MANSION INTERNATIONAL HOLDINGS LIMITED
民 信 國 際 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 8456

YOUR BABY OUR VISION
以愛編織 快樂未來

ANNUAL REPORT 2019/20

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

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Cheung Desmond Lap Wai
(Chairman and Acting Chief Executive Officer)
Mr. Chin Wai Keung Richard
Mr. Kwan Kar Man

Independent Non-executive Directors

Mr. Cho Chi Kong
Mr. Choi Wing San Wilson
Mr. Tan Yik Chung Wilson

BOARD COMMITTEES

Audit Committee

Mr. Tan Yik Chung Wilson *(Chairman)*
Mr. Cho Chi Kong
Mr. Choi Wing San Wilson

Remuneration Committee

Mr. Choi Wing San Wilson *(Chairman)*
Mr. Cho Chi Kong
Mr. Tan Yik Chung Wilson

Nomination Committee

Mr. Cho Chi Kong *(Chairman)*
Mr. Cheung Desmond Lap Wai
Mr. Choi Wing San Wilson
Mr. Tan Yik Chung Wilson

COMPLIANCE OFFICER

Mr. Cheung Desmond Lap Wai

COMPANY SECRETARY

Sir Kwok Siu Man KR

AUTHORISED REPRESENTATIVES

Mr. Cheung Desmond Lap Wai
Sir Kwok Siu Man KR

INDEPENDENT AUDITOR

BDO Limited

COMPLIANCE ADVISER

Alliance Capital Partners Limited

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

7/F., 822 Lai Chi Kok Road,
Lai Chi Kok,
Kowloon,
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

REGISTERED OFFICE

Cricket Square, Hutchins Drive,
PO Box 2681, Grand Cayman,
KY1-1111, Cayman Islands

PRINCIPAL BANKERS

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

COMPANY WEBSITE

www.mansionintl.com

STOCK CODE

8456

Chairman's Statement

Dear Shareholders,

The year ended 31 March 2020 ("**FY2020**") has continued to be a tough and challenging year for the Company. The Sino-United States trade war that broke out in the year ended 31 March 2019 ("**FY2019**") continued and re-escalated in FY2020. The continued doubts of Brexit arrangement and the devaluation of the Renminbi have created many uncertainties to our original equipment manufacturing (the "**OEM**") business. Meanwhile, the social unrest broke out in Hong Kong in the second quarter of FY2020 loomed the retail market, and uncertainties for our original brand manufacturing (the "**OBM**") business grew.

The Directors worked hard to stabilize the OEM business amid all the negative factors in the first three quarters of FY2020. The Company was also able to minimize the impact of the social unrest on the OBM business through various sales and marketing strategies. However, the global economic crisis in the fourth quarter exacerbated by the outbreak of the coronavirus disease 2019 (the "**COVID-19**") around the globe, which has been adversely affecting the production, supply chain, and demand throughout the world. Meanwhile, the pandemic had devastated the global and local retail market. Therefore, the fourth quarter's revenue of the Company and its subsidiaries (the "**Group**") experienced a monumental drop in the OEM and the OBM businesses, thus effecting a loss for the FY2020.

The global economic uncertainties caused by the COVID-19 and the social unrest will continue to affect production, demand, and retail throughout the world in the foreseeable future, affecting both OEM and OBM businesses in the second-half of FY 2020. Nonetheless, the Directors will do our best to prepare and weather the challenging period ahead by implementing cost reduction initiatives including further streamline the operations. For our OEM business, we shall also reduce our Group's fixed costs by economizing on our manufacturing facility and restructuring our production by working with other manufacturers across Asia Pacific. This action will allow us to continue to work with our established customers while further expanding our business into children's and teenagers' wear. We shall see a reduction of brick and mortar retail outlets in Hong Kong for our OBM business while developing and expanding our online business. We believe that there has been a change in customer buying behavior from offline to online since the pandemic and social unrest. We shall put significant effort into our eCommerce site while partnering with other online retailers to grow our online business. Meanwhile, through our experience in the People's Republic of China (the "**PRC**") in FY2020, we were able to gather data to help us grow our business in the PRC to mitigate the impact of social unrest issue in Hong Kong.

Despite the uncertainties and challenges the Group faces this year, we shall continue to pursue opportunities to create long term value for our shareholders. Finally, I would like to extend my utmost appreciation to our management and staff for their contributions, dedication, and commitment. I would also like to express my sincere gratitude to all our business partners, suppliers, and customers for their continued confidence and support.

Cheung Desmond Lap Wai
Chairman

Hong Kong, 26 June 2020

Management Discussion and Analysis

BUSINESS REVIEW

The Group is principally engaged in the sale of baby and children garments by OEM and OBM. Confronted by the slowdown in growth across most economies, US-China trade conflict and the uncertainties of Brexit, the business environment was exceptionally austere in FY2020. Since the beginning of 2020, the threat of the COVID-19 seriously disrupted a wide range of local economic activities and supply chains in the Asian region. The epidemic even evolved into a pandemic in March 2020, sending a severe shock to the global economy.

For our OEM business, the Group exports its OEM goods to overseas mainly the United Kingdom (the "**UK**") and the United States of America (the "**US**"). The OEM revenue continued to decline in FY2020 caused by the US-China trade conflict, the Brexit arrangement and the threat of the COVID-19.

For our OBM business, the Group sells its OBM goods through the self-operated retail stores and department store counters in Hong Kong and the PRC. During the first three quarters of the FY2020, although OBM revenue in Hong Kong slightly dropped arising from local social unrest, the Group recorded the revenue growth contributed by the newly opened shop and wholesales to online shops in the PRC. However, due to the threat of the COVID-19, OBM revenue in Hong Kong and the PRC have declined since the fourth quarter of FY2020.

FINANCIAL REVIEW

Revenue

The Group's revenue declined by approximately 19.6% to approximately HK$185.7 million for FY2020 as compared to that of approximately HK$230.8 million for FY2019. The revenue of OEM business decreased by approximately 25.5% to approximately HK$120.2 million for FY2020 as compared to that of approximately HK$161.3 million for FY2019. The revenue of the OBM business decreased by approximately 5.9% to approximately HK$65.5 million for FY2020 as compared to that of approximately HK$69.5 million for FY2019.

Cost of sales, gross profit and gross profit margin

The Group's cost of sales decreased by approximately 15.9% to approximately HK$116.6 million for FY2020 as compared to that of approximately HK$138.7 million for FY2019. The gross profit for FY2020 amounted to approximately HK$69.1 million (FY2019: approximately HK$92.1 million), representing a decrease of approximately HK$23.0 million or 25.0% as compared to FY2019. The gross profit margin of the Group decreased from approximately 39.9% for FY2019 to approximately 37.2% for FY2020. Decrease in sales orders of OEM caused a negative impact on the Group's gross profit margin as the fixed costs are difficult to relatively reduce.

Write-down of inventories

A write-down on inventories of HK$9.5 million (FY2019: HK$1.3 million) recorded due to allowance made for obsolete and slow-moving inventory items and certain inventories relating to order cancellation as the net realisable value for such inventories based primarily on the estimated subsequent selling prices and salability of inventories.

Impairment losses on property, plant and equipment and right-of-use assets

The Group had suffered an operating loss for the FY2020, so the recoverable amounts of certain cash generating unit (the "**CGU**") as at 31 March 2020 were lower than the carrying amounts of those CGUs. The impairment losses on property, plant and equipment and right-of-use assets were triggered by the decline in those fair value.

Expenses

The Group's selling and distribution costs decreased by approximately 17.9% or HK$6.3 million to approximately HK$28.9 million for FY2020 (FY2019: approximately HK$35.2 million), which was in line with the decline in the Group's revenue. The Group's administrative expenses decreased by approximately 13.3% or HK$9.6 million to approximately HK$62.8 million for FY2020 (FY2019: approximately HK$72.4 million). Such decrease was mainly due to the Group's cost controls on operating costs in order to improve the Group's operating performance.

Finance costs

The Group's finance costs increased by approximately 71.3% or HK$2.6 million to approximately HK$6.1 million for FY2020 (FY2019: approximately HK$3.6 million). Upon application of revised Hong Kong Financial Reporting Standard 16 with effect from 1 April 2019, interests on lease liabilities of approximately HK$1.6 million were recorded as finance costs for FY2020.

Loss before tax

The Group recorded a loss before tax of approximately HK$59.2 million for FY2020 (FY2019: approximately HK$18.9 million), representing a further deterioration of approximately HK$40.3 million. It was mainly due to lower revenue, a write-down of inventories and provision of impairment losses on property, plant and equipment and right-of-use assets for FY2020 as compared to FY2019.

OUTLOOK

OEM exports to the US and the UK are expected to continue to decline in the next financial quarter as the COVID-19 situation remains serious in these markets. The global economy will remain sluggish until the COVID-19 pandemic is well contained. Besides, persistently tense economic, trade and political relations between the PRC and the US, geopolitical tensions, and global financial market volatility continue to warrant attention. OEM performance is thus expected to remain under pressure in the next financial year.

OBM sales continued to drop in April 2020, as the COVID 19 pandemic and resulting anti-epidemic measures brought inbound tourism to a standstill and seriously disrupted consumption-related activities. The business environment for OBM will remain very difficult in the near term amid the deep economic recession.

The potential impact of the COVID-19 on the global economy is tremendous but still uncertain. Concerns about the impact from the COVID-19 heighten and these weigh on the corporate earnings and the global economic outlook. The negative effect resulting from the COVID-19 is largely dependent on the situation and duration of the epidemic development. Future adverse changes in economic conditions would negatively affect the Group's financial position and performance. The Group will continue to monitor the development and the volatile market conditions.

In the current abnormal business conditions, the Group is conscious about the importance of liquidity of the Group's on-going operations. Managing cash flow is very critical during a period of crisis. The Group is considering actions to reduce inventories with a view to maintaining more cash and will increase the outsource of its production procedures to different sub-contractors in order to minimize the fixed costs incurred by our factory.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's sources of funds were mainly cash generated from operations, the net proceeds from the listing of the shares of the Company (the "**Shares**") on GEM by way of share offer (the "**Share Offer**"), the net proceeds from the placing of new Shares of approximately HK$5.7 million under a general mandate (granted by the shareholders at the annual general meeting of the Company held on 30 July 2019) completed on 23 January 2020 (the "**Placing**") and a loan from a Director.

As at 31 March 2020, the Group had cash and bank balances of approximately HK$4.5 million (31 March 2019: approximately HK$7.5 million). As at 31 March 2020, the Group's interest-bearing bank borrowings amounted to approximately HK$59.9 million (31 March 2019: approximately HK$69.6 million) and the Group had unutilised banking facility of approximately HK$10.2 million (31 March 2019: approximately HK$25.9 million). The Group's interest-bearing bank borrowings are secured, repayable within one year and denominated in Hong Kong Dollars and Renminbi, and bear interest from 3.95% to 5.38% (FY2019: 4.36% to 5.66%) per annum. As at 31 March 2020, the Group's other borrowings amounted to approximately HK$4.8 million (31 March 2019: Nil). The Group's other borrowings are unsecured, repayable within one year and denominated in Hong Kong Dollars and Renminbi, and bear interest from 0% to 5% (FY2019: Nil) per annum. As at 31 March 2020, a loan from a Director amounted to approximately HK$19.8 million (31 March 2019: amount due to a Director of approximately HK$15.0 million), which is unsecured, repayable more than one year and denominated in Hong Kong Dollars, and bears interest from 4% (FY2019: Nil) per annum.

The current ratio was 1.2 as at 31 March 2020 (31 March 2019: 1.1) and the gearing ratio was approximately 1,125.0% as at 31 March 2020 (31 March 2019: approximately 130.2%).

Note: Current ratio is calculated as the current assets divided by current liabilities. Gearing ratio is calculated as the total debt (including the bank and other borrowings, loan from/amount due to a Director and lease liabilities) divided by total equity and multiplied by 100%.

The Group did not use any financial instruments for hedging purposes during FY2020 (FY2019: Nil). As at 31 March 2020, the share capital and equity attributable to owners of the Company amounted to approximately HK$4.6 million and HK$9.8 million respectively (31 March 2019: HK$4.0 million and HK$65.0 million respectively).

Details of the capital risk management are set out in note 44 to the consolidated financial statements of the Group for FY2020 (the "**Consolidated Financial Statements**").

CAPITAL COMMITMENTS

Save as disclosed in this report, the Group did not have any significant capital commitments as at 31 March 2020 (31 March 2019: Nil).

CHARGE OVER ASSETS OF THE GROUP

As at 31 March 2020, a pledged bank deposit amounting to approximately HK$15.0 million (31 March 2019: HK$15.0 million), a building and land use rights with an aggregate carrying amount of approximately HK$1.8 million (31 March 2019: approximately HK$1.9 million) and the investment in life insurance policy with an insured sum of not less than US$9.0 million were pledged to secure bank facilities granted to the subsidiaries of the Company.

MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS, AND PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

On 29 May 2020, Mei Li Hua Children Garment Company Limited* (中山美麗華兒童服裝製品有限公司) (the "**Transferor**"), a wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with Zhongshan Anpin Electrical Appliance Company Limited* (中山市安品電器有限公司) (the "**Transferee**"), pursuant to which the Transferor has conditionally agreed to sell the entire equity interests in Zhongshan City Meian Technology Company Limited* (中山市美安科技有限公司), being the company to be established by the Transferor as its wholly owned subsidiary and all rights as a shareholder under such interests held by the Transferor, including the land use rights of the land and the factory located at Xingpu Road West, Huangpu Town, Zhongshan City, Guangdong Province, the PRC, to the Transferee (the "**Disposal**"). The gross proceeds and the net proceeds (after deducting related expenses) from the Disposal will be RMB11,000,000 (equivalent to approximately HK$11,933,900) and approximately RMB10,166,000 (equivalent to approximately HK$11,029,000) respectively. The Group intends to use the net proceeds as general working capital of the Group. For further details, please refer to the announcements of the Company dated 29 May 2020 and 11 June 2020.

Save as disclosed as above, there were no material acquisitions and disposals of subsidiaries, associates and joint ventures during FY2020. There was no future plan for material investments or capital assets as at 31 March 2020.

* English translated name is for identification purpose only.

CONTINGENT LIABILITIES

As at 31 March 2020, the Group had no material contingent liabilities (31 March 2019: Nil).

USE OF PROCEEDS FROM THE SHARE OFFER

As disclosed in the prospectus of the Company dated 12 January 2018 (the "**Prospectus**"), the net proceeds from the Share Offer (the "**Net Proceeds**") were approximately HK$44.0 million. On 6 March 2020, the board of Directors (the "**Board**") resolved to change the use of the unutilised Net Proceeds (the "**Newly Planned Use of Net Proceeds**). For details, please refer to the Company's announcement dated 6 March 2020. As at 31 March 2020, the Group had utilised approximately HK$34.9 million of the Net Proceeds as follows:

Implementation plans	Use of Net Proceeds per prospectus HK$ million	Newly Planned Use of Net Proceeds HK$ million	Use of Net Proceeds during FY2020 HK$ million	Actually utilised up to 31 March 2020 HK$ million	Unutilised as at 31 March 2020 HK$ million
Upgrading our production facilities and enhancing the production capability through extensive application of radio-frequency identification technology	15.7	3.9	1.0	3.9	–
Enhancing our sales and marketing effort	13.5	16.5	5.5	13.5	3.0
Strengthening our research and development capabilities for the PRC market	6.8	15.6	6.2	9.5	6.1
Repayment of bank loan(s)	4.5	4.5	–	4.5	–
Working capital	3.5	3.5	–	3.5	–
Total	**44.0**	**44.0**	**12.7**	**34.9**	**9.1**

In accordance with the Prospectus, the Group planned to use the Net Proceeds on the implementation plans on or before 31 March 2020. Given the recent development of the Group, the Group changed the plans to the Newly Planned Use of Net Proceeds on 6 March 2020 and plans to utilise the unutilised Net Proceeds of approximately HK$9.1 million during the six months ending 30 September 2020.

USE OF PROCEEDS FROM THE PLACING

As at 31 March 2020, the net proceeds from the Placing of approximately HK$5.73 million had been fully used for general working capital to settle the Group's trade and bills payables.

BUSINESS STRATEGIES AND FUTURE PLANS

The following is a comparison of the Group's business plan as set out in the Prospectus with actual business progress for the FY2020:

Business strategies	Actual business progress for the FY2020
Upgrading our production facilities and enhancing the production capability through extensive application of RFID technology	– RFID technology machine and management system has not been acquired. – The Board has resolved to change the plans. For further details, please refer to the Company's announcements dated 6 March 2020.
Enhancing our sales and marketing effort	– The OEM sales team travelled and conducted site visit to UK baby fashion and product retailers and wholesalers. – Our website and mobile applications were frequently updated. – Caring talk was provided to 1,200 parents and prospective parents. – Marketing campaign and advertising was conducted to promote our brand image.
Strengthening our research and development capabilities for the PRC market	– The research and development team was maintained and is developing the capabilities for the PRC market. As at 31 March 2020, the Group had 10 retail shops in the PRC.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2020, the Group had about 674 (2019: 892) employees working in Hong Kong and the PRC.

