and resigned on 14 May 2020. Salaries, allowances and benefits in kind and retirement benefit scheme contributions of approximately HK$72,000 paid to him during the year ended 31 March 2019 before his appointment as an executive director had not been included in the emolument analysis.

(vii) Mr. Tam Chak Chi was appointed as an executive director on 11 December 2018.

(viii) Mr. Ng Chi Ho Dennis was appointed as a non-executive director on 11 December 2018 and resigned on 1 April 2019.

(ix) Ms. Chan Ka Ming was appointed as an independent non-executive director on 11 December 2018 and resigned on 14 May 2020.

13. BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

(a) Directors' emoluments *(continued)*

There was no arrangement under which a director waived or agreed to waive any emolument during the year (2019: Nil).

During the year, no emolument has been paid to the directors as an inducement to join or upon joining the Group; or as compensation for loss of office (2019: Nil).

There was no discretionary bonus paid or payable to any of the directors during the year (2019: Nil).

The number of directors, whose emoluments fell within the following bands, is as follows:

	2020	2019
Nil to HK$1,000,000	**5**	11

(b) Directors' material interests in transactions, arrangements or contracts

Save for disclosed in note 35 to the consolidated financial statements, no significant transaction, arrangement and contract 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 had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

14. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals in the Group during the year included one director (2019: two directors) whose emoluments are reflected in the analysis presented in note 13 to the consolidated financial statements. The emoluments of the remaining four (2019: three) individuals are set out below:

	2020	2019
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**1,923**	1,330
Discretionary bonus	**279**	537
Retirement benefit scheme contributions	**68**	54
	2,270	1,921

14. FIVE HIGHEST PAID INDIVIDUALS *(continued)*

The number of non-directors, highest paid employees, whose emoluments fell within the following bands, is as follows:

	2020	2019
Nil to HK$1,000,000	**4**	3

15. DIVIDEND

No dividend had been paid or declared by the Company during the year (2019: Nil).

16. LOSS PER SHARE

(a) Basic loss per share

The calculation of the basic loss per share is based on the following:

Loss	**2020** *HK$'000*	2019 *HK$'000*
Loss for the purpose of calculating basic and diluted loss per share	**(46,839)**	(24,418)

Number of shares	**2020**	2019
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**480,000,000**	480,000,000

(b) Diluted loss per share

No diluted loss per share is presented as the Company did not have any dilutive potential ordinary share during the two years ended 31 March 2020 and 2019.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Vessels HK$'000	Total HK$'000
Cost						
At 1 April 2018	5,404	2,507	415	4,457	5,000	17,783
Additions	4,100	1,838	121	815	–	6,874
Exchange differences	(29)	(69)	(13)	(12)	–	(123)
At 31 March 2019 and 1 April 2019	9,475	4,276	523	5,260	5,000	24,534
Additions	2,738	182	16	–	–	2,936
Disposals	(2,406)	(587)	(41)	(2,210)	(5,000)	(10,244)
Exchange differences	(44)	(54)	(20)	(10)	–	(128)
At 31 March 2020	9,763	3,817	478	3,040	–	17,098
Accumulated depreciation and impairment						
At 1 April 2018	3,548	1,320	237	1,241	833	7,179
Charge for the year	1,622	553	85	1,025	1,667	4,952
Exchange differences	(26)	(47)	(9)	(8)	–	(90)
At 31 March 2019 and 1 April 2019	5,144	1,826	313	2,258	2,500	12,041
Charge for the year	2,449	702	68	848	278	4,345
Disposals	(1,410)	(587)	(19)	(877)	(2,778)	(5,671)
Impairment losses	1,260	–	–	–	–	1,260
Exchange differences	(22)	(41)	(12)	(9)	–	(84)
At 31 March 2020	7,421	1,900	350	2,220	–	11,891
Carrying amount						
At 31 March 2020	2,342	1,917	128	820	–	5,207
At 31 March 2019	4,331	2,450	210	3,002	2,500	12,493

At 31 March 2019, the carrying amount of motor vehicles and equipment held by the Group under finance leases amounted to approximately HK$1,666,000.

During the year, the Group assessed the recoverable amount of the CGUs and as a result recognised impairment losses of approximately HK$1,260,000 in respect of property, plant and machinery attributable to that CGUs. Details of the impairment assessment are disclosed in note 18 to the consolidated financial statements.

18. RIGHT-OF-USE ASSETS

	2020
	HK$'000
Initial application of HKFRS 16	10,641
Additions	19,581
Depreciation	(8,608)
Impairment of right-of-use assets	(11,537)
At 31 March 2020	10,077

The business of the Group was significantly affected by the epidemic of Novel Coronavirus Pneumonia (the "**COVID-19 Pandemic**") and the prolonged social protests in Hong Kong.

The Group has carried out a review of the recoverable amount of its right-of-use assets as at 31 March 2020 with reference to the independent valuation performed by an independent valuer, Ravia Global Appraisal Advisory Limited ("**Ravia Global**"). The recoverable amount is assessed based on fair value less cost of disposal by using income approach basis under level 3 fair value measurement. The key assumptions for the income approached are those regarding the discount rates, growth rates and budgeted gross margin and turnover of the CGUs. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and turnover of the CGUs are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 4%. This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows is 12.53%.

Impairment loss of approximately HK$11,537,000 is recognised for the year ended 31 March 2020 (2019: Nil) as the recoverable amount of the right-of-use assets is lower than its carrying amount as at 31 March 2020.

18. RIGHT-OF-USE ASSETS *(continued)*

Lease liabilities of approximately HK$21,176,000 are recognised with related right-of-use assets of approximately HK$10,077,000 as at 31 March 2020.

	2020
	HK$'000
Depreciation	8,608
Impairment of right-of-use assets	11,537
Interest expense on lease liabilities	1,107
Expenses relating to variable lease payment not included in the measurement of lease liabilities	170

For both years, the Group leases various offices, warehouses, and retail stores for its operations. Lease contracts are entered into for fixed term of 2 to 5 years. Certain leases of motor vehicles and equipment were accounted for as finance leases during the year ended 31 March 2019 and carried interest ranged from 0% to 4.32%. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

During the year ended 31 March 2020, the Group leased a number of retail stores which contain variable lease payment terms that are based on sales generated from the retail stores and minimum annual lease payment terms that are fixed. These payment terms are common in retail stores in Hong Kong where the Group operates. The amount of fixed and variable lease payments recognised in profit or loss for the year is summarised below:

	Fixed payments	**Variable payments**	**Total payments**
	HK$'000	*HK$'000*	*HK$'000*
Retails stores	5,019	170	5,189

19. INTERESTS IN ASSOCIATES

(a) Investments in associates

	2020 HK$'000	2019 HK$'000
Unlisted share, at cost		
Share of net assets	7,238	6,342
Goodwill	27,159	27,159
	34,397	33,501
Less: impairment of investments in associates	(16,377)	–
	18,020	33,501

Details of the Group's associates at 31 March 2020 are as follows:

Name	Place of incorporation	Issued and paid up capital	Percentage of ownership interest	Principal activities
Ocean Trader Limited ("**Ocean Trader**") (note (i))	Hong Kong	HK$100	25%	Vessel holding
Honour Achieve International Investment Limited ("**Honour Achieve**") (note (ii))	BVI	US$10,000	34%	Provision of medical aesthetic service

Notes:

(i) Ocean Trader was incorporated in Hong Kong on 28 July 2017, with issued share capital of HK$100. The investment cost in an associate has been presented as "–" as a result of rounding.

The Group has not recognised profit (2019: loss) for the year amounting to approximately HK$52,000 (2019: HK$604,000) for Ocean Trader. The accumulated losses not recognised were approximately HK$1,711,000 (2019: HK$1,659,000). Therefore, the Group did not share its results during the year ended 31 March 2020.