As the guiding principles, the Group uses its best endeavours offering the most competitive compensation to our employees based on factors, including their qualifications, experience, responsibilities and performance, and treats all of our staff equally and fairly. The Group provides a safe and equal-working environment.

Our employees will be compensated with a fair and equitable manner, and the opportunity to grow and excel with the Group through continuous learning at all levels. Our employees are entitled to a mandatory provident fund (the "**MPF**") scheme, medical insurance and statutory holidays. The Group rewards employees with competitive remuneration, including salaries, allowance and performance bonus. Furthermore, the Company has adopted a share option scheme on 28 December 2017 (the "**Share Option Scheme**") to reward the eligible participants for their contribution to the Group. The Group also provides internal training to our staff to enhance their technical and product knowledge.

RETIREMENT BENEFITS PLANS

The Group participates in the MPF scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees employed. The Group offered various social insurance benefits and provident fund to the PRC staff during the reporting period and created a harmonious working environment.

Defined contribution schemes include central pension scheme in the PRC (the "**Central Pension Scheme**") and MPF scheme in Hong Kong. For Central Pension Scheme, contributions are made by both employer and employees at statutory amount. For MPF scheme, contributions are made by both employer and employees based on the employees' relevant monthly income at rates in compliance with statutory requirements. Employers' contributions to defined contribution schemes amounted to HK$4.3 million for FY2020 (FY2019: 6.6 million).

STAKEHOLDERS' ENGAGEMENT

The Group obtains and understands the views of its stakeholders regularly. This communication provides valuable feedback for the Group's business and assists the Group to understand stakeholders' needs and assess the best way to leverage the resources and expertise to contribute to future business and community development.

Across the supply chain, the Group has taken steps throughout the FY2020 to ensure that we operate responsibly and in the interests of our customers, workforce, suppliers and other stakeholders.

Employees perform management, administration and human resources, operation and finance relation functions, respectively. The Group determines the remuneration of its employees by reference to the market salary of their individual experience and performance. The Group will continue to improve and upgrade employees' management and professional skills. None of the Group's employees is represented by any collective bargaining agreement or labour union. The Group has not experienced any significant problem with its employees or disruption to its operations due to labour dispute, nor has the Group experienced any difficulties in the recruitment and retention of experienced staff.

Biographical Details of Directors

EXECUTIVE DIRECTORS

Mr. Cheung Desmond Lap Wai (張立維), aged 37, is the chairman of the Board (the "**Chairman**") and the acting chief executive officer of the Company (the "**CEO**"), and is also currently a director of a number of subsidiaries of the Company. Further, Mr. Cheung is a member of the nomination committee of the Board. He joined the Group in October 2008 as the manager of business development and marketing department. Mr. Cheung was appointed as a Director on 17 May 2017, was re-designated as an executive Director and appointed as the chief operating officer of the Company (the "**COO**") on 6 July 2017, and was appointed as the acting CEO on 7 November 2018. He was appointed as the Chairman and resigned as the COO on 21 May 2020. Mr. Cheung is mainly responsible for overseeing the financial and accounting, human resources and administrative matters as well as the OBM business of our Group. Mr. Cheung has over ten years of experience in business development and sales and marketing. Prior to joining the Group, Mr. Cheung worked in Samsung SDS America, Inc., a subsidiary of Samsung Electronics Co., Ltd., as a junior consultant of systems in 2005. From 2005 to 2008, Mr. Cheung worked in Model N, Inc., a company listed on the New York Stock Exchange (stock code: MODN), which is a pioneer and leading provider of revenue management solutions for the life sciences and technology industries, with his last position being a member of technical staff of the product development. Mr. Cheung obtained a Bachelor of Arts degree in Computer Science from the University of California, Berkeley in California, US in December 2004 and a Master of Science degree in Software Management from the Carnegie Mellon University in Pittsburgh, Pennsylvania, US in August 2010. Mr. Cheung also obtained a Master of Business Administration degree from The Chinese University of Hong Kong in November 2016. Mr. Cheung was selected for membership in Beta Gamma Sigma the international honour society for collegiate schools of business under The Chinese University of Hong Kong in November 2016. Mr. Cheung is a nephew of the late Ms. Fung Sau Ying ("**Ms Fung**"), our former chairlady of the Board, CEO and executive Director.

Mr. Chin Wai Keung Richard (錢偉強), aged 70, has been our executive Director since 9 November 2019. Mr. Chin was the chief operating officer of Mantex Supplies Company Limited, a subsidiary of the Company, from 15 April 2019 to 31 May 2020. Mr. Chin is mainly responsible for the formulation and implementation of the business plans to improve profitability, control operating costs and contain capital expenditures in order to improve the Group's operating performance and alleviate its liquidity risk. Mr. Chin has over 40 years of extensive management experience in trading, contracting and finance businesses, of which 12 years were gained from working of the managing director of multi-national corporations. Mr. Chin is currently an executive director of Huiyin Holdings Group Limited, a company listed on the Main Board of the Stock Exchange (the "**Main Board**") (Stock Code:1178). Between 2017 and 2018, Mr. Chin was the chief executive officer of MIDAS Financial Group. Between 2014 and 2018, Mr. Chin was an executive director of Code Agriculture (Holdings) Limited (now known as Farnova Group Holdings Limited), a company listed on GEM (Stock Code: 8153). Between 2009 and 2014, Mr. Chin was the chairman of Global Emerging Resources Holdings Limited. Between 2006 and 2009, Mr. Chin was the chairman and an executive director of Intelli-Media Group (Holdings) Limited (now known as Union Asia Enterprise Holdings Limited), a company listed on GEM (Stock Code: 8173). Between 2002 and 2004, Mr. Chin was the deputy chairman and the chief executive office of Dickson Group Holdings Limited (now known as Richly Field China Development Limited), a company listed on the Main Board (Stock Code: 313). In December 2000, Mr. Chin was appointed as an executive director of Hung Fung Group Holdings Limited (now known as CMBC Capital Holdings Limited), a company listed on the Main Board (Stock Code: 1141), and was re-designated as non-executive director in December 2001. This company had subsequently gone through a debt restructuring exercise with a group of bankers and the creditors, which was completed around May 2002. In October 1997, Mr. Chin was appointed as an executive director of Mansion Holdings Limited ("**Mansion**") (now known as Digital Domain Holdings Limited), a company listed on the Main Board (Stock Code: 547) for the purpose of leading the restructuring proposal which involved a compromise agreement with Mansion group's creditors, being all banks for the release and settlement of Mansion's outstanding bank loans. The restructuring proposal was completed in 1998.

Mr. Kwan Kar Man (關嘉文), aged 38, has been our executive Director since 8 May 2020. Mr. Kwan is mainly responsible for overseeing the financial and accounting, risk management and internal control of the Group. Mr. Kwan has over 15 years of experience in the accounting and auditing industry. He is a practising certified public accountant of the Hong Kong Institute of Certified Public Accountants. He is currently a director of a private company which engages in trading of agricultural products. Mr. Kwan obtained a bachelor's degree in Accounting from Lingnan University, Hong Kong in 2003.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cho Chi Kong (曹志光), aged 67, has been our independent non-executive Director (the "**INED**") since 1 June 2019, and is the chairman of the Board's nomination committee (the "**Nomination Committee**") and a member of each of the Board's audit committee (the "**Audit Committee**") and remuneration committee (the "**Remuneration Committee**"). Mr. Cho is mainly responsible for the supervision and provision of independent judgement to the Board. He is currently a Professor of Practice (Law) at The Hong Kong Polytechnic University's School of Accounting and Finance, where he delivers post-graduate courses in corporate governance and regulatory framework. Mr. Cho is currently an independent non-executive director of Perfect Optronics Limited, a company listed on GEM (Stock Code: 8311). Mr. Cho is a fellow member of the Hong Kong Institute of Directors and a former president of the Hong Kong Chapter of the Association of Certified Fraud Examiners. Mr. Cho is also a non-practising barrister of The Honourable Society of Lincoln's Inn in the United Kingdom, the High Court of Hong Kong Special Administrative Region, the Supreme Court of the Australian Capital Territory and the High Court of Australia. Further, he is a Certified Fraud Examiner of Association of Certified Fraud Examiners. He has extensive experience in corporate law, regulatory compliance and the prevention and detection of fraud and general legal compliance. Mr. Cho obtained a diploma in Management Studies from Hong Kong Management Association and Hong Kong Polytechnic in 1984 and a Bachelor of Laws degree from University of London in 1988.

Mr. Choi Wing San Wilson (蔡永新), aged 46, has been our INED since 28 December 2017, and is the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee. Mr. Choi is mainly responsible for the supervision and provision of independent judgement to our Board. From 1997 to 2003, Mr. Choi worked at Systek Information Technology Limited (subsequently known as Acme Technologies (Hong Kong) Limited), with his last position being a project manager responsible for overall project management, and analysis and design training. Afterwards since May 2003, Mr. Choi has been a director of Systek Financial Technology Limited (now known as Transaction Technologies Limited), a company specialising in providing innovative financial services. Mr. Choi is also the chief architect who is mainly responsible for the overall strategic planning, sales and marketing, and research and product development. Mr. Choi obtained a Bachelor of Arts degree in Computing and a Master degree in Corporate Finance from The Hong Kong Polytechnic University in November 1997 and December 2007, respectively, and a Master degree in Business Administration from The Chinese University of Hong Kong in November 2016.

Mr. Tan Yik Chung Wilson (陳奕聰), aged 51, has been our INED since 1 May 2019, and is the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee. Mr. Tan is mainly responsible for the supervision and provision of independent judgement to our Board. Mr. Tan has joined PKF Hong Kong (now known as PKF Hong Kong Limited) since March 2000 and is currently a partner of the firm. He has over 20 years of experience in auditing and accounting. Mr. Tan was admitted as an associate and a fellow of The Association of Chartered Certified Accountants in the UK in January 1999 and November 2003, respectively. He is currently a practising certified public accountant in Hong Kong. From November 2016 to December 2018, Mr. Tan was an independent non-executive director of Champion Alliance International Holdings Limited, a company listed on the Main Board (Stock Code: 1629) Mr. Tan obtained a diploma in Accounting from Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University) in July 1992 and a Master of Business Administration degree from Northeast Louisiana University (now known as University of Louisiana at Monroe) in the US in August 1997.

Corporate Governance Report

The Company is committed to fulfilling its responsibilities to its shareholders (the "**Shareholders**") and protecting and enhancing Shareholders' value through good corporate governance. The Directors recognise the importance of incorporating elements of good corporate governance in the management structures, internal control and risk management procedures of the Group so as to achieve effective accountability.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles of and complied with the applicable code provisions of the Corporate Governance Code as contained in Appendix 15 to the GEM Listing Rules (the "**CG Code**") during FY2020 and up to the date of this annual report, save for the deviation from code provision A.2.1 of the CG Code as disclosed in the section headed "Chairman and Chief Executive" in this report and Rules 5.01(1), 5.28 and 5.34 as disclosed below. The Company periodically reviews its corporate governance practices to ensure that it continues to meet the requirements of the CG Code.

Following the resignation of Mr. Leung Wai Yin as an INED on 31 March 2019, (i) the number of both the INEDs and the Audit Committee members fell below the minimum number required under Rules 5.05(1) and 5.28, respectively of the GEM Listing Rules, and (ii) the Remuneration Committee did not comprise a majority of INEDs under Rules 5.34 of the GEM Listing Rules. The Company has appointed Mr. Tan and Mr. Cho as the INEDs on 1 May 2019 and 1 June 2019 respectively. The Company has complied with the above requirements of the GEM Listing Rules after those appointments.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors (the "**Required Standard of Dealings**"). Following specific enquiries made by the Company on all the Directors during FY2020 and up to the date of this annual report, each of them has confirmed he/she had complied with the Required Standard of Dealings throughout the FY2020. No incident of non-compliance was noted by the Company during the FY2020.

BOARD OF DIRECTORS

Responsibilities

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

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

Composition

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

As at the date of this annual report, the Board comprises the following six Directors, of which the INEDs in aggregate represent 50% of the Board members:

Executive Directors
Mr. Cheung Desmond Lap Wai ("**Mr. Cheung**") *(Chairman and Acting CEO)*
Mr. Chin Wai Keung Richard ("**Mr. Chin**")
Mr. Kwan Kar Man ("**Mr. Kwan**")

INEDs
Mr. Cho Chi Kong ("**Mr. Cho**")
Mr. Choi Wing San Wilson ("**Mr. Choi**")
Mr. Tan Yik Chung Wilson ("**Mr. Tan**")

The biographical details of each of the Directors are set out in the section headed "Biographical Details of Directors" of this annual report.

Ms. Luk Sau Kuen ("**Ms. Luk**") who was the former chairlady of the Board and an executive Director, is the mother of Mr. Char Yat Shan Jonathan ("**Mr. Char**") who was a non-executive Director for the period from 5 September 2018 to 17 June 2019.

Save as disclosed above, there was no financial, business, family or other material relationship among the Directors during the FY2020 and up to the date of this annual report.

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

As at the date of this annual report, the Company had three INEDs, meeting the requirements of the GEM Listing Rules that the number of INEDs must represent at least one-third of the Board members, and that at least one of the INEDs has appropriate professional qualifications or accounting or related financial management expertise.

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

During the FY2020, Ms. Luk had held a meeting with the INEDs without the presence of other Directors.

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

Directors' Induction and Continuous Professional Development

Each of the Directors has received a formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of the Company's operations and business and is fully aware of the Director's responsibilities under statute and common law, the GEM Listing Rules, other legal and regulatory requirements and the Company's business and governance policies.

The Company will from time to time provide briefings to all Directors to develop and refresh their duties and responsibilities. All Directors are also encouraged to attend relevant training courses at the Company's expense and they have been requested to provide the Company with their training records. According to the training records maintained by the Company, the continuous professional development programmes received by each of the Directors during the FY2020 are summarised as follows:

Name of Directors	Type of trainings
Mr. Cheung	B
Mr. Chin	A and B
Mr. Kwan (appointed on 8 May 2020)	A and B
Mr. Char (resigned on 17 June 2019)	B
Ms. Ho Lai Ying ("**Ms. Ho**") (resigned on 1 January 2020)	B
Ms. Luk (resigned on 24 April 2020)	B
Mr. Cho	A and B
Mr. Choi	A and B
Mr. Tan	A and B
Mr. Cheung Ping Kwan Timothy (resigned on 30 April 2019)	A and B

A: attending seminars/conferences/forums

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

Meetings of the Board and Directors' Attendance Records

The Board is scheduled to meet four times a year at approximately quarterly intervals with notice given to the Directors at least 14 days in advance. For all other Board meetings, notice will be given in a reasonable time in advance. The Directors are allowed to include any matter in the agenda that is required for discussion and resolution at the meeting. To enable the Directors to be properly briefed on issues arising at each of the Board meetings and to make informed decisions, an agenda and the accompanying Board papers will be sent to all Directors at least three days before the intended date of the Board meeting, or such other period as agreed. The company secretary of the Company (the "**Company Secretary**") is responsible for keeping all Board meetings' minutes. Draft and final versions of the minutes will be circulated to the Directors for comments and record respectively within a reasonable time after each meeting and the final version is open for the Directors' inspection.

Details of the attendance of the Board meeting, Audit Committee meeting, Remuneration Committee meeting, Nomination Committee meeting and general meeting of the Company held during the FY2020 are summarised as follows:

	Number of meetings attended/eligible to attend for the FY2020				
Name of Directors	**Board meeting**	**Audit Committee meeting**	**Remuneration Committee meeting**	**Nomination Committee meeting**	**Annual General Meeting**
Executive Directors					
Mr. Cheung	4/4	N/A	N/A	1/1	1/1
Mr. Chin *(note 1)*	1/1	N/A	N/A	N/A	N/A
Ms. Ho *(note 2)*	2/3	N/A	N/A	N/A	1/1
Ms. Luk	4/4	N/A	N/A	N/A	1/1
Non-executive Director					
Mr. Char *(note 3)*	N/A	N/A	N/A	N/A	N/A
INEDs					
Mr. Cho *(note 4)*	4/4	4/4	1/1	1/1	1/1
Mr. Choi *(note 5)*	4/4	4/4	1/1	1/1	1/1
Mr. Tan *(note 6)*	4/4	4/4	1/1	1/1	1/1

N/A: Not applicable

Notes:

1. Mr. Chin was appointed as an executive Director on 9 November 2019.

2. Ms. Ho resigned as an executive Director on 1 January 2020.

3. Mr. Char resigned as a non-executive Director on 17 June 2019.

4. Mr. Cho was appointed as an INED and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee on 1 June 2019 and the chairman of the Nomination Committee on 9 August 2019.