(ii) On 11 January 2019, the Group acquired 34% of equity interest in Honour Achieve at a cash consideration of HK$32,640,000. Honour Achieve was incorporated in the BVI on 8 March 2016, with issued share capital of US$10,000.

The business of associate was significantly affected by epidemic of COVID-19 Pandemic and the prolonged social protests in Hong Kong.

The Group has carried out a review of the recoverable amount of its investments in associates as at 31 March 2020 with reference to the independent valuation performed by an independent valuer, Ravia Global. The recoverable amount is assessed based on fair value less cost of disposal by using market approach basis under level 3 fair value measurement.

Impairment loss of approximately HK$16,377,000 is recognised for the year ended 31 March 2020 (2019: Nil) as the recoverable amount of the investments in associates is lower than its carrying amount as at 31 March 2020.

19. INTERESTS IN ASSOCIATES *(continued)*

(a) Investments in associates *(continued)*

The following table shows information on an associate that are material to the Group. This associate is accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRS financial statements of the associate.

	2020	2019
Name	**Honour Achieve**	
Principal place of business/country of incorporation	**Hong Kong/BVI**	
Principal activities	**Provision of medical aesthetic service**	
% of ownership interests/voting rights held by the Group	**34%/34%**	34%/34%
	HK$'000	*HK$'000*
At 31 March:		
Non-current assets	**1,867**	2,758
Current assets	**45,492**	36,868
Current liabilities	**(26,288)**	(20,973)
Net assets	**21,071**	18,653
Group's share of net assets	**7,238**	6,342
Goodwill	**10,782**	27,159
Group's share of carrying amount of interests	**18,020**	33,501
Year ended 31 March:		
Revenue	**25,443**	27,564
Profit and total comprehensive income for the year	**2,419**	8,223

(b) Amount due from an associate

The amount due from an associate is unsecured, interest-free and repayable on demand. It was classified as amount due from an associate in the consolidated statement of financial position.

20. GOODWILL

	2020 HK$'000	2019 HK$'000
Cost and carrying amount		
Arising on acquisition of a subsidiary	440	440

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("**CGUs**") that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated to Dynasty Investment (HK) Limited, a subsidiary of the Company, which is preparing to engage in money lending business and considered to be one individual CGUs.

The Group has carried out a review of the recoverable amount of the CGUs as at 31 March 2020 with reference to the valuation performed by an independent valuer. The recoverable amount is assessed based on fair value less costs of disposal by using market approach and referring to several comparable companies under level 3 fair value measurement.

No impairment loss is recognised for the year ended 31 March 2020 (2019: Nil) as the recoverable amount of the CGUs is higher than its carrying amount as at 31 March 2020.

21. INVENTORIES

	2020 HK$'000	2019 HK$'000
Raw materials	3,174	3,769
Work-in-progress	868	319
Finished goods	26,763	35,475
	30,805	39,563
Less: allowance for inventories	(4,887)	(3,492)
	25,918	36,071

As at 31 March 2020, the Group's inventories are stated at cost less allowance for inventories.

Allowance for inventories of approximately HK$1,395,000 (2019: HK$3,492,000) was made for the year ended 31 March 2020.

22. TRADE AND OTHER RECEIVABLES

	2020 *HK$'000*	2019 *HK$'000*
Trade receivables	590	1,006
Prepayments	2,134	3,772
Rental deposits	4,642	5,570
Other deposits	1,282	4,976
Other receivables	1,251	203
	9,899	15,527
Allowance for other receivables	(593)	–
	9,306	15,527
Analysed as:		
Current assets	4,664	9,957
Non-current assets	4,642	5,570
	9,306	15,527

The Group allows a credit period of 0 to 30 days to its customers for its trade receivables.

The customers of the Group would usually settle payments by cash, EPS or credit cards. For EPS and credit card payments, the banks will normally settle the amounts received, net of handling charges, a few days after the trade date. The trade receivables balance mainly represents payments that are not yet settled by banks.