5. Mr. Choi was appointed as a member of the Audit Committee on 17 June 2019.

6. Mr. Tan was appointed as an INED, the chairman of the Audit Committee, a member of each of the Remuneration Committee and the Nomination Committee on 1 May 2019.

Board Diversity Policy

The Board has adopted a policy of the Board diversity 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 requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge.

CHAIRMAN AND CHIEF EXECUTIVE

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Cheung, acting CEO, was appointed as the Chairman on 21 May 2020. He is mainly responsible for overseeing the financial and accounting, human resources and administrative matters as well as the OBM business of the Group. In view of Mr. Cheung's aforesaid responsibilities and extensive experience and working knowledge in the Group since October 2008, the Board believed that it was in the best interest of the Group to have Mr. Cheung taking up both roles for effective management and business development. The Board considered that the balance of power and authority, accountability and independent decision-making under the above arrangement would not be impaired because of the diverse background and experience of the INEDs. Further, the then Audit Committee consisted of three INEDs, and all of the INEDs have free and direct access to the Company's external auditors and independent professional advisers when they consider necessary.

In order to maintain good corporate governance and to fully comply with code provision A.2.1 of the CG Code, the Board will regularly review the need to appoint different individuals to perform the roles of chairperson and CEO separately and to make appropriate changes if considered necessary.

BOARD COMMITTEES

The Board has established three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee to oversee particular aspects of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties. All Board committees have been established with defined written terms of reference, which are posted on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.mansionintl.com. All the Board committees should report to the Board on their decisions or recommendations made.

The practices, procedures and arrangements in conducting meetings of Board committees follow in line with, so far as practicable, those of the Board meetings set out above.

All Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expense.

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 Directors, and reviewing the Company's compliance with the code provisions in the CG Code and disclosures in the corporate governance report.

Audit Committee

The Audit Committee was established with effect from 26 January 2018 with written terms of reference in compliance with the CG Code. The Board has adopted revised terms of reference on 31 December 2018. The written terms of reference of the Audit Committee are published on the respective websites of the Stock Exchange and the Company. The Audit Committee currently comprises three INEDs, namely Mr. Cho, Mr. Choi and Mr. Tan. Mr. Tan is the chairman of the Audit Committee.

The principal roles and functions of the Audit Committee include but are not limited to:

1. making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and approving its remuneration and terms of engagement, and handling any questions regarding its resignation or dismissal;

2. reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards and the Group's accounting policies, and discussing with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;

3. developing and implementing a policy on engaging external auditor to supply non-audit services and reporting to the Board, identifying and making recommendations on any matters where action or improvement is needed;

4. assisting the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting;

5. monitoring the integrity of the Company's financial statements, annual reports and accounts, half-year reports and quarterly reports, and reviewing significant financial reporting judgments contained in them;

6. reviewing the Company's financial controls;

7. discussing the risk management and internal control systems with management to ensure that management has performed its duty to have such effective systems;

8. considering major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

9. where an internal audit function exists, ensuring co-ordination between the internal and external auditors and ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company, and reviewing and monitoring its effectiveness;

10. reviewing the Group's financial and accounting policies and practices;

11. reviewing the external auditor's management letter, any material queries raised by the external auditor to management about the accounting records, financial accounts or systems of control and management's response;

12. ensuring that the Board will provide a timely response to the issues raised in the external auditor's management letter;

13. reporting to the Board on the matters in the provisions in the CG Code;

14. ensuring the adequacy of resources, staff qualifications and experience, training programmes, and budget of the Company's accounting and financing reporting function;

15. reviewing the arrangements that the employees of the Group can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters;

16. formulating whistle-blowing policies and systems so that the employees and other persons (e.g. customers and suppliers) who have connections with the Company can, in confidence, report to the Audit Committee concerns about any impropriety relating to the Company; and

17. considering other topics as defined by the Board.

During the FY2020, the Audit Committee held four meetings to, amongst other matters, consider and recommend to the Board for approval the Group's audited annual results for FY2019, unaudited first quarterly results for the three months ended 30 June 2019, unaudited interim results for the six months ended 30 September 2019 and unaudited third quarterly results for the nine months ended 31 December 2019 and audit-related matters; and the re-appointment of BDO Limited ("**BDO**") at the annual general meeting of the Company (the "**AGM**") held in July 2019. Details of the attendance of the Audit Committee meetings are set out above.

Remuneration Committee

The Remuneration Committee was established with effect from 26 January 2018 with written terms of reference in compliance with the CG Code. The written terms of reference of the Remuneration Committee are published on the respective websites of the Stock Exchange and the Company. The Remuneration Committee currently comprises three INEDs, namely Mr. Cho, Mr. Choi and Mr. Tan. Mr. Choi is the chairman of the Remuneration Committee.

The principal roles and functions of the Remuneration Committee include but are not limited to:

1. making recommendations to the Board on (i) the overall policy and structure for the remuneration of all Directors, senior management and general staff of the Group, and (ii) the establishment of a formal and transparent procedure for developing the remuneration policy;

2. reviewing and approving management's remuneration proposals by reference to the Board's corporate goals and objectives;

3. making recommendations to the Board on the remuneration packages of individual executive Directors and senior management including basic salaries, benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

4. making recommendations to the Board on the remuneration of the non-executive Directors;

5. considering the salaries paid by comparable companies, time commitment, responsibilities and employment conditions elsewhere in the Group;

6. reviewing and approving the compensation payable to the executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with the contractual terms and is otherwise fair and not excessive;

7. reviewing and approving the compensation arrangements relating to the dismissal or removal of the Directors for misconduct to ensure that they are consistent with the contractual terms and are otherwise reasonable and appropriate; and

8. ensuring that no Director or any of his/her associates (as defined in the GEM Listing Rules) is involved in deciding his/her own remuneration.

During the FY2020, the Remuneration Committee held one meeting to review and recommend to the Board for approval certain remuneration-related matters of the Directors and senior management. Details of the attendance of the Remuneration Committee meeting are set out above.

Nomination Committee

The Nomination Committee was established with effect from 26 January 2018 with written terms of reference in compliance with the CG Code. The Board has adopted revised terms of reference on 31 December 2018. The written terms of reference of the Nomination Committee are published on the respective websites of the Stock Exchange and the Company. The Nomination Committee currently comprises Mr. Cheung, the Chairman, acting CEO and executive Director, and three INEDs, namely Mr. Cho, Mr. Choi and Mr. Tan. Mr. Cho is the chairman of the Nomination Committee.

The principal roles and functions of the Nomination Committee include but are not limited to:

1. 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 Company's corporate strategy;

2. 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;

3. assessing the independence of the INEDs;

4. making recommendations to the Board on the appointment or re-appointment of Directors and the succession planning for the Directors, in particular, the Chairman and the CEO; and

5. developing and making recommendations to the Board the measurable objectives for achieving diversity on the Board and monitoring the progress on achieving those objectives.

The Board also adopted the nomination policy. The Nomination Committee shall endeavor to select individuals of high integrity who have a solid record of accomplishment in their chosen fields and who possess the qualifications, qualities and skills to effectively represent the best interests of the Group and the Shareholders. Candidates will be selected for their ability to exercise good judgment, and to provide practical insights and diverse perspectives. Candidates also will be assessed in the context of the then-current composition of the Board and the operating requirements of the Group. In conducting this assessment, the Nomination Committee will, in connection with its assessment and recommendation of candidates for Directors, consider diversity (including but not limited to, gender, age, cultural, educational and professional background, knowledge, experience and skills) and such other factors as it deems appropriate given the current and anticipated future needs of the Board and the Company, and to maintain a balance of perspectives, qualifications, qualities and skills on the Board.

During the FY2020, the Nomination Committee held one meeting to, amongst other matters, review the structure, size and composition of the Board, assess the independence of the INEDs and recommend to the Board for approval the re-appointment of Directors at the AGM held in July 2019. Details of the attendance of the Nomination Committee meeting are set out above.

Corporate Governance Functions

The Board is responsible for performing the corporate governance functions, which include:

1. developing and reviewing the Company's policies and practices on corporate governance;

2. reviewing and monitoring the training and continuous professional development of the Directors and senior management;

3. reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

4. developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to the Directors and the Group's employees; and

5. reviewing the Company's compliance with the CG Code and disclosure in this report.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the INEDs has entered into an appointment letter with the Company for an initial term of three years commencing on 26 January 2018, 1 May 2019 and 1 June 2019 for Mr. Choi, Mr. Tan and Mr. Cho, respectively subject to the terms stipulated therein.

All the Directors, including INEDs, are subject to retirement by rotation and eligible for re-election in accordance with the Articles of Association. At each AGM, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director shall be subject to retirement at an AGM at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the AGM at which he/she retires. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and does not offer himself/herself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been the longest in office since their last re-election or appointment and so that as between the 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.

The Company may by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director. Any Director so appointed shall be subject to retirement by rotation.

The Board 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 additional Director. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Company after his/her 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 AGM and shall then be eligible for re-election. Any such Director appointed shall not be taken into account in determining the number of Directors who are to retire by rotation at an AGM.

REMUNERATION OF DIRECTORS

The particulars of the Directors' remuneration for the FY2020 are set out in note 10 to the Consolidated Financial Statements.

INDEPENDENT AUDITOR'S REMUNERATION

BDO was engaged as the Group's independent auditor (the "**Independent Auditor**") for the FY2020. The remuneration paid/payable to BDO in respect of statutory audit services for the FY2020 was HK$800,000. BDO also provided the Group with non-audit services regarding the provision of tax services at fees to HK$85,700.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the Consolidated Financial Statements.

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

In addition, BDO has stated in the Independent Auditor's report its reporting responsibilities on the Consolidated Financial Statements.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company has in place policies and procedures in relation to risk management and internal control. The Board is primarily responsible for overseeing the risk management and internal control systems and for reviewing their effectiveness. The Company's internal control system and procedures are designed to meet its specific business needs and to minimise its risk exposure. The Company has adopted different internal guidelines, along with written policies and procedures to monitor and lessen the impact of risks which are relevant to its business and control its daily business operations. Management will identify the risks associated with the Group's day-to-day operations for review by the Board. The Board is responsible for evaluating and determining the nature and extent of the risks that the Company is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The Board oversees management in the design, implementation and monitoring of the risk management and internal control systems. The Board acknowledges that such risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Company does not have an internal audit department. The Board currently takes the view that there is no immediate need to set up an internal audit function in light of the size, nature and complexity of the Group's business. The need for an internal audit function will be reviewed from time to time. Recently, the Board has conducted a review of the effectiveness of the risk management and internal control systems of the Group covering all material controls, including financial, operational and compliance controls functions. The Board considers that the Group's risk management and internal control systems are adequate and effective. The Board expects that a review of the risk management and internal control systems will be performed annually.

DISCLOSURE OF INSIDE INFORMATION

The Group acknowledges its responsibilities under the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong and the GEM Listing Rules and the overriding principle that inside information must be announced promptly when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of inside information are as follows:

1. the Group conducts its affairs with close regard to the disclosure requirement under the GEM Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012;

2. the Group has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and the Company's website;

3. the Group has strictly prohibited unauthorised use of confidential or inside information; and

4. the Group has established and implemented procedures for responding to external enquiries about the Group's affairs, so that only the executive Directors and authorised representatives are authorised to communicate with parties outside the Group.

COMPANY SECRETARY

Sir Kwok Siu Man KR ("**Sir Seaman Kwok**") has been appointed as the Company Secretary with effect from 26 May 2018.

Sir Seaman Kwok has confirmed that he received no less than 15 hours of relevant professional training during the FY2020 pursuant to Rule 5.15 of the GEM Listing Rules.

Sir Seaman Kwok was nominated by Boardroom Corporate Services (HK) Limited ("**Boardroom**") to act as the Company Secretary and Boardroom has been providing certain corporate secretarial services to the Company pursuant to an engagement letter entered into between the Company and Boardroom. The primary person at the Company with whom Sir Seaman Kwok has been contacting in respect of company secretarial matters is Ms. Chan Man Sze, the chief financial officer of a subsidiary of the Company.

All members of the Board have access to the advice and services of the Company Secretary. The appointment and removal of the Company Secretary has been/will be subject to the Board's approval.

SHAREHOLDERS' RIGHTS

Procedures for Putting Forward Proposals at Shareholders' Meetings

Shareholders are welcomed to suggest proposals relating to the operations, strategy and/or management of the Group to be discussed at Shareholders' meeting. Proposals can be sent to the Board or the Company Secretary by written requisition. Shareholders who wish to make proposals or move a resolution may, however, convene an extraordinary general meeting (the "**EGM**") in accordance with the "Procedures for Shareholders to Convene an EGM" set out below.

Procedures for Shareholders to Convene an EGM

Pursuant to Article 58 of the Articles of Association, any one or more Shareholders holding at the date of deposit of the requisition not less than 10% of the paid-up capital of the Company carrying the right of voting at general meetings of the Company (the "**Eligible Shareholder(s)**") shall at all times have the right, by written requisition to the Board or the Company Secretary for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the EGM.

Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned (the "**Requisitionist(s)**") at the headquarters and principal place of business of the Company in Hong Kong (presently at 7/F., 822 Lai Chi Kok Road, Kowloon, Hong Kong) for the attention of the Company Secretary.

The Requisition must state clearly the name(s) of the Requisitionist(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM and the proposed agenda.

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

If within 21 days of the deposit of the Requisition the Board or the Company Secretary fails to proceed to convene such EGM, the Requisitionist(s) himself/herself/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 or the Company Secretary to convene an EGM shall be reimbursed to the Requisitionist(s) by the Company.

Procedures for Shareholders to Send Enquiries to the Board

Shareholders may direct their enquiries about their shareholdings, share transfer/registration or notification of change of their correspondence address or dividend/distribution instructions to the Company's branch share registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong.

Shareholders may send their enquiries and concerns to the Board by post to the headquarters and principal place of business of the Company in Hong Kong at 7/F., 822 Lai Chi Kok Road, Kowloon, Hong Kong or by email to mansion@mansionintl.com for the attention of the Company Secretary.

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

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

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

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

DIVIDEND POLICY

The Board has approved and adopted a dividend policy on 31 December 2018. It is the policy of the Board, in considering the payment of dividends, to allow Shareholders to participate in the Company's profits whilst retaining adequate reserves for the Group's future growth.

In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia, the following factors:

(a) the Group's actual and expected financial performance;

(b) retained earnings and distributable reserves of the Company and each of the members of the Group;

(c) the Group's working capital requirements, capital expenditure requirements and future expansion plans;

(d) the Group's liquidity position;

(e) general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and

(f) any other factors that the Board deems appropriate.

COMMUNICATION WITH THE SHAREHOLDERS

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

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

CONSTITUTIONAL DOCUMENTS

During the FY2020, there was no change in the constitutional documents of the Company.

Directors' Report

The Directors present their report and the audited Consolidated Financial Statements.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's principal subsidiaries are set out in note 37 to the Consolidated Financial Statements.

BUSINESS REVIEW

Further discussion and review on the business activities of the Group as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong (the "**CO**")), including a description of the principal risks and uncertainties facing the Group; material events affecting the Group that have occurred since the end of the FY2020; an indication of likely future development in the Group's business; an analysis of the Group's performance during the FY2020 using financial key performance indicators; and an analysis of the Group's key relationships with its key stakeholders that have a significant impact on the Group are contained in the sections headed "Chairman's Statement" on page 3 and "Management's Discussion and Analysis" on pages 4 to 9 of this annual report. Those discussions form part of this report.

The Group is committed to protecting the environment and maintaining a high standard of corporate social governance. Details of the policies are set out in the section headed "Environmental, Social and Governance Report" on pages 36 to 48 of this annual report.

The Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2020 and up to the date of this report.

RESULTS AND DIVIDEND

The results of the Group for the FY2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 52 of this annual report.

The Board has resolved not to recommend the payment of any dividend for the FY2020.

SUMMARY FINANCIAL INFORMATION

A summary of the results and assets and liabilities of the Group for the last four financial years is set out on page 134 of this annual report. This summary does not form part of the audited Consolidated Financial Statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the Group's property, plant and equipment during the FY2020 are set out in note 15 to the Consolidated Financial Statements.

SHARE CAPITAL

Details of the movements in the Company's paid up capital for the FY2020 are set out in note 34 to the Consolidated Financial Statements.