The ageing analysis of trade receivables based on the invoice date, and net of allowance, is as follows:

	2020 *HK$'000*	2019 *HK$'000*
0 – 30 days	590	1,006

As of 31 March 2020, none of trade receivables were past due but not impaired (2019: Nil).

23. AMOUNTS DUE FROM/TO ULTIMATE HOLDING COMPANY/A DIRECTOR

The amounts due are unsecured, interest-free and repayable on demand.

24. PLEDGED BANK DEPOSITS AND CASH AND BANK BALANCES

The cash and bank balances of the Group are denominated in the following currencies:

	2020 HK$'000	2019 HK$'000
HK$	2,141	6,203
RMB	247	1,525
MOP	881	4,504
US$	–	2
Cash and bank balances	3,269	12,234

At the end of reporting period, the cash and bank balances of the Group denominated in RMB is not freely convertible into other currencies. However, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

The Group's pledged bank deposits represented deposits pledged to a bank to secure the rental of the office of the Group.

25. TRADE AND OTHER PAYABLES

	2020 HK$'000	2019 HK$'000
Trade payables	360	524
Accruals and other payables	4,031	5,480
	4,391	6,004

The credit periods on trade payables offered by suppliers are within 60 days.

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

	2020 HK$'000	2019 HK$'000
0 – 60 days	360	524

26. CONTRACT LIABILITIES

	Credit package HK$'000	Member voucher HK$'000	Beauty package HK$'000	Total HK$'000
At 1 April 2018	88,113	100	–	88,213
Receipts from sales of credit packages, member vouchers and beauty package	70,353	107	157	70,617
Revenue recognised upon sales of goods and beauty service rendered	(58,449)	(108)	(426)	(58,983)
Revenue recognised for unused credit packages and beauty package	(4,607)	–	–	(4,607)
Transfer	(1,071)	–	1,071	–
Exchange differences	–	(6)	–	(6)
At 31 March 2019 and 1 April 2019	94,339	93	802	95,234
Receipts from sales of credit packages, member vouchers and beauty package	**43,024**	**33**	**1,040**	**44,097**
Revenue recognised upon sales of goods and beauty service rendered	**(46,494)**	**(53)**	**(1,443)**	**(47,990)**
Revenue recognised for unused credit packages and beauty package	**(4,370)**	**–**	**–**	**(4,370)**
Transfer	**(824)**	**–**	**824**	**–**
Exchange differences	**–**	**(5)**	**–**	**(5)**
At 31 March 2020	**85,675**	**68**	**1,223**	**86,966**

27. LEASE LIABILITIES (2019: FINANCE LEASE PAYABLES)

	Minimum lease payments		Present value if minimum lease payments	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**13,611**	699	**12,812**	666
In the second to fifth years, inclusive	**8,724**	607	**8,364**	602
	22,335	1,306	**21,176**	1,268
Less: Future finance charges	**(1,159)**	(38)	**N/A**	N/A
Present value of lease obligations	**21,176**	1,268	**21,176**	1,268
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(12,812)**	(666)
Amount due for settlement after 12 months			**8,364**	602

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases. Comparative information as at 31 March 2019 has not been restated and relates solely to leases previously classified as finance leases. Further details on the impact of the transition to HKFRS 16 are set out in note 3.

28. DEFERRED TAX LIABILITIES

At the end of the reporting period, the Group has unused tax losses of approximately HK$32,053,000 (2019: HK$18,397,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$7,949,000 (2019: HK$6,976,000) that will expire in five years. Other tax losses may be carried forward indefinitely.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is approximately HK$2,028,000 (2019: HK$306,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

29. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	4,000,000,000	40,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	480,000,000	4,800

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 capital structure of the Group comprises all components of shareholders' equity.

The Group reviews the capital structure frequently by considering the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts, redemption of existing debts or selling assets to reduce debts. No change was made in the objectives, policies or processes for managing capital during the years ended 31 March 2020 and 2019.

The only externally imposed capital requirement for the Group is that in order to maintain its listing on the Stock Exchange, it has to have a public float of at least 25% of the shares. The Group has maintained a sufficient public float to comply with the GEM Listing Rules from the date of the Listing. As of 31 March 2020, approximately 25% of the shares were in public hands.

30. RESERVES

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

Nature and purpose of reserves

(a) 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.

(b) Capital reserve

Capital reserve of the Company represents differences between the consideration paid over the nominal value of the share capital of subsidiaries as a result of the group reorganisation.

(c) 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(d) to the consolidated financial statements.

(d) Statutory reserve

In accordance with the PRC Company Law and the Group's PRC subsidiaries' articles of association, the Group's PRC subsidiaries are required to allocate 10% of its profit after tax as determined in accordance with the relevant accounting principles and financial regulations applicable to PRC companies to the statutory reserve until such reserve reaches 50% of the registered capital. The appropriation to the reserve must be made before any distribution of dividends to equity holders. The statutory surplus reserve can be used to offset previous years' losses, if any, and part of the statutory surplus reserve can be capitalised as paid-in capital provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the paid-in capital of the Group's subsidiaries.

31. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	2020 HK$'000	2019 HK$'000
Non-current assets		
Property, plant and equipment	324	2,247
Investments in subsidiaries	–	–
Rental deposits	670	670
	994	2,917
Current assets		
Other receivables	721	1,212
Amount due from ultimate holding company	44	44
Amounts due from subsidiaries	–	1,039
Pledged bank deposits	835	835
Cash and bank balances	51	1,600
	1,651	4,730
Current liabilities		
Other payables	689	507
Amounts due to subsidiaries	1,051	–
Finance lease payables	–	656
	1,740	1,163
Net current (liabilities)/assets	(89)	3,567
Total assets less current liabilities	905	6,484
Non-current liabilities		
Finance lease payables	–	569
Net assets	905	5,915

31. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY *(continued)*

(a) Statement of financial position of the Company *(continued)*

	2020 *HK$'000*	2019 *HK$'000*
Equity		
Share capital	4,800	4,800
Reserves	(3,895)	1,115
Total equity	905	5,915

Approved and authorised for issue by the Board of Directors on 23 June 2020.

Xu Xue *Director*	**Tam Chak Chi** *Director*

(b) Reserves movement of the Company

	Share premium account *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 April 2018	34,250	(24,298)	9,952
Loss and total comprehensive income for the year	–	(8,837)	(8,837)
At 31 March 2019 and 1 April 2019	34,250	(33,135)	1,115
Loss and total comprehensive income for the year	–	(5,010)	(5,010)
At 31 March 2020	34,250	(38,145)	(3,895)

32. CONTINGENT LIABILITIES

As at 31 March 2020, the Group did not have any significant contingent liabilities (2019: Nil).

33. CAPITAL COMMITMENTS

Capital commitments contracted for at the end of the reporting period but not yet incurred are as follows:

	2020 *HK$'000*	2019 *HK$'000*
Property, plant and equipment	–	477

34. LEASE COMMITMENT

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

	2019 *HK$'000*
Within one year	14,400
In the second to fifth years inclusive	5,178
	19,578

Operating lease payments represent rentals payable by the Group for certain of its office premises, factories, warehouses and retail stores. Leases are negotiated for an average term of two years and rentals are fixed over the lease terms and contingent rentals. The contingent rentals are based on the predetermined percentages to turnover less the fixed basic rentals of the respective leases.

35. RELATED PARTY TRANSACTIONS

Other than those related party balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year:

(a) Transactions

The Group had the following transactions with its related parties during the year:

	2020 HK$'000	2019 HK$'000
Consultancy and advisory fees paid to Mr. Chan	448	456

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

	2020 HK$'000	2019 HK$'000
Fees	360	606
Other emoluments		
Salaries, allowances and benefits in kind	1,620	2,145
Retirement benefit scheme contributions	54	85
	1,674	2,230
	2,034	2,836

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of a subsidiary

On 20 December 2018, the Group acquired the entire issued share capital of Dynasty Investment (HK) Limited at a consideration of approximately HK$450,000 (the "**Acquisition**").