RESERVES

Details of the movements in the reserves of the Group are set out in the consolidated statement of changes in equity on pages 55 and 56 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 March 2020, the Company had no reserve available for distribution, calculated in accordance with the provisions of Companies Law of the Cayman Islands.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the FY2020, the Company did not redeem its listed securities, nor did the Company or any of its subsidiaries purchase or sell such securities.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Company during the FY2020 or subsisted at the end of the FY2020.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, as at the date of this annual report, there is sufficient public float of not less than 25% of the Company's issued Shares as required under the GEM Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

During the FY2020, sales to the Group's five largest customers accounted for approximately 52.6% of the Group's total sales for the FY2020 and sales to the largest customer included therein amounted to approximately 22.4%.

During the FY2020, purchases from the Group's five largest suppliers accounted for approximately 71.7% of the Group's total purchases for the FY2020 and purchases from the Group's largest supplier included therein amounted to approximately 35.6%.

None of the Directors or any of their close associates or any Shareholders (which to the best knowledge of the Directors, own more than 5% of the number of the issued shares of the Company) had any interest in the Group's five largest customers and suppliers.

DONATIONS

During the FY2020, the Group made charitable donations amounting to approximately HK$258,000 (2019: HK$23,000).

DIRECTORS

The Directors who held office during the FY2020 and up to the date of this report are:

Executive Directors

Mr. Cheung Desmond Lap Wai *(Chairman and Acting CEO)*
Mr. Chin Wai Keung Richard (appointed on 9 November 2019)
Mr. Kwan Kar Man (appointed on 8 May 2020)
Ms. Ho Lai Ying (resigned on 1 January 2020)
Ms. Luk Sau Kuen *(former Chairlady)* (resigned on 24 April 2020)

Non-executive Director

Mr. Char Yat Shan Jonathan (resigned on 17 June 2019)

INEDs

Mr. Cho Chi Kong (appointed on 1 June 2019)
Mr. Choi Wing San Wilson
Mr. Cheung Ping Kwan Timothy (resigned on 30 April 2019)
Mr. Tan Yik Chung Wilson (appointed on 1 May 2019)

Article 83 (3) of the Articles of Association provides that any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Shareholders after his/her appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election.

Article 84 of the Articles of Association provides that (1) one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each AGM, provided that every Director shall be subject to retirement at an AGM at least once every three years; and (2) a retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election.

Each of Mr. Cheung, Mr. Chin, Mr. Choi and Mr. Kwan will retire at the forthcoming AGM. Mr. Cheung, Mr. Choi and Mr. Kwan, being eligible, will offer themselves for re-election thereat. Mr. Chin informed the Board that he would not offer himself for re-election due to other personal commitments and he will retire upon conclusion of the forthcoming AGM.

INDEPENDENCE OF INEDs

The Company has received, from each of the current INEDs, a confirmation of their independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that all of the INEDs are independent.

DIRECTORS' SERVICE CONTRACTS

Each of the INEDs has entered into a letter of appointment with the Company for a term of three years.

None of the Directors proposed for re-election at the forthcoming AGM has entered into a service agreement or agreement for appointment with the Company or any of its subsidiaries which is not determinable by the employer within one year without the payment of compensation (other than statutory compensation).

BIOGRAPHICAL DETAILS OF DIRECTORS

The biographical details of Directors are disclosed in the section headed "Biographical Details of Directors" on pages 10 to 11 of this annual report.

CHANGES IN DIRECTORS' INFORMATION

Subsequent to the date of the third quarterly report 2019/20 of the Company, the changes in the Directors' information as required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules are set out below:

1. Ms. Luk resigned as the chairlady of the Board and an executive Director on 24 April 2020;

2. Mr. Kwan was appointed as an executive Director on 8 May 2020;

3. Mr. Cheung was appointed as the Chairman and resigned as the COO on 21 May 2020;

4. The monthly remuneration of Mr. Cheung, Mr. Chin, Mr. Cho, Mr. Choi and Mr. Tan were adjusted to HK$20,000, HK$15,000, HK$10,000, HK$10,000 and HK$15,000 respectively with effect from 1 June 2020; and

5. Mr. Chin was appointed as an executive director of Huiyin Holdings Group Limited, a company listed on the Main Board (Stock Code: 1178) on 10 June 2020.

DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST PAID INDIVIDUALS' REMUNERATION

Details of the Directors' emoluments and the five individuals with the highest emoluments are set out in notes 10 and 11 to the Consolidated Financial Statements.

EMOLUMENT POLICY

The Company has established the Remuneration Committee in compliance with the GEM Listing Rules. The primary duties of the Remuneration Committee are to review and make recommendations to the Board on the remuneration policy and other remuneration related matters, including benefits-in-kind and other compensation payable to the Directors and senior management of the Company.

Under the remuneration policy of the Company, the Remuneration Committee will consider factors such as corporate and individual performance, salaries paid by comparable companies, time commitment, responsibilities and employment conditions elsewhere in the Group in assessing the amount of remuneration payable to the Directors and senior management. The Company has adopted a share option scheme as an incentive to selected participants.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transaction, arrangement or contract of significance in relation to the Group's business to which the Company, or its holding company or any of its subsidiaries or fellow subsidiaries was a party, and in which a Director and his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the FY2020 or at any time during the FY2020.

COMPETING INTEREST

None of the Directors or the controlling Shareholder(s) or their respective close associates (as defined under the GEM Listing Rules) has interests in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with the businesses of the Group during the FY2020 and up to the date of this annual report.

NON-COMPETITION UNDERTAKINGS

As disclosed in the Prospectus, the late Ms. Fung and Joyful Cat Limited ("**Joyful Cat**") controlled by her (the "**Controlling Shareholders**") entered into a deed of non-competition in favour of the Company on 11 January 2018 regarding the non-competition undertakings given by each of the Controlling Shareholders in favour of the Company (for itself and as trustee for its subsidiaries) (the "**Non-competition Undertakings**"). A summary of the principal terms of the Non-competition Undertakings is set out in the section headed "Relationship with Controlling Shareholders" of the Prospectus.

As Ms. Fung passed away on 4 November 2018 and Ms. Luk has been appointed as the executrix of the estate of Ms. Fung, Ms. Luk succeeds Ms. Fung to make the confirmation for the compliance with the relevant provisions going forward. The Company obtained from each of the Controlling Shareholders a written confirmation on the compliance with the Non-competition Undertakings during the FY2020. The INEDs have reviewed the status of compliance and confirmed that they were not aware of any non-compliance with the Non-competition Undertakings by the Controlling Shareholders during the FY2020.

PERMITTED INDEMNITY PROVISION

The Articles of Association provide that the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any Director.

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

The permitted indemnity provision and the Directors' and officers' liability were in force during the FY2020 and are in force as at the date of this report.

RELATED PARTY TRANSACTIONS

A summary of the related party transactions entered into by the Group during the FY2020 is contained in note 39 to the Consolidated Financial Statements. None of these related party transactions constituted one-off connected transactions or continuing connected transactions, which are required to comply with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

MANAGEMENT CONTRACTS

No contracts, other than the executive Directors' employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the FY2020.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

No contract of significance (whether for the provision of services to the Group or not) between the Company or any of its subsidiaries and a controlling shareholder (as defined in the GEM Listing Rules) of the Company or any of its subsidiaries subsisted as at the end of the FY2020 or at any time during the FY2020.

TAX RELIEF

The Company is not aware of any relief on taxation available to the Shareholders by reason of their holdings of the Shares. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in or exercising of any rights in relation to the Shares, they are advised to consult their professional advisers.

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

As at 31 March 2020, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and 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 were required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) recorded in the register referred to therein pursuant to Section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

LONG POSITION IN THE SHARES

Name of Director	Capacity	Nature of interests	Number of Shares interested	Approximate percentage of issued Shares*
Ms. Luk	Executrix	Other interest	300,000,000 *(Note)*	65.01%

Note: These Shares are held by Joyful Cat. Joyful Cat was legally and beneficially owned as to 100% by the late Ms. Fung before her death. Ms. Luk has been appointed as the executrix of the estate of the late Ms. Fung in respect of the shares of Joyful Cat in the BVI under the Grant of Probate issued by the High Court of Justice of the BVI. Ms. Luk resigned as the chairlady of the Board and an executive Director on 24 April 2020.

* The percentage represents the total number of the Shares interested divided by the number of issued Shares as at 31 March 2020 (i.e. 461,476,000 Shares).

Save as disclosed above, as at 31 March 2020, none of the Directors nor the chief executive of the Company had any interests and short positions in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) recorded in the register referred to therein pursuant to Section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2020, so far as is known to the Directors, the following entity or person other than the Directors and the chief executive of the Company, had interests or shorts positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO:

LONG POSITION IN THE SHARES

Name of Shareholders	Capacity	Nature of interests	Number of Shares held or interested	Approximate Percentage of the issued Shares*
Joyful Cat *(Note)*	Beneficial owner	Personal interests	300,000,000	65.01%
Ms. Fung *(Note)*	Interest of a controlled corporation	Corporate interests	300,000,000	65.01%

Note: Joyful Cat is the direct Shareholder and was legally and beneficially owned as to 100% by the late Ms. Fung before her death. Ms. Luk has been appointed as the executrix of the estate of the late Ms. Fung in respect of the shares of Joyful Cat in the BVI under the Grant of Probate issued by the High Court of Justice of the BVI.

* The percentage represents the total number of the Shares held or interested divided by the number of issued Shares as at 31 March 2020 (i.e. 461,476,000 Shares).

Save as disclosed above, as at 31 March 2020, so far as is known by or otherwise notified to the Directors, no other entity or person (other than a Director or the chief executive of the Company) had interests and short positions in the Shares and the underlying Shares as required to be recorded in the register to be kept by the Company pursuant to Section 336 of the SFO.

ARRANGEMENTS FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section "Share Option Scheme" below, at no time during the FY2020 or at the end of the FY2020 was the Company, or its holding company or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SHARE OPTION SCHEME

The Company has adopted the Share Option Scheme. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. As no share option has been granted since the adoption of the Share Option Scheme, there was no share option outstanding as at 31 March 2020 and no share option was exercised, cancelled or lapsed during the FY2020.

Details of the Share Option Scheme are as follows:

1. Purposes

The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to the Group.

2. Eligible participants

The eligible participants include any employee, any directors, any suppliers, any customers, any person or entity that provides research, development or other technological support, any shareholder, any adviser or consultant of the Company, any of its subsidiaries or any entity in which the Group holds an equity interest, and any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement and growth of the Group.

3. Total number of Shares available for issue

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue on the day on which dealings in the Shares first commence on GEM. The number of Shares available for issue under the Share Option Scheme is 40,000,000 Shares, representing 10% of the Shares in issue as at 26 January 2018.

4. Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of the options granted under the Share Option Scheme (including both exercised and outstanding options) to each participant in any 12-month period must not exceed 1% of the Shares in issue for the time being (the "**Individual Limit**"). Any further grant of options to a participant in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to the Shareholders and the Shareholders' approval in general meeting of the Company with such participant and his/her associates abstaining from voting.

Where any grant of options to a substantial Shareholder or an INED or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: (i) representing in aggregate over 0.1% of the 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 million, such further grant of options must be approved by the Shareholders.

5. Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on 28 December 2017, being the date of adoption of the Share Option Scheme, to 27 December 2027.

6. Time of acceptance of the offer

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

7. Minimum period for which an option must be held before it can be exercised

There is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee.

8. Consideration for the option

A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

9. Subscription price for Shares

The subscription price for the Shares under the Share Option Scheme will be a price determined by the Director, but shall not be less than the highest of: (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day, (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the offer of the grant; and (c) the nominal value of a Share.

10. Transfer or assignment

An option is personal to the grantee and shall not be transferable or assignable.

11. Termination of the Share Option Scheme

The Company may by resolution in general meeting at any time terminate the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

CORPORATE GOVERNANCE

The Company is committed to adopting corporate governance practices. The Company's corporate governance practices are set out in the Corporate Governance Report on pages 12 to 24 of this annual report.

The compliance officer of the Company is Mr. Cheung whose biographical details are set out on page 10 of this annual report. The Company Secretary is Sir Seaman Kwok, a fellow member of The Hong Kong Institute of Chartered Secretaries.

AUDIT COMMITTEE

The Audit Committee was established with effect from 26 January 2018 with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and code provision C.3.3 of the CG Code. The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment, re-appointment and removal of external auditors, review the financial statements and material advice in respect of financial reporting, and oversee internal control and risk management procedures of our Group.

The Audit Committee currently comprises three INEDs, namely Mr. Tan Yik Chung Wilson, Mr. Choi Wing San Wilson and Mr. Cho Chi Kong. Mr. Tan Yik Chung Wilson is the chairman of the Audit Committee.

The Consolidated Financial Statements and this report have been reviewed by the Audit Committee. No material issues were identified and reported by the Audit Committee to the Board.

INTERESTS OF THE COMPLIANCE ADVISER

As confirmed by the Company's compliance adviser Alliance Capital Partners Limited (the "**Compliance Adviser**"), for the FY2020 and up to the date of this report, save for the Compliance Adviser's agreement dated 12 July 2017 and entered into between our Company and the Compliance Adviser concerning the fees payable by the Company to the Compliance Adviser for acting in such capacity, neither the Compliance Adviser nor any of its directors, employees or close associates had any interests in relation to our Company or any member of our Group (including interests in the securities of our Company or any member of our Group, and options or rights to subscribe for such securities), which is required to be notified to our Company pursuant to Rule 6A.32 of the GEM Listing Rules.

INDEPENDENT AUDITOR

The Consolidated Financial Statements have been audited by BDO. There were no changes in Independent Auditor during the past three years.

By order of the Board
Mansion International Holdings Limited
Cheung Desmond Lap Wai
Chairman, Acting CEO and Executive Director
Hong Kong, 26 June 2020

Environmental, Social and Governance Report

PREPARATION BASIS AND SCOPE

As a company based and served in Hong Kong, **Mansion International Holdings Limited** (thereafter "**Group**" or **We**") is fully committed to environment protection, socially responsible and equipped with the strictest corporate governance. In pursuant to the requirement of the ESG Reporting Guide in Appendix 20 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited, We have prepared this 2019-2020 ESG report, covering business segments that the Group was engaged in the manufacture and sale of baby clothing and clothing accessories for infants and toddlers. Our principle business operation includes Original Brand Manufacturing (OBM) business under the brand "Mides" and complementary third-party brand products through our self-operated retail stores and department store counters in Hong Kong, and wholesale in Hong Kong, the PRC and Macao. In addition, the Group operates an Original Equipment Manufacturing (OEM) business to brand companies overseas or designated sourcing companies mainly located in Hong Kong, UK and US.

The scope of this report will cover the Group's initiatives on introducing the concept of ESG to its internal and external stakeholders, putting them into practices to its daily operations and disclosing results as a year-end summary over the year. Data from 2018-2019 is also presented in this report for comparison purposes and to provide a clearer picture in terms of the Group's ESG initiatives. It is also the intention of the management to provide an overview of the Group's direction in managing ESG related issues, driving for ESG initiatives throughout the Group, and communicating its ESG performance result with its stakeholders.

REPORTING BOUNDARY AND PERIOD

The reporting boundary of this report shall cover the operation activities throughout the Group, including operations in Hong Kong, the PRC and as well as its managed shops in Hong Kong.

The reporting period of this report shall cover the date from 1 April 2019 to 31 March 2020 (the "**Reporting Period**").

STAKEHOLDERS ENGAGEMENT

Stakeholder engagement is essential in the development of our strategies for minimizing the Group's environmental impact, as well as to optimize our interaction with society. With consideration of the Group's operation and its business nature, key internal and external stakeholders were identified and dedicated engagement sessions have been arranged for the respective parties for communication of their views and expectations, as summarised in the below table.

Internal Stakeholders	**External Stakeholders**
• The Board	• Shareholders
• Management	• Investors
• General staff	• Customers
	• Local community groups

Engagement methods:

Meetings, interviews, direct mail, staff performance appraisal interviews, internal publications, annual general meeting ("**AGM**"), special general meetings, customer feedback forms, and announcements.

Stakeholder Feedback

The Group welcomes stakeholders' feedback on its ESG approach and performance. For any suggestions or opinions, stakeholders are welcome to contact us through our communication channels.

ENVIRONMENT

Manufacturing safe products for infants and toddlers is one of our main business activities. In addition to generating revenue for its shareholders and providing the best products, the Group also aims to operate as a socially responsible corporate. The Group's senior management has placed environmental protection as one of the business priorities, and has established an internal *Environmental Policy*, which lays the foundations on limiting the Group's impacts to the local environment according to different parts of its operations.

Due to the regional coverage of the Group's business, it is important to manage environmental impacts attributable to its local operational activities, and minimise such impacts as much as possible. The Group's PRC subsidiary operates in full compliance to relevant national and local environmental protections laws and regulations, including:

- the Environmental Protection Law of PRC;
- the Law of the PRC on the Prevention and Control of Water Pollution;
- the Law of the PRC on the Prevention and Control Atmospheric Pollution;
- the Law of the PRC on the Prevention and Control of Environmental Noise Pollution;
- the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes;
- the Regulations on the Administration of Construction Project Environmental Protection; and
- the Regulations on the Collection and Use of Sewage Charges.