Immediately prior to the completion of Acquisition, Dynasty Investment (HK) Limited was inactive. The fair value of the identifiable assets of Dynasty Investment (HK) Limited acquired as at the date of Acquisition are as follows:

	HK$'000
Amount due from a shareholder	8
Bank balances	2
Goodwill	440
	450
Settled by cash	450
Net cash outflow arising on acquisition:	
Cash consideration paid	(450)
Cash and cash equivalents acquired	2
	(448)

The goodwill arising on the Acquisition of Dynasty Investment (HK) Limited is attributable to the intangible assets that do not qualify for separate recognition.

(b) Major non-cash transaction

Additions to property, plant and equipment during the year ended 31 March 2019 of approximately HK$50,000 were financed by finance leases.

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(c) Reconciliation of liabilities arising from financing activities

The table set forth below is the detail 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.

	Borrowings	Lease liabilities	Finance lease payables	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2018	129	–	2,255	2,384
Cash flow	(129)	–	(1,112)	(1,241)
Purchases of property, plant and equipment	–	–	50	50
Finance lease charges	–	–	75	75
At 31 March 2019 and 1 April 2019	–	–	1,268	1,268
Impact on initial application of HKFRS 16	–	13,420	(1,268)	12,152
Restated balance as at 1 April 2019	**–**	**13,420**	**–**	**13,420**
Commencement of new tenancy agreement	**–**	**19,581**	**–**	**19,581**
Cash flow	**–**	**(12,892)**	**–**	**(12,892)**
Finance lease charges	**–**	**1,107**	**–**	**1,107**
Exchange difference	**–**	**(39)**	**–**	**(39)**
At 31 March 2020	**–**	**21,177**	**–**	**21,177**

(d) Total cash outflow for leases

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

	2020	2019
	HK$'000	*HK$'000*
Within operating cash flows	**1,107**	75
Within financing cash flows	**11,785**	1,037
	12,892	1,112

These amounts relate to lease rental paid.

37. SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 March 2020 and 2019 are as follows:

Name	Place of incorporation/ establishment	Registered/ issued and paid up capital	Percentage of ownership interest	Principal activities and place of operation
Wish Enterprise Limited	The BVI	2 ordinary shares @US$1 each	Direct 100%	Investment holding, Hong Kong
Glory Unique Limited	The BVI	2 ordinary shares @US$1 each	Direct 100%	Investment holding, Hong Kong
My Heart Lingerie Limited	Hong Kong	HK$100	Indirect 100%	Retail sales of lingerie products, Hong Kong
My Heart Factory Limited	Hong Kong	HK$5	Indirect 100%	Design and manufacture of lingerie products and provision of lingerie alteration service, Hong Kong
All Rich HK Investment Limited	Hong Kong	HK$100	Indirect 100%	Trading of garments, Hong Kong
Bodibra Beauty Limited	Hong Kong	HK$100	Indirect 100%	Provision of beauty services, Hong Kong
Excellent Goldenfield Limited	Hong Kong	HK$1	Indirect 100%	Investment holding, Hong Kong
Xianyu (Hongkong) Trading Limited	Hong Kong	HK$1	Indirect 100%	Inactive, Hong Kong
Beauty Legend Industrial Company Limited	Hong Kong	HK$1	Indirect 100%	Inactive, Hong Kong
Dynasty Investment (HK) Limited	Hong Kong	HK$10,000	Indirect 100%	Inactive, Hong Kong
My Heart Bodibra Lingerie (Macau) Limited	Macau	MOP25,000	Indirect 100%	Retail sales of lingerie products, Macau
華心思製衣(深圳)有限公司 Huaxinsi Zhiyi (Shenzhen) Co., Ltd.* ("**Hua Xin Si**") (note)	The PRC	Registered and paid up capital: RMB1,000,000	Indirect 100%	Design, manufacture and sales of lingerie products, the PRC
心心芭迪貝伊內衣(深圳)有限公司 Xin Xin Badibeiyi Lingerie (Shenzhen) Co., Ltd.* ("**Xin Xin**") (note)	The PRC	Registered: RMB1,000,000 Paid up: RMB600,000	Indirect 100%	Retail sales of lingerie products, the PRC