In summary, environmental topics relevant to the Group's activities during the Reporting Period have been identified, mainly relating to the consumption of electricity, diesel, petrol, paper and water. The Group's manufacturing business does not involve in significant pollutions of air, water, or land, regulated under Hong Kong and PRC laws and regulations, and thus is not attributed to any material impact in these aspects. In addition, the Group's internal environmental protection awareness programme consistently reminds and encourages its employees and clients to work together to improve environmental performance.

Use of Resources

As an environmentally-friendly corporation, the Group actively promotes green practices in all of premises, attempting to reduce its consumption of resources, particularly on electricity and water consumption. Our Environmental Policy, with regards to resource consumption, is developed based on the "4Rs" strategy, emphasizing on "Replace, Reduce, Reuse and Recycle". Our employees are constantly reminded to the implement 4Rs strategy throughout the Group's operation, and even directly working with our supply chain partners to avoid wastages and reduce overall consumption.

The Group understands that its operations consumes a fair amount of resources, in the form of electricity and water, which can lead to significant impacts to the environment. With this in mind, the Group manages its utilities consumption and tries to conserve and minimize the ecological footprint associated with our consumption practices.

Electricity

The Group works diligently with its employees to promote the 4Rs initiative, driving for efficient usage of electricity in its premises. Notices on energy saving policies can be found in common areas and in the working area, and energy conservation tips are promoted through internal circulation to raise the staff awareness on limiting energy consumption. Other energy saving initiatives implemented in our facilities include the following:

- Adjusting air conditioners' temperature to 25.5°C;
- Switching off all electronic devices during lunch hours and when leaving office;
- Procuring equipment with high energy efficiency ratings whenever possible; and
- Setting computers on energy saving modes.

The total electricity consumption by the Group during the Reporting Period is 1,544,610kWh, which is approximately 15% less than the previous year. This change is related to reallocation of production procedures to reduce factory used space and reduce Group operations during the COVID-19 outbreak.

Fossil Fuels

The Group's transportation team is responsible for delivering products to various locations diligently, on time, and in a safe manner. Vehicles, including trucks and automobiles, were utilized as the major transportation medium, which consumed diesel and petrol during the process.

At our manufacturing sites in PRC, diesel was consumed in stationary sources such as electric generators.

During the Reporting Period, the Group consumed a total of 15,816 litres of petrol and 9,122 litres of diesel.

Fabrics Product Packaging

The Group owns a factory operation in PRC, which manufactures children fabrics products. The products are packaged and shipped to branded-companies located overseas and to our retail shops in Hong Kong. Our consumption of packaging material consists mainly of plastic bags and small paper boxes, used for shipping purposes. In addition, in accordance with our environmental policy, the team is advised to implement a "light but effective" package as much as possible to avoid wastage. The effort has worked smoothly in operation, and it was also well-received by staff members in our packaging lines.

During the Reporting Period, the Group has utilized 40 tonnes of plastics and 90 tonnes of paper for packaging. The reduced consumption of packaging is due to COVID-19 outbreak, resulting in reduced production during the reporting period. The Group will continue driving for efficient material use, monitor and improve its performance in the future.

Water

In addition to its effort on energy conservation, the Group also worked with its employees to promote a water conservation culture. Notices were posted to remind the staff to:

- Turn off tap after use;
- Avoid unnecessary flush;
- Perform regular maintenance on water taps; and
- Avoid water wastage in up-flow water dispenser.

To reduce the environmental wastewater generated by our manufacturing facilities in PRC, we have imposed strict policies to forbid discharge of water contaminated with chemicals, which may pose potential biological impacts on people and/or local ecosystems. Also, the daily wastewater generated by the Group's manufacturing facilities are first biologically treated prior to discharge to the sewer system, in compliance with local regulations.

The Group has consumed a total of 31,960 cubic metres of water during the Reporting Period, which is about 30% less than the volume consumed during the previous year. The reduction is related to limited operations during January and March 2020 as a result of COVID-19 outbreak. The Group will continue to monitor its water usage and look for additional water conservation strategies to optimize its water consumption.

Waste Management

As a socially responsible corporation that manufactures children products, the Group tries its best effort in managing waste generation to ensure wastes are kept at a minimum and are handled with proper procedures. Our manufacturing operation procedure follows closely with our environmental policy, which is designed to:

- minimise our chemical consumption and emission during the operation, if any, to improve the overall manufacturing efficiency and ensure the well-being of our workers;
- avoid polluted chemical effluent emission from manufacturing or daily sewage, and ensure the compliance to local environmental standards;
- avoid noise pollution to the nearby neighbourhood;
- minimize, or if possible, avoid the use of chemical substances that can pose potential dangers to our customers; and
- limit the inventory of potentially hazardous substances stored on-site

During production, we have incorporated our environmental protection philosophy to reduce waste from production sources as much as possible.

The Group exerts additional attention to waste handling procedure, ensuring the safety of its employees and to the compliance of all applicable laws and regulation.

Hazardous Waste

Hazardous wastes generated by our Group are stored in a separate, well-ventilated storage location for collection. A registered waste handling company, Zhongshan Baoly Industrial Solid Hazardous Waste Storage and Transportation Management Co. Ltd, is employed to perform regular collection of the Group's hazardous waste for safe disposal.

In this Reporting Period, the Group generated a total of 764 kg of hazardous waste. The Group will continue to closely monitor its waste reduction efforts and work diligently to ensure proper treatment of its generated hazardous waste in the future.

Non-hazardous Waste

The Group's daily non-hazardous waste is collected, properly stored and regularly picked up by a registered waste collection company. Our Group also took the initiative to limit waste generation by promoting reduction measures throughout the Group's operations. This includes encouraging the reduction of paper usage as well as appropriate use of recycled paper in the workplaces. Some of our policies to reduce paper consumption include:

- Encouraging computer-based administration procedures;
- Adopting to an electronic filing system;
- Using electronic communication channels for information sharing;
- Adopting to double-sided printing and photocopying; and
- Reusing paper that are used on one side for drafting, photocopying and fax deliveries.

The Group consumed 2,500kg of paper and 15.4 tonnes of food waste during the Reporting Period, which is approximately 15% less than the previous year. The reduction in food waste is partially attributed to limited operations between January and March of 2020, due to COVID-19 outbreak. In total, the Group generated 27.62 tonnes of non-hazardous waste during the Reporting Period.

Air Emission

During the Reporting Period, the Group has emitted 27.0 kg of nitrogen oxides (NO_x), 0.25 kg of sulphur oxides (SO_x) and 0.53 kg of particulate matter (PM) as a result of its fossil fuel consumption. The Group will continue monitoring its operation activities and make necessary efforts to control its air emissions.

Greenhouse Gas Emission

In addition to the effort in monitoring air pollutant emission, the Group is also exploring measures to reduce its indirect carbon emission, particularly on overall carbon footprint. The Group estimated its carbon footprint for the Year through aggregated items such as diesel, electricity and petrol consumption from our operation locations. The overall emissions result were then estimated using conversion factors (carbon intensity factor) for reporting purpose, taking into account emissions of carbon dioxide and other greenhouse gases associated with energy consumption, such as methane (CH_4) and nitrous oxide (N_2O). With such information available, the Group looks to further investigate and will work with our employees and external stakeholders on enhancing the overall performance to minimize our carbon footprint.

In addition to energy consumption (Scopes 1 and 2), Scope 3 emissions associated with paper disposed in landfills and energy associated with water processing have been considered in determining the overall GHG emissions of the Group.

As a summary, the total carbon footprint of the Group during the Reporting Period was 1,320 tCO_2e.

Summary

The consolidated data on key performance indicators (KPIs) regarding emissions and resource consumption during the Reporting Period is summarized below:

Environmental KPIs

Item	**Unit**	**2019-2020**	2018-2019
Greenhouse Gas (GHG) Emissions	t CO_2e	**1,320**	1,669
Scope 1 – Direct Emissions	t CO_2e	**70**	85
Scope 2 – Energy Indirect Emissions	t CO_2e	**1,236**	1,531
Scope 3 – Other Indirect Emissions	t CO_2e	**14.2**	53
GHG Emissions Intensity	kg CO_2/unit produced	**0.27**	0.18
Nitrogen Oxides (NO_x) Emissions	kg	**27.0**	26.1
Sulphur Oxides (SO_x) Emissions	kg	**0.25**	0.27
Particulate Matter Emissions	kg	**0.53**	0.48
Hazardous Waste Produced	tonne	**0.76**	0.86
Non-Hazardous Waste Produced	tonne	**27.62**	96.66
Petrol Consumption	L	**15,816**	15,484
Diesel Consumption	L	**9,122**	14,912
Electricity Consumption	kWh	**1,544,610**	1,830,340
Electricity Consumption Intensity	kWh/unit produced	**0.31**	0.20
Water Consumption	m^3	**31,960**	45,762
Water Consumption Intensity	kWh/unit produced	**0.006**	0.005
Steam Consumption	tonne	**1,836**	2,021
Packaging Material	tonne	**130**	270*
Plastics	tonne	**40**	50
Paper	tonne	**90**	220*
Packaging Consumption Intensity	kg/unit produced	**0.026**	0.030*

* Restated

Table 1. Group Total Consumption table

SOCIAL

Our business involves working with a large number of professionals. As one of the guiding principles, the Group uses its best efforts to offer the most competitive compensation to its staff, and treats all of its staff equally and fairly. The Group will monitor and improve in these areas as needed, and will continue our growth sustainably and in a socially responsible manner.

Employees

As a socially responsible company, the Group treats our employees as the most precious asset and it is one of our top priorities to provide a safe and equal-working environment. The Group understands that the success of a sustainable growth relies on the contributions and dedication from its employees, and thus instilled a culture of professionalism throughout its operation. The Group's *Employee Handbook* clearly stated the employee conduct, working hours, communication channels with management, promotion and remuneration. The Group also employed a Remuneration Policy, stating that employees will be compensated with a fair and equitable manner, and the opportunity to grow and excel with the Group through continuous learning at all levels. The Group's senior management shall continue communicating with employees to ensure this culture can be implemented consistently in all levels of the Group.

Employment

The Group rewards its employees with competitive remuneration (including performance bonus), along with promotional opportunities, compensation and benefits packages to attract and to retain talents. Remuneration is determined with reference to the prevailing market condition as well as the competency, qualifications and experience of individual employee. Performance bonus will be paid to employees as a recognition of their contributions to the Group. Employees are entitled to Mandatory Provident Fund ("**MPF**") and medical insurance. Employees are also entitled to statutory holidays and different types of paid leave including annual leave, sick leave, marital leave, maternity leave, paternity leave, compensation leave, compassionate leave and injury leave. In case overtime work is required, employees are provided with appropriate overtime pay or compensatory time off. The Group always cares about its employees and has put an effort to optimise on their working period. We have enforced a flexi-hour working hours scheme to encourage colleagues to focus on a healthy work-life. In addition, policies on remuneration, benefits, training and occupational health and safety are regularly reviewed, and the Group employs an Award and Penalty System, under which employees with outstanding customer services are recognized and encouraged through awards on an annual basis. Disciplinary action, on the other hand, would be taken in case of any serious misconducts.

Remuneration Committee

To ensure the Group's remuneration scheme remains competitive, the Group established the Remuneration Committee on 26 January 2018. The principal duties of the Remuneration Committee are to provide feedback and make recommendations to the Board on the overall remuneration policy and structure relating to all Directors, senior management and general staff within our Group. In addition, the committee shall ensure that none of our Directors or any of their associates determine their own remuneration. As at the date of the report, there is a total of three members in the Remuneration Committee, and namely Mr. Choi Wing San Wilson, Mr. Tan Yik Chung Wilson and Mr. Cho Cho Kong, where Mr. Choi Wing San Wilson acts as the chairman of the committee.

The Remuneration Committee will meet regularly to review the policy for the remuneration of the Group, assess the performance, and recommend remuneration packages of executive directors and senior management of the Group.

Retirement Benefit Scheme

The Group participates in Mandatory Provident Fund Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance (collectively, the "**pension scheme**") for all qualifying employees employed in Hong Kong. The Group offers various social insurance benefits and provident fund for our PRC employees during the Reporting Period and creates a harmonious working environment.

During the Reporting Period, total pension scheme contributions paid by the Group amounted to approximately HK$4.3 million which had been recognised as expenses and included in staff costs in the consolidated statement of profit or loss and other comprehensive income.

Equal Opportunities, Diversity and Anti-Discrimination

The Group respects equal opportunities, adopting similar approach on employee conduct, recruitment, promotion, training and development, job advancement, compensation and benefits and all other aspects of employment practices. The Group's Employee Handbook states clearly that any action deprived of opportunities on the basis of gender, ethnic background, religion, colour, sexual orientation, age, marital status, family status, retirement, disability or pregnancy shall all be prohibited. The Group has zero tolerance over any sexual harassment and discrimination behaviour, and any employee misconduct is subject to internal disciplinary action with no exception.

During the Reporting Period, the Group complied with all relevant Hong Kong laws and regulations including but not limited to:

- The Sex Discrimination Ordinance (Cap. 480 of the Laws of Hong Kong);
- The Disability Discrimination Ordinance (Cap. 487 of the Laws of Hong Kong);
- The Family Status Discrimination Ordinance (Cap. 527 of the Laws of Hong Kong); and
- The Race Discrimination Ordinance (Cap. 602 of the Laws of Hong Kong).

Workforce Diversity and Distribution

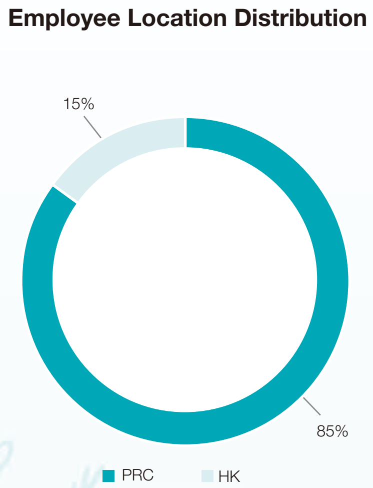
Due to the nature of our business, female staff make up the majority of our workforce. Though, the Group appreciates the importance of cultural diversity and employs in a wide range of ages, genders, and ethnicities, as the Group understands diversity of employees provides a valuable mix of perspectives, skills, experience and knowledge for addressing contemporary business issues.

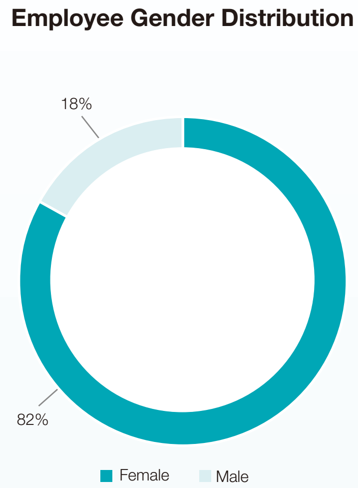
A summary of the Group's workforce diversity distribution is presented in the following tables and figures:

Employee Demographics

Item	2019-2020	2018-2019
Total Number of Employees	**674**	892
By Location		
PRC	**573**	720
Male	**104**	132
Female	**469**	588
Hong Kong	**101**	172
Male	**18**	24
Female	**83**	148
By Type		
Full-time	**673**	868
Part-time	**1**	24
By Age Group		
Below 30	**43**	104
30 to 40	**218**	298
41 to 50	**283**	351
51 to 60	**115**	129
Above 60	**15**	10

Table 2. Employees Demographics (as of 31 March 2020)





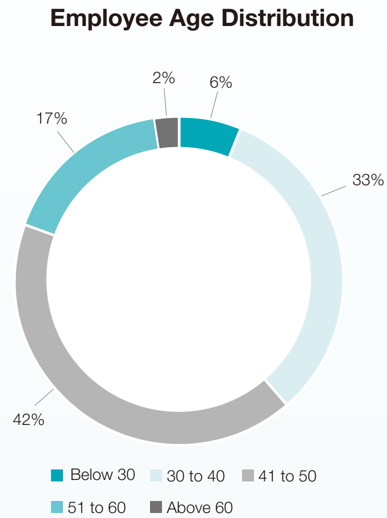


Chart 1. Employee Demographic Data (as of 31 March 2020)

The majority of our employees were hired on a full-time basis, and part-time employees consist about 3% of our workforce. In addition, the annual turnover rate was 39%, which is partly attributed to corporate restructuring activities within the Group during this Reporting Period.

Occupational Health and Safety

The Group understands that health and safety are of major concern to our employees, and we strive to provide a safe and healthy working environment while complying relevant laws and regulations. The Group employed an Environmental Operational Health and Safety policy, which maintains a high occupational safety and health standard, to ensure a comfortable safe occupation workspace for our employees. A workspace health monitoring programme was implemented to monitor Indoor Air Quality ("**IAQ**") and presence of airborne dusts and chemicals (such as methanol and ethylene glycol). Noise levels at manufacturing sites are also regularly performed to ensure a safe working environment. For example, our Group implemented a smoke-free environment in all of our premises, ensuring IAQ is maintained at the excellent levels. It is also required for our manufacturing sites to be provided with adequate ventilation systems.

The Group has also appointed an Environmental Health and Safety officer ("**EHS officer**"), who is responsible for maintaining a clear communication between the senior management and the employees. In addition, the EHS officer is also responsible for monitoring the Group's EHS goals and standard, and employee safety throughout the operation. The EHS officer also has the duty of identifying any potential hazards that may arise during daily operation, and ensuring the regular maintenance of safety equipment.

Our manufacturing sites are inspected annually to identify any potential occupational hazards. Annual occupational health examinations are mandatory for workers whose positions involve handling of chemicals for monitoring their health and identification of the development of any occupational sicknesses.

The Group has taken the following preventive measures for office management against the COVID-19:

- Ensure the air-conditioning system is well maintained. Clean the air filter regularly;
- Office windows should be opened from time to time to allow for better ventilation;
- Maintain a clean and hygienic working environment. At least once a day, clean and disinfect commonly used equipment, including telephones, using a diluted solution of household bleach (1 part bleach: 99 parts water). Wipe again with a towel soaked in clean water;
- If cleaning vomitus, use a diluted solution of household bleach (1 part bleach: 49 parts water). Rinse the area with clean water and wipe dry;
- Keep carpets, doors and windows clean;
- Ensure toilet facilities are properly maintained;
- Provide liquid soap, disposable towels and/or a hand dryer in toilets; and
- Remind staff members suffering from fever or cough to stay away from work and consult a doctor immediately.

The Group is sensitive to concerns of staff, especially those in the frontline. We stay in close touch with their staff and allay their concerns. The Group provide face masks and hand sanitizers for employees.

In summary, during the Reporting Period the Group had no material non-compliance breach with relevant standards, rules and regulations, and had no major accident encountered during operation. In addition, the Group recorded a total of 10.5 lost days due to work injury in this Reporting Period.

Labour Standards

The Group's Human Resources Department strictly abides by the Labour Laws of Hong Kong and follows a Recruitment Guideline throughout the recruitment process. The Group provides a clear guideline on attendance system about working hours, rest and leave entitlement, labour protection and working conditions. Further information can be found in our Employee Handbook, which is distributed and available to all of our employees.

As a company that manufactures products for children, our Group is extra cautious on operation practices, avoiding any form of child labour activity. Our Group prohibits any of such acts taking place in our Group to safeguard young children, and enforced a number of preventive procedures during recruitment. As part of our recruitment procedure, our staff will require the interviewee to present legal documents of identification as proof of age. Our interviewer will also perform a face-to-face identification meeting, counter-checking information provided to ensure our hired employee is at the indicated age as presented.

In addition, the Group offers a fair compensation to our employee, prohibiting any form of slavery or forced act of labour, and employees shall be paid fairly according to contributions provided. Periodic revision shall also be performed to keep the Group's remuneration level as competitive and fair for all level of employees.

As a result, no child nor forced labour was present in the Group's operations during the Reporting Period, and the Group complied with all applicable labour standards related Hong Kong laws and regulations, including but not limited to the *Employment Ordinance (Cap. 57 of the Laws of Hong Kong)*.

Development and Training

Training and development form an important part of the Group's human capital management strategy. It is valued as essential to the personal growth of employees, improving the Group's overall business performance.

The Group's training programmes are designed to suit our business needs and help our employees to improve their knowledge and relevant skills. An annual comprehensive training programme, tailor-made by the Human Resource department and the head of departments shall be proposed at the beginning of the year for approval by management. Monthly revision will be performed to ensure programmes are properly implemented and the proposed progress are met. The head of the department shall report a summary report at the end of the year. In addition, new recruits are also required for an orientation training programme, and with the purpose of debriefing the Company's policies, business and culture.

Training session offered to our manufacturing facilities in the PRC covered a wide variety of topics related to daily operations, including:

– Safe handling of chemicals

– Review on usage of Personal Protection Equipment (PPE)

– Training on computer security

– Fire safety

– Manufacturing safety

For the retail staff in Hong Kong, our orientation training programme includes customer service, daily operations in shop, inventory management and product order procedure.

Some statistics of our training programme provided to our employees is presented below:

Employee Training Statistics

	2019-2020	2018-2019
Total Training Hours (man-hours)	**6,300**	8,646
Average Training Hours per Employee	**9.3**	9.7

Table 3. Employee total training hours (as of 31 March 2020)

Employees, Customers, Suppliers and Other Stakeholders

The Group values relationship with employees, customers and suppliers, and treats it as an important aspect of its business. The Group also maintains an open engagement channel with its employees through revision meetings as it brings insight to its operation performance. It was proven to be effective in understanding the latest operation performance and to better improve the quality of our services. The Group is also dedicated to build a close working relationship with suppliers, and conducts regular performance revision and appraisal to build a closer working relationship with its clients.

The Group also believes effective communication should include a timely and accurate information disclosure. Not only it brings valuable information to the shareholders and investors, which is beneficial for investor relations, but also invites constructive feedback for perfecting the Group's operation.

The Group will continue its open communication approach, and it will sustain a successful long-term working relationship with its stakeholders in the future.

Supply Chain Management and Product Quality Control

The Group is highly attentive to its brand reputation and introduces the environmental value into the suppliers and sub-contractors procurement procedure, aiming to support environmental protection through habitat protection, bio-diversity, and other related environmental issues. Our procurement department ensures suppliers and subcontractors comply with relevant local and international standards, and follow up with periodic performance assessment. Evaluation is conducted on new and existing suppliers (annually) on product and service quality, and only approved suppliers and sub-contractors shall be added to our selected group of service providers for future cooperation.

Product Responsibility

As our product users are infants and toddlers, the Group pays extra attention to product safety, ensuring no chemical harmful materials shall be included in our raw material list or used during our production process. The Group stays strictly abiding to all international laws and regulations and standards provided by our clients, and as listed as follows:

– Consumer Goods Safety Ordinance (Chapter 456 of the Laws of Hong Kong);

– Consumer Goods Safety Regulation (Chapter 456A of the Laws of Hong Kong);

– Toys and Children's Products Safety Ordinance (Chapter 424 of the Laws of Hong Kong);

– Toys and Children Product safety (additional Safety Standards or Requirements) Regulation (Chapter 424C of the Laws of Hong Kong); and

– Other relevant laws and regulations.

The Group will continue a close monitoring throughout the manufacturing process, enforcing the highest standards, and ensuring our products are safe and sound and as the perfect companion for children.

Protection of Copyright and Consumers Privacy

The Group takes all necessary actions to protect the copyright of brand owners and the privacy of our customers. All data management users from the Group are subjected to a list of terms and conditions on information collected and for business purpose only. The Group forbids unauthorised distribution of materials, and we reserve the right to take legal actions on violating parties. Should there be any issue of copyright matters, the Group encourages inquiries via email and our legal team will provide advices and follow-up where necessary.

The Group is not aware of in breach of any law and regulation relating to Consumer Data Protection and Privacy of the PRC and Hong Kong in this Reporting Period.

Anti-Corruption

The Group commits to managing all business without undue influence and has regarded honesty, integrity and fairness as its core values. All directors and employees are required to strictly follow the Code of Conduct and Staff Regulations to prevent potential bribery, extortion, fraud and money laundering. The Group has established a Whistleblowing Procedure to build a direct channel with the senior management, reporting on any form of noncompliance action.

During the Reporting Period, the Group was unaware of any action of non-compliance to regulations and laws relating to corruption, bribery, extortion, fraud and money laundering.

COMMUNITY

The Group understands that it is significant for its business to both bring profit to shareholders, at the same time being socially responsible to care, serve and give back to our community wherever it is needed. The senior management consistently seeks for opportunities to support social initiatives, and details of the Group's community contribution activities is described in the following section.

Community Investment

The Group's donations reached and supported different organisations in wide aspects, both in Hong Kong and PRC. During the Reporting Period, the Group made a donation of 80 boxes of our baby and children apparel products to Caritas Jockey Club Integrated Service for Young People.

Caring Talks

In addition to charitable donations, the Group has organised complementary Caring Talks and Workshops in Hong Kong for first-time parents, which was attended by over 1,200 people during the Reporting Period. The objective of the sessions is to provide useful tips and know-hows for taking care of newborns, covering aspects such as dressing of infants, breastfeeding, and teaching newborns to sleep. The sessions were welcomed with positive feedback from the participating parents.

The Group will continue its effort in supporting the communities and giving back to those that are in need.

Independent Auditor's Report

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TO THE SHAREHOLDERS OF MANSION INTERNATIONAL HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Mansion International Holdings Limited (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages 52 to 133 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, the consolidated statement of changes in equity and the 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 matters 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 Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Appropriateness of going concern assumption

As set out in note 3(c) to the consolidated financial statements, the Group sustained a loss of approximately HK$60,348,000 for the year ended 31 March 2020. In addition, the operations of the Group in respect of the OEM business (as defined in note 6) has been deteriorating over the past few years due to various unexpected events, including the withdrawal of the United Kingdom from the European Union (aka Brexit), the closure of a major customer of the Group in United States in 2018 and US-China trade war that emerged in 2018. In January 2020, the Novel Coronavirus ("**COVID-19**") pandemic has further hit the operations of the Group's OEM business unexpectedly and significantly affected the OBM business (as defined note 6) which is operated through self-operated retail stores and in department store counters in Hong Kong under the Group's own brand "Mides". These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern, and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

In view of the above circumstances, the directors prepared a cash flow forecast covering a period of 12 months from the date of approval of these consolidated financial statements which takes into account of certain assumptions as set out in note 3(c) to the consolidated financial statements. Based on the directors' assessment, the Group is able to continue as a going concern and it is appropriate to prepare the consolidated financial statements on a going concern basis.

The appropriateness of the consolidated financial statements prepared on a going concern basis largely depends on whether those assumptions underlying the going concern assessment performed by the directors are reasonable and supported.

However, in respect of the assumption that the Group will successfully implement the cost tightening and control measures, the directors have not provided us with sufficient details of their cost tightening plan including the estimation of the cost for sub-contracting work, the proportion of the workforce to be laid off and the details of reduction of wages and salaries. As a result, we were unable to obtain sufficient appropriate audit evidence to access whether the cost tightening and control measures are reasonable and supported.

In addition, in respect of the plan to raise additional working capital of approximately HK$24 million, the directors of the Company have not provided us with sufficient documentary evidence about the fund raising plan, including the expected timetable, the nature of the fund raising activity and the amount to be raised. As a result, we were unable to obtain sufficient appropriate evidence to assess whether the assumption that additional working capital of approximately HK$24 million could be raised is supportable.

Due to the limitations on our scope of work as stated above, we were unable to obtain sufficient appropriate evidence to determine whether the directors' assessment conclusion that the Group is able to continue as a going concern and the consolidated financial statements prepared on a going concern basis is appropriate.

Should the Group fail to continue as a going concern, adjustments would have to be made to reduce the value of assets to their net realisable amounts, to reclassify non-current assets and non-current liabilities as current assets and current liabilities and to provide for any further liabilities which might arise. The effect of these potential adjustments have not been reflected in these consolidated financial statements.

DIRECTORS' RESPONSIBILITIES 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 ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**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 are also responsible for overseeing the Group's financial reporting process. The audit committee of the Company (the "**Audit Committee**") assists the directors in discharging their responsibility in this regard.

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. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

However, because of the matters 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.

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.

BDO Limited
Certified Public Accountants
Chan Wing Fai
Practising Certificate Number P05443

Hong Kong, 26 June 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
		Year ended 31 March	
Revenue	6	**185,687**	230,825
Cost of sales		**(116,602)**	(138,687)
Gross profit		**69,085**	92,138
Other income, gains and (losses)	7	**(501)**	2,274
Expected credit losses on trade receivables		**(1,772)**	(882)
Write-down of inventories		**(9,519)**	(1,273)
Impairment losses on property, plant and equipment		**(5,258)**	–
Impairment losses on right-of-use assets		**(13,356)**	–
Selling and distribution costs		**(28,911)**	(35,212)
Administrative expenses		**(62,789)**	(72,387)
Finance costs	8	**(6,144)**	(3,586)
Loss before tax	9	**(59,165)**	(18,928)
Income tax (expense)/credit	12	**(1,183)**	159
Loss for the year		**(60,348)**	(18,769)
Other comprehensive income for the year that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**(582)**	(2,246)
Total comprehensive income attributable to owners of the Company		**(60,930)**	(21,015)
Loss per share:			
Basic and diluted (HK cents)	14	**(14.7)**	(4.7)

Consolidated Statement of Financial Position

As at 31 March 2020

	Notes	As at 31 March 2020 HK$'000	As at 31 March 2019 HK$'000
Non-current assets			
Property, plant and equipment	*15*	**7,099**	14,992
Right-of-use assets	*16*	**11,213**	–
Land use rights	*17*	**–**	868
Deposits	*23*	**3,152**	6,256
Club debentures	*18*	**820**	820
Financial assets at fair value through profit or loss	*19*	**–**	29,650
Deferred tax assets	*20*	**–**	1,068
		22,284	53,654
Current assets			
Inventories	*21*	**56,626**	89,883
Trade receivables	*22*	**10,648**	21,389
Deposits, prepayments and other receivables	*23*	**6,296**	5,833
Financial assets at fair value through profit or loss	*19*	**30,755**	–
Tax recoverable		**–**	603
Pledged bank deposit	*25*	**15,000**	15,000
Cash and bank balances	*25*	**4,494**	7,452
		123,819	140,160
Current liabilities			
Trade and bills payables	*26*	**12,432**	29,600
Contract liabilities	*27*	**97**	124
Accruals and other payables	*28*	**13,007**	13,791
Amount due to a director	*24*	**–**	15,003
Bank borrowings	*29*	**59,851**	69,560
Other borrowings	*30*	**4,783**	–
Finance lease liabilities	*31*	**–**	70
Lease liabilities	*32*	**15,928**	–
Tax payables		**200**	–
		106,298	128,148
Net current assets		**17,521**	12,012
Total assets less current liabilities		**39,805**	65,666
Non-current liabilities			
Provision for long service payments		**554**	686
Lease liabilities	*32*	**9,703**	–
Loan from a director	*24*	**19,767**	–
		30,024	686
Net assets		**9,781**	64,980

Consolidated Statement of Financial Position

As at 31 March 2020

	Notes	As at 31 March 2020 HK$'000	2019 HK$'000
Equity			
Equity attributable to owners of the Company			
Share capital	*34*	**4,615**	4,000
Reserves		**5,166**	60,980
Total equity		**9,781**	64,980

On behalf of the Board of Directors

Mr. Kwan Kar Man
Director

Mr. Cheung Desmond Lap Wai
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2020

	Attributable to owners of the Company							
	Share capital HK$'000 *(Note 34)*	Share premium HK$'000 *(Note (a))*	Capital reserve HK$'000 *(Note (b))*	Statutory reserve HK$'000 *(Note (c))*	Other reserve HK$'000 *(Note (d))*	Exchange reserve HK$'000 *(Note (e))*	Retained profits/ (accumulated losses) HK$'000	Total equity HK$'000
As at 1 April 2018	4,000	57,015	5,987	288	8	3,854	14,843	85,995
Loss for the year	–	–	–	–	–	–	(18,769)	(18,769)
Other comprehensive income:								
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	(2,246)	–	(2,246)
Total comprehensive income for the year	–	–	–	–	–	(2,246)	(18,769)	(21,015)
As at 31 March 2019 and 1 April 2019	**4,000**	**57,015**	**5,987**	**288**	**8**	**1,608**	**(3,926)**	**64,980**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(60,348)**	**(60,348)**
Other comprehensive income:								
Exchange differences on translation of financial statements of foreign operations	**-**	**-**	**-**	**-**	**-**	**(582)**	**-**	**(582)**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**(582)**	**(60,348)**	**(60,930)**
Proceeds from placing of new shares *(note 34)*	**615**	**5,225**	**-**	**-**	**-**	**-**	**-**	**5,840**
Issuing expenses of placing of new shares	**-**	**(109)**	**-**	**-**	**-**	**-**	**-**	**(109)**
As at 31 March 2020	**4,615**	**62,131**	**5,987**	**288**	**8**	**1,026**	**(64,274)**	**9,781**

Notes:

(a) *Share premium*

Share premium is the excess of the proceeds received over the nominal value of the shares of the Company issued at a premium, less the amount of expenses incurred in connection with the issue of the shares.