* The English translation of company names in Chinese are for identification purpose only.

Note:

Hua Xin Si and Xin Xin are wholly-foreign owned enterprises established in the PRC.

38. SHARE OPTION SCHEME

On 19 June 2017, written resolution of the sole shareholder of the Company was passed to conditionally approve and adopt a share option scheme ("**Share Option Scheme**") to recognise and motivate the contributions that eligible participants have made or may make to the Group.

The Share Option Scheme adopted by the Company on 19 June 2017 will remain in force for a period of ten years from its effective date to 18 June 2027. Particulars of the Share Option Scheme of the Company are set out on pages 40 to 41 of the Company's annual report.

No share option has been granted by the Company under the Share Option Scheme since its effective date and up to the end of the reporting period.

39. EVENTS AFTER THE REPORTING PERIOD

Since early 2020, the epidemic of COVID-19 Pandemic has spread across China and other countries and it has affected the business and economic activities of the Group to some extent. The overall financial effect cannot be reliably estimated as of the date of these consolidated financial statements. The Group will closely monitor the development of the COVID-19 Pandemic and continue to evaluate its impact on the business, the financial position and operating results of the Group.

40. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are approved and authorised for issue by the Board of Directors on 23 June 2020.

FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited consolidated financial statements and restated/reclassified as appropriate, is set out below.

RESULTS

	Year ended 31 March				
	2020	2019	2018	2017	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**62,529**	72,875	79,165	77,710	55,621
Cost of sales	**(23,157)**	(18,047)	(14,738)	(14,245)	(9,055)
Gross profit	**39,372**	54,828	64,427	63,465	46,566
Other income	**1,568**	95	101	20	73
Selling expenses	**(24,753)**	(37,623)	(30,877)	(32,412)	(22,962)
Administrative and other operating expenses	**(46,438)**	(42,409)	(29,550)	(16,010)	(10,551)
(Loss)/profit from operations	**(30,251)**	(25,109)	4,101	15,063	13,126
Listing expenses	**–**	–	(9,059)	(11,367)	(1,874)
Finance costs	**(1,107)**	(75)	(82)	(104)	(200)
Share of profit of an associate	**896**	861	–	–	–
Impairment of investments in associates	**(16,377)**	–	–	–	–
(Loss)/profit before tax	**(46,839)**	(24,323)	(5,040)	3,592	11,052
Income tax (expense)/credit	**–**	(95)	3,716	(2,535)	(2,419)
(Loss)/profit for the year	**(46,839)**	(24,418)	(1,324)	1,057	8,633
Attributable to:					
Owners of the Company	**(46,839)**	(24,418)	(1,324)	1,057	8,436
Non-controlling interests	**–**	–	–	–	197
	(46,839)	(24,418)	(1,324)	1,057	8,633

ASSETS AND LIABILITIES

	As at 31 March				
	2020	2019	2018	2017	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets	**38,386**	52,004	15,385	7,053	6,918
Current assets	**41,992**	66,502	123,930	86,536	79,742
Current liabilities	**(104,300)**	(102,083)	(97,421)	(90,601)	(68,233)
Non-current liabilities	**(8,364)**	(602)	(1,437)	(457)	(732)
Net (liabilities)/assets	**(32,286)**	15,821	40,457	2,531	17,695
Total (deficit)/equity	**(32,286)**	15,821	40,457	2,531	17,695