(b) *Capital reserve*

The capital reserve represents the capital contribution from the previous shareholders to a subsidiary of the Group.

(c) *Statutory reserve*

The statutory reserve represents the amount transferred from profit after taxation of the subsidiaries established in the People's Republic of China (the "**PRC**") in accordance with the relevant PRC laws until the PRC statutory reserve reaches 50% of the registered capital of the respective subsidiaries. The statutory reserve can be applied either in setting off the accumulated losses or increasing capital.

(d) *Other reserve*

The other reserve of the Group represents the difference between the nominal value of the Company's issued shares, pursuant to the reorganisation and the nominal value of the share capital of a subsidiary.

(e) *Exchange reserve*

The exchange reserve represents gains/losses arising on retranslating the net assets of foreign operations into presentation currency.

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
		Year ended 31 March	
Cash flows from operating activities			
Loss before tax		**(59,165)**	(18,928)
Adjustments for:			
Bank interest income	7	**(80)**	(15)
Change in fair value of financial assets at fair value through profit or loss	7	**(1,105)**	(1,145)
Finance costs	8	**6,144**	3,586
Expected credit losses on trade receivables		**1,772**	882
Gain on disposal of property, plant and equipment	7	**(32)**	–
Depreciation of property, plant and equipment	9	**3,246**	3,650
Depreciation of right-of-use assets	9	**18,305**	–
Amortisation of land use rights	9	**–**	31
Impairment losses on property, plant and equipment		**5,258**	–
Impairment losses on right-of-use assets		**13,356**	–
Write-down of inventories		**9,519**	1,273
Write-off of property, plant and equipment	9	**–**	41
		(2,782)	(10,625)
Decrease/(increase) in inventories		**21,722**	(25,269)
Decrease in trade receivables		**8,907**	11,275
Decrease/(increase) in deposits, prepayments and other receivables		**2,641**	(1,354)
(Decrease)/increase in trade and bills payables		**(16,411)**	780
Decrease in provision for long services payments		**(132)**	(126)
(Decrease)/increase in accruals and other payables		**(317)**	1,838
Decrease in contract liabilities		**(27)**	(6)
Cash generated from/(used in) operations		**13,601**	(23,487)
Income taxes refunded/(paid)		**688**	(1,006)
Net cash generated from/(used in) operating activities		**14,289**	(24,493)
Cash flows from investing activities			
Interest received		**80**	15
Purchases of property, plant and equipment		**(1,223)**	(4,619)
Proceeds from disposal of property, plant and equipment		**136**	474
Placement of pledged bank deposit		**–**	(15,000)
Net cash used in investing activities		**(1,007)**	(19,130)

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	Notes	Year ended 31 March 2020 HK$'000	2019 HK$'000
Cash flows from financing activities			
(Repayment)/advances from a director		**(15,003)**	15,003
Loan from a director		**19,767**	–
Interest paid		**(6,144)**	(3,586)
Repayment of bank borrowings		**(85,750)**	(77,416)
Proceeds from bank borrowings		**76,938**	97,642
Proceeds from other borrowings		**4,896**	–
Repayments of obligations under finance leases		**–**	(89)
Repayment of lease liabilities		**(16,495)**	–
Net proceeds from issue of shares by placing		**5,731**	–
Net cash (used in)/generated from financing activities		**(16,060)**	31,554
Net decrease in cash and cash equivalents		**(2,778)**	(12,069)
Cash and cash equivalents at the beginning of the year		**7,452**	21,847
Effect of exchange rate changes on cash and cash equivalents		**(180)**	(2,326)
Cash and cash equivalents at the end of the year, represented by cash and bank balances	*25*	**4,494**	7,452

Notes to the Consolidated Financial Statements

1. GENERAL

Mansion International Holdings Limited (the "**Company**") was incorporated as an exempted company with limited liability in the Cayman Islands on 17 May 2017. Its issued shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 26 January 2018 (the "**Listing Date**"). The Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands, and its principal place of business in Hong Kong is located at 7/F., 822 Lai Chi Kok Road, Kowloon, Hong Kong.

The Company is an investment holding company and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in the sale of baby and children garments by Original Equipment Manufacturing ("**OEM**") and Original Brand Manufacturing ("**OBM**").

In the opinion of the directors of the Company (the "**Directors**"), the immediate and ultimate holding company is Joyful Cat Limited ("**Joyful Cat**"), a company incorporated in the British Virgin Islands (the "**BVI**").

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 April 2019

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKFRS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23	Annual Improvements in HKFRSs 2015–2017 Cycle

The impact of the adoption of HKFRS 16 "Leases" has been summarised in below. The other new or amended HKFRSs that are effective from 1 April 2019 did not have any significant impact on the Group's accounting policies.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(a) Adoption of new/revised HKFRSs – effective 1 April 2019 (Continued)

HKFRS 16 – Lease

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("**HKAS 17**"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the consolidated statement of financial position as a right-of-use assets and a lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (iv) of this note.

The Group has applied HKFRS 16 using the modified retrospective approach and recognised the right-of-use assets at the amount equal to the lease liabilities, adjusted by the amount of any prepayments or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 March 2019 at the date of initial application. The comparative information presented in 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(a) Adoption of new/revised HKFRSs – effective 1 April 2019 (Continued)

HKFRS 16 – Lease (Continued)

(i) Impact of the adoption of HKFRS 16 (Continued)

The following tables summarised the impact of transition to HKFRS 16 on consolidated statement of financial position as at 31 March 2019 to that of 1 April 2019 as follows:

Consolidated statement of financial position as at 1 April 2019

	Increase/ (decrease) HK$'000
Right-of-use assets	30,506
Land use rights	(868)
Lease liabilities (non-current)	15,684
Lease liabilities (current)	14,024
Obligation under finance lease	(70)

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 March 2019 could be reconciled to the lease liabilities at the date of initial application recognised in the consolidated statement of financial position as at 1 April 2019:

Reconciliation of operating lease commitment to lease liabilities

	HK$'000
Operating lease commitment as at 31 March 2019	32,321
Less: short term leases for which lease terms end on or before 31 March 2020	(1,113)
Less: low-value assets	(156)
Less: future interest expenses	(1,414)
Add: finance leases liabilities as at 31 March 2019	70
Total lease liabilities as at 1 April 2020	29,708

The weighted average lessee's incremental borrowing rates applied to lease liabilities recognised in the consolidated statement of financial position as at 1 April 2019 are ranging from 4.38% to 5.46%.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(a) Adoption of new/revised HKFRSs – effective 1 April 2019 (Continued)

HKFRS 16 – Lease (Continued)

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the consolidated statement of financial position of the lessee.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(a) Adoption of new/revised HKFRSs – effective 1 April 2019 (Continued)

HKFRS 16 – Lease (Continued)

(iii) Accounting as a lessee (Continued)

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets (the Group has leased photocopying machines) and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised right-of-use assets and lease liabilities at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-of-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(a) Adoption of new/revised HKFRSs – effective 1 April 2019 (Continued)

HKFRS 16 – Lease (Continued)

(iii) Accounting as a lessee (Continued)

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(a) Adoption of new/revised HKFRSs – effective 1 April 2019 (Continued)

HKFRS 16 – Lease (Continued)

(iv) Transition

As mentioned above, the Group has applied HKFRS 16 using the modified retrospective approach and recognised the right-of-use assets at the amount equal to the lease liabilities, adjusted by the amount of any prepayments or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 March 2019 at the date of initial application (1 April 2019). The comparative information presented in 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 April 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 April 2019.

The Group has elected to recognise all the right of use assets at 1 April 2019 for leases previously classified operating leases under HKAS 17, but discounted using the lessee's incremental borrowing rate at the date of initial application.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) relied on its assessment of whether leases are onerous applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review; (iii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 April 2019) and accounted for those leases as short-term leases; (iv) exclude the initial direct costs from the measurement of the right-of-use assets as at 1 April 2019 and (v) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int 4.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(a) Adoption of new/revised HKFRSs – effective 1 April 2019 (Continued)

HKFRS 16 – Lease (Continued)

(iv) Transition (Continued)

The Group has also leased one of its motor vehicle which previously were classified as finance leases under HKAS 17. As the Group has elected to adopt the modified retrospective method over the adoption of HKFRS 16, for those finance leases under HKAS 17, the right-of-use assets and the corresponding lease liabilities as at 1 April 2019 were the carrying amount of the lease assets and lease liabilities under HKAS 17 immediately before that date. For those leases, the Group has accounted for the right-of-use assets and the lease liabilities applying HKFRS 16 from 1 April 2019.

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

Amendments to HKAS 19 – Plan amendments, curtailment or settlement

The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company should use updated actuarial assumptions to determine its current service cost and net interest for the period. Additionally, the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(a) *Adoption of new/revised HKFRSs – effective 1 April 2019 (Continued)*

Amendments to HKAS 28 – Long-term Interests in Associates and Joint Ventures

The amendment clarifies that HKFRS 9 applies to long-term interests ("**LTI**") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 11, Joint Arrangements

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) *New/revised HKFRSs that have been issued but are not yet effective*

The following new/revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 3	Definition of a Business[1]
Amendment to HKFRS 16	Covid-19 Related Rent Concessions[4]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 And HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2020

2 Effective for annual periods beginning on or after 1 January 2021

3 The amendments were originally intended to be effective for periods beginning on or after 1 April 2018. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

4 Effective for the period beginning on or after 1 June 2020

Amendments to HKFRS 3 – Definition of a Business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendment to HKFRS 16 Covid-19-Related Rent Concessions

Amendments to HKFRS 16 – "COVID-19-Related Rent Concession" allow lessees to elect not to assess whether a rent concessions occurring as direct consequence of the Covid-19-related rent concessions is a lease modification. Such practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKAS 1 and HKAS 8 – Definition of Material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 – Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

HKFRS 17 – Insurance Contracts

HKFRS 17 will replace HKFRS 4 as a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers of those contracts.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and consolidated financial statements.

3. BASIS OF PREPARATION AND PRESENTATION

(a) *Statement of compliance*

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the "**HKFRS**") and the provisions of the Hong Kong Companies Ordinance which concern the preparation of consolidated financial statements. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

(b) *Basis of measurement*

The consolidated financial statements have been prepared under the historical cost basis except for financial assets at fair value through profit or loss, which is measured at fair value as explained in the accounting policy set out in below.

(c) *Going concern assumption*

The Group continues to adopt the going concern basis in preparing its consolidated financial statements. The Group sustained a loss of approximately HK$60,348,000 (2019: HK$18,769,000) for the year ended 31 March 2020. In addition, the operations of the Group in respect of the OEM business (as defined in note 6) has been deteriorating over the past few years due to various reasons, including the withdrawal of the United Kingdom from the European Union (aka Brexit) in 2016, the closure of a major customer of the Group in the United States ("**US**") in 2018 and US-China trade war that emerged in 2018. In January 2020, the Novel Coronavirus ("**COVID-19**") pandemic has further unexpectedly hit the operations of the Group's OEM business and significantly affected the OBM business (as defined note 6) which is operated through self-operated retail stores and in department store counters in Hong Kong under the Group's own brand "Mides".

These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern, and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

In view of these circumstances, the Directors of the Company have given careful consideration of the liquidity and future cash flows of the Group in assessing whether the Group will have the ability to continue as a going concern. For this purpose, management has prepared a cash flow forecast covering a period of 12 months from the date of approval of these consolidated financial statements. The forecast has incorporated the latest information obtained by management about the COVID-19 pandemic into the Group's operating cash flows estimation and different possible plans and measures that are available to the Group.

3. BASIS OF PREPARATION AND PRESENTATION (CONTINUED)

(c) Going concern assumption (Continued)

The cash flow forecast is built upon an operational plan that takes account of the following:

(i) Estimating revenue based on the expected development of the OEM business and OBM business, after taking account of the latest firm orders on hand and the actual performance since the outbreak of the COVID-19 pandemic;

(ii) Implementing various cost tightening and control measures including reviewing the working procedures and laying off redundant staff and replacing the workforce using sub-contractors, which in management's view, offers a more cost competitive advantage. Subsequent to the reporting date, Directors agreed to reduce their salaries;

(iii) Planned disposal of the land and factory thereon situated in the PRC with carrying amounts of HK$788,000 (note 16) and HK$1,206,000 (note 15) respectively as at 31 March 2020 (subject to the conditions precedent as disclosed in the Company's announcement dated 15 May 2020 and detailed in note 46(i)) for a consideration of approximately HK$11,933,900. In addition, the amount received upon realising the financial assets at fair value through profit or loss (representing investment in an insurance policy (note 19)) and the pledged bank deposit (note 25) would be used to settle bank borrowings (note 29). The remaining proceeds will be held up for working capital for operations; and

(iv) Raising additional working capital of approximately HK$24 million.

After taking account of the above-mentioned measures in the forecast, the Directors are of the opinion that the Group will have sufficient working capital over the forecast period. Accordingly, the Directors considered that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to reduce the values of the assets to their net realisable amounts, to provide for any further liabilities which might arise and to classify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

(d) Functional and presentation currency

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company, and all values are rounded to the nearest thousands, except when otherwise indicated.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and the Group. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Business combination and basis of consolidation (Continued)

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holdings the majority of the voting rights. In determining whether de-facto control exists the Company considers all relevant facts and circumstances, including: (i) the size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights; (ii) substantive potential voting rights held by the Company and other parties who hold voting rights; (iii) other contractual arrangements; and (iv) historic patterns in voting attendance.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Buildings	10 to 20 years
Leasehold improvements	2 to 10 years or over terms of the lease whichever is shorter
Plant and machinery	3 to 5 years
Furniture, fixtures and office equipment	3 to 5 years
Motor vehicles	5 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in the profit or loss on disposal.

(d) Club debentures

Acquired club debentures are stated at historical cost less accumulated impairment losses, if any. They are measured at the fair value of the consideration given to acquire the club debenture at the time of the acquisition. The club debenture is tested annually for impairment.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Inventories

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

(f) Land use rights

Land use rights represent upfront payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on a straight line basis over 50 years (the term of the lease/right to use).

(g) Leasing (accounting policies applied from 1 April 2019)

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-of-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Leasing (accounting policies applied from 1 April 2019) (Continued)

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(h) Leasing (accounting policies applied until 31 March 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

The land and buildings elements of property leases are considered separately for the purposes of lease classification.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("**FVTPL**"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

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

Amortised cost:	Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
FVTPL	Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (Continued)

(ii) Impairment loss on financial assets

The Group recognises loss allowances for ECLs on trade receivables and financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are 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. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Other debt financial assets, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. Non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Cash and bank balances

Cash and bank balances comprise cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(k) Revenue recognition

Revenue from contracts with customers is recognised when control of goods is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods, excluding those amounts collected on behalf of third parties. Revenue is net of value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Revenue recognition (Continued)

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(i) Sale of goods

The Group sells goods to customers and sale of consignment. Revenue recognised from sale of goods and consigned goods are recognised at a point in time when the product is transferred to the customers. There is generally only one performance obligation. Payment of the transaction price is due immediately when the customers purchase the good. Discounts to customers are accounted for as reduction of the transactions prices.

Some of the Group's contracts with customers from the sale of goods provides customers a right of return. Normally, these rights of return allow the returned goods to be exchanged with the same goods. Only in extremely cases will be refunded in cash. When the return is refunded in cash, the rights of return give rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred. In addition, a refund liability and a right to recover returned goods assets are recognised. Since the amount of return of goods is immaterial, no adjustments have been made as at reporting date.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Revenue recognition (Continued)

(ii) Unredeemed gift certificate

The Group sells gift certificate to customers for future purchase. The unredeemed gift certificate is recorded as contract liabilities, and reflect the value that is expected to be redeemed, i.e. anticipated breakage. Breakage will need to be estimated considered the guidance on constraining estimates of variable consideration as well as the Group's historical experience with gift certificate. Revenue is recognised in regard to breakage in the proportion of gift certificate redeemed in that period and likely to result in the acceleration of revenue when the possibility of redemption becomes remote.

(iii) Variable consideration

For contracts that contain variable consideration, the Group recognises the amount of consideration to which it is entitled using the expected value amount, which better predicts the amount of consideration to which the Group is entitled. The amount of variable consideration is included in the transaction price only to the extent that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

(iv) Assurance-type warranties

The Group has assurance-type warranty promises to replace a delivered defective products. This type of warranty is not a separate performance obligation, and thus no transaction price is allocated to it. Expected value method is adopted to recognise revenue when a customer obtains control of goods with an estimated warranty provision record for the estimated future warranty cost.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Revenue recognition (Continued)

(v) Principal versus agent

When another party is involved in providing goods to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods itself (i.e. the Group is a principal) or to arrange for those goods to be provided by the other party (i.e. the Group is an agent). The Group is a principal if it controls the specified goods or before that goods is transferred to a customer. The Group is an agent if its performance obligation is to arrange for the provision of the specified goods by another party. In this case, the Group does not control the specified goods provided by another party before that goods is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods to be provided by the other party. The Group acts as an agent for concessionaire sales as the Group does not control the specific goods provided by the concessionaires before goods transferred to a customer.

(vi) Contract assets and contract liabilities

Contract assets are rights to consideration in exchange for goods that the Company has transferred to a customer when that right is conditional on something in additional to the passage of time.

Contract liabilities are obligations to transfer goods or services to customer for which the Company has received consideration, or for which an amount of consideration is due from the customer.

(vii) Interest income

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Contract costs

The Group recognises an asset from the costs incurred to fulfil a contract when those costs meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;

(b) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

The asset recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the cost relate. The asset is subject to impairment review.

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

The Group applies the practical expedient in HKFRS 15 and recognises the incremental costs of obtaining contracts relating to the sale of completed properties and services as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is within the same reporting period as the date of entering into the contract.

(m) Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of asset and liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, 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.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they related to items recognised directly in equity in which case the taxes are also recognised directly in equity.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current and future tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Foreign currency

Transactions entered into by the Company in currencies other than the currency of the primary economic environment in which it/they operate(s) (the "**functional currency**") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities" separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

(p) Research and development

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Employee benefits

Retirement benefits to employees are provided through defined contribution plans. The Group operates a defined contribution benefit plan under the Mandatory Provident Fund Schemes Ordinance (the "**MPF Scheme**"), for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

Employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of employees' salaries to the central pension scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

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

The Group's net obligation in respect of long service payments on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their service in the current and prior periods; and that such future benefits are discounted to determine the present value and reduced by entitlements accrued under the Group's retirement plans that are attributable to contributions made by the Group.

(r) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment under cost model;
- right-of-use assets;
- land use rights;
- club debentures; and
- investments in subsidiaries

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Impairment of non-financial assets (Continued)

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

Where the impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRS.

Value in use is based on the estimated future cash flows expected to be derived from the asset, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

(s) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

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 of economic benefits is remote. Possible obligations, the existence of which 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 of economic benefits is remote.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Related parties

(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 key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group 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 the employees of 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 key management personnel of the entity (or of a parent of the entity); or

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of each 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.

(i) Net realisable value of inventories

The Group reviews the carrying value of its inventories to ensure that they are stated at the lower of cost and net realisable value at the end of the reporting period. In assessing net realisable value of the Group's inventories, an estimate of the reliable amount of the inventories on hand is performed by management based on the most reliable evidence available at the time the estimate is made. This represents the value of inventories which are expected to realise as estimated by management. These estimates take into consideration the fluctuations of price or cost, of any inventory on hand that may be realised, directly relating to events occurring after the end of the financial year to the extent that such events confirm conditions existing at the end of the financial year. The carrying amount of inventories is disclosed in note 21 to the consolidated financial statements.

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

The Group assesses whether there are any indicators of impairment for property, plant and equipment and right-of-use assets at the end of the reporting period. The property, plant and equipment and right-of-use assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. For the purposes of impairment testing, assets are allocated to its respective cash-generating units. Management judgement is required in the area of asset impairment particularly in assessing: (i) whether the carrying amount of an asset can be supported by the recoverable amount, being the higher of fair value less cost of disposal or value in use; and (ii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. The carrying amounts of property, plant and equipment and right-of-use assets are disclosed in notes 15 and 16 to the consolidated financial statements respectively.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(iii) Estimated useful lives of property, plant and equipment

In assessing the estimated useful lives of the property, plant and equipment, the Group takes into account factors, such as the expected usage of the assets by the Group based on past experience, the technical obsolescence arising from changes or improvements in production or from a change in the market demand for the products. The estimation of the useful lives is a matter of judgement based on the experience of the Group. The carrying amount of property, plant and equipment is disclosed in note 15 to the consolidated financial statements.

(iv) Impairment of financial assets measured at amortised cost

Management estimates the amount of loss allowance for ECL on financial assets that are measured at amortised cost based on the credit risk of the respective financial asset. The loss allowance amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows after taking into consideration of expected future credit loss of the respective financial asset. The assessment of the credit risk of the respective financial asset involves high degree of estimation and uncertainty about future economic conditions which have an adverse effect on debtors' business, debtors' creditworthiness, the payment delinquency or default in interest or principal payments. When the actual future cash flows are different from expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly. The carrying amount of trade receivables is disclosed in note 22 to the consolidated financial statements.

(v) Going concern basis

The assessment of the going concern assumptions involves making judgements by the Directors, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The Directors consider that the Group has ability to continue as going concern and the major conditions that may cast doubt about the going concern assumptions are set out in note 3(c).

6. REVENUE AND SEGMENT INFORMATION

The Group determines its operating segments based on the internal reports reviewed by the executive Directors, who are the chief operating decision-maker, that are used to allocate resources and assess performance, which are analysed based on business as follows:

OEM	OEM business directly to the overseas brand companies or designated sourcing companies mainly located in Hong Kong ("**HK**"), the United Kingdom (the "**UK**") and the United States of America (the "**US**"); and
OBM	OBM business under our own brand "Mides" and complementary third party brand products through our self-operated retail stores and department store counters in Hong Kong, and wholesale in Hong Kong, the PRC and Macau.

Segment results represents the loss before tax by each segment and excluding unallocated items analysed in "Other segment information" below. Unallocated expenses mainly included legal and professional fees, repairs and maintenance, telephone expenses, travelling expenses, advertising and promotion and motor vehicles expenses. This is the measure reported to the executive Directors for the purpose of resource allocation and assessment of segment performance.

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

The following is an analysis of the Group's revenue and results by business.

Year ended 31 March 2020	**OEM HK$'000**	**OBM HK$'000**	**Total HK$'000**
REVENUE, recognised at a point in time			
External sales	**120,227**	**65,460**	**185,687**
RESULTS			
Segment results	**(13,574)**	**(5,947)**	**(19,521)**
Bank interest income			**3**
Change in fair value of financial assets at FVTPL			**1,105**
Exchange loss			**(974)**
Directors' remuneration			**(7,043)**
Finance costs			**(1,942)**
Write-down of inventories			**(1,503)**
Impairment losses on property, plant and equipment			**(3,927)**
Impairment losses on right-of-use assets			**(5,858)**
Salary and staff benefits			**(7,787)**
Unallocated expenses			**(11,718)**
Loss before tax			**(59,165)**

Year ended 31 March 2019	OEM HK$'000	OBM HK$'000	Total HK$'000
REVENUE, recognised at a point in time			
External sales	161,297	69,528	230,825
RESULTS			
Segment results	10,366	7,708	18,074
Bank interest income			15
Change in fair value of financial assets at FVTPL			1,145
Exchange gain			997
Directors' remuneration			(8,125)
Finance costs			(3,586)
Write-down of inventories			(1,273)
Salary and staff benefits			(13,250)
ECLs on trade receivables			(882)
Unallocated expenses			(12,043)
Loss before tax			(18,928)

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Other segment information

The following is an analysis of the amounts included in the measure of segment information.

Year ended 31 March 2020	**OEM HK$'000**	**OBM HK$'000**	**Unallocated HK$'000**	**Total HK$'000**
Additions of property, plant and equipment	**25**	**873**	**325**	**1,223**
Gain on disposal of property, plant and equipment	**–**	**–**	**32**	**32**
Cost of inventories sold	**(99,749)**	**(16,853)**	**–**	**(116,602)**
Employee benefit expenses	**(13,869)**	**(18,032)**	**(14,830)**	**(46,731)**
Depreciation of right-of-use assets	**(2,606)**	**(13,999)**	**(1,700)**	**(18,305)**
Depreciation of property, plant and equipment	**(316)**	**(1,530)**	**(1,400)**	**(3,246)**
Write-down of inventories	**(7,422)**	**(594)**	**(1,503)**	**(9,519)**
Impairment losses on property, plant and equipment	**(660)**	**(671)**	**(3,927)**	**(5,258)**
Impairment losses on of right-of-use assets	**(2,464)**	**(5,034)**	**(5,858)**	**(13,356)**
Expenses related to short-term lease	**(157)**	**(956)**	**–**	**(1,113)**
Expenses related to low value leases	**(80)**	**(76)**	**–**	**(156)**

The following is an analysis of the amounts included in the measure of segment information.

Year ended 31 March 2019	OEM HK$'000	OBM HK$'000	Unallocated HK$'000	Total HK$'000
Additions of property, plant and equipment	(118)	(1,424)	(3,077)	(4,619)
Cost of inventories sold	(125,063)	(13,624)	–	(138,687)
Employee benefit expenses	(21,310)	(19,992)	(20,168)	(61,470)
Depreciation of property, plant and equipment	(436)	(1,858)	(1,356)	(3,650)
Write-down of inventories	–	–	(1,272)	(1,272)
Minimum lease payments under operating lease recognised as an expense	(2,757)	(23,810)	(87)	(26,654)

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Other segment information (Continued)

The Group's revenue from external customers are divided into the following geographical location of customers:

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
PRC, Macau and Taiwan	**7,582**	5,206
HK	**65,205**	77,147
UK	**82,172**	87,773
US	**26,939**	56,014
Others	**3,789**	4,685
	185,687	230,825

The information of the Group's non-current assets by geographical location is detailed below:

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
HK	**15,980**	41,707
PRC	**6,304**	11,947
	22,284	53,654

Information about major customers

OEM revenues from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
Customer A	**41,664**	50,881
Customer B	**24,909**	32,667

Note: Customers A and B are located in UK and US respectively.

7 OTHER INCOME, GAINS AND (LOSSES)

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
Bank interest income	**80**	15
Change in fair value of financial assets at FVTPL	**1,105**	1,145
Gain on disposal of property, plant and equipment	**32**	–
Exchange (loss)/gain	**(974)**	997
Sundry (expenses)/income	**(744)**	117
	(501)	2,274

8. FINANCE COSTS

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
Interests on bank borrowings	**3,731**	3,583
Interests on a loan from a director	**692**	–
Interests on other borrowings	**154**	–
Interests on lease liabilities *(note)*	**1,567**	–
Interests on finance lease	**–**	3
	6,144	3,586

Note: The Group has initially applied HKFRS 16 as at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated.

9. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
Directors' remuneration *(note 10)*	**7,043**	8,125
Employee benefit expenses (excluding the directors' remuneration):		
– Salaries, allowances and other benefits	**72,144**	92,903
– Pension scheme contributions	**4,346**	6,648
Total staff costs	**83,533**	107,676
Auditor's remuneration	**800**	800
Amortisation of land use rights *(note)*	**–**	31
Costs of inventories sold	**116,602**	138,687
Depreciation of property, plant and equipment	**3,246**	3,650
Depreciation of right-of-use assets *(note)*	**18,305**	–
Minimum lease payments under operating leases recognised as an expense under HKAS 17	**–**	26,654
Expenses related to short-term lease	**1,113**	–
Expenses related to leases of low value assets	**156**	–
Write-off of property, plant and equipment	**–**	41

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach. After initial recognition of right-of-use assets at 1 April 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses and amortisation of land use rights incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated.

10. DIRECTORS' REMUNERATION

Directors' remuneration during the year which was not included in the staff costs as disclosed in note 9 is as follows:

Year ended 31 March 2020	Fees, salaries, allowances and other benefits HK$'000	Discretionary bonus HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Executive Directors:				
Ms. Luk Sau Kuen *(note (i))*	3,180	–	18	3,198
Mr. Cheung Desmond Lap Wai	1,510	–	18	1,528
Ms. Ho Lai Ying *(note (ii))*	1,218	–	18	1,236
Mr. Chin Wai Keung Richard *(note (iii))*	477	–	–	477
Non-executive Director:				
Mr. Char Yat Shan Jonathan *(note (iv))*	39	–	–	39
Independent non-executive Directors:				
Mr. Choi Wing San Wilson	180	–	–	180
Mr. Cheung Ping Kwan Timothy *(note (v))*	15	–	–	15
Mr. Cho Chi Kong *(note (vi))*	150	–	–	150
Mr. Tan Yik Chung Wilson *(note (vii))*	220	–	–	220
	6,989	–	54	7,043

10. DIRECTORS' REMUNERATION (CONTINUED)

Year ended 31 March 2019	Fees, salaries, allowances and other benefits HK$'000	Discretionary bonus HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Executive Directors:				
Ms. Fung Sau Ying *(note (viii))*	2,497	–	12	2,509
Ms. Luk Sau Kuen *(note (i))*	1,440	–	8	1,448
Mr. Cheung Desmond Lap Wai	1,440	–	18	1,458
Ms. Ho Lai Ying	1,440	–	18	1,458
Non-executive Directors:				
Ms. Luk Sau Kuen *(note (i))*	180	–	–	180
Mr. Char Yat Shan Jonathan *(note (iv))*	172	–	–	172
Independent non-executive Directors:				
Mr. Choi Wing San Wilson	300	–	–	300
Mr. Cheung Ping Kwan Timothy	300	–	–	300
Mr. Leung Wai Yin *(note (ix))*	300	–	–	300
	8,069	–	56	8,125

Notes:

(i) Ms. Luk Sau Kuen was re-designated from a non-executive Director to an executive Director on 7 November 2018. Ms. Luk resigned on 24 April 2020.

(ii) Ms. Ho Lai Ying resigned on 1 January 2020.

(iii) Mr. Chin Wai Keung Richard was appointed on 9 November 2019.

(iv) Mr. Char Yat Shan Jonathan was appointed on 5 September 2018 and resigned on 17 June 2019.

(v) Mr. Cheung Ping Kwan Timothy resigned on 30 April 2019

(vi) Mr. Cho Chi Kong was appointed on 1 June 2019.

(vii) Mr. Tan Yik Chung Wilson was appointed on 1 May 2019.

(viii) Ms. Fung deceased on 4 November 2018.

(ix) Mr. Leung Wai Yin resigned on 31 March 2019.

11. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group for the year ended 31 March 2020 included four Directors (2019: four Directors) whose emoluments are disclosed in note 10. Details of the emolument, which was less than HK$1,000,000, in respect of the remaining individual are as follows:

	Year ended 31 March	
	2020 **HK$'000**	2019 HK$'000
Salaries, allowances and other benefits	**752**	802
Pension scheme contributions	**18**	18
	770	820

During the years ended 31 March 2020 and 2019, no remuneration was paid by the Group to the Directors or any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

12. INCOME TAX (EXPENSE)/CREDIT

The amount of taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	Year ended 31 March	
	2020 **HK$'000**	2019 HK$'000
Current – Hong Kong profits tax		
– tax for the year	**–**	–
– over provision in respect of prior years	**–**	36
Current – PRC Enterprise Income Tax ("**EIT**")		
– tax for the year	**(115)**	–
	(115)	36
Deferred tax		
– (charge)/credit for the year *(note 20)*	**(1,068)**	123
Income tax (expense)/credit	**(1,183)**	159

Under the two-tiered profits tax rates regime in Hong Kong profits tax, the first HK$2,000,000 of profits of the qualifying corporation are taxed at 8.25%, and profits above HK$2,000,000 are taxed at 16.5% of the estimated assessable profits for the years ended 31 March 2020 and 2019.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof during the years ended 31 March 2020 and 2019.

In accordance with the Enterprise Income Tax Law of the PRC ("**EIT Law**"), EIT rates for domestic and foreign enterprises are unified at 25%.

12. INCOME TAX (EXPENSE)/CREDIT (CONTINUED)

A reconciliation of income tax (expense)/credit applicable to loss before tax at the statutory tax rate to income tax (expense)/credit at the effective tax rate is as follows:

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
Loss before tax	**(59,165)**	(18,928)
Tax at the applicable tax rate at 16.5% (2019: 16.5%)	**9,762**	3,123
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**2,244**	(975)
Tax effect of non-taxable income	**201**	497
Tax effect of non-deductible expenses *(note)*	**(2,275)**	(2,284)
Over provision in respect of prior years	**–**	36
Tax concession	**–**	60
Tax effect of temporary difference not recognised	**375**	183
Tax loss not recognised	**(11,490)**	–
Utilisation of tax losses previously not recognised	**–**	(481)
Income tax (expense)/credit	**(1,183)**	159

Note: The amount comprised mainly certain disallowed production costs including depreciation and cost of sales and bank interests.

13. DIVIDEND

No dividend was declared and paid during the years ended 31 March 2020 and 2019.

14. LOSS PER SHARE

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

	Year ended 31 March	
	2020	2019
Loss		
Loss attributable to the owners of the Company for the purposes of basic and diluted loss per share (HK$'000)	**(60,348)**	(18,769)

	2020	2019
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**411,453,063**	400,000,000

For the year ended 31 March 2020, the calculation of basic loss per share is based on the loss attributable to the owners of the Company of HK$60,348,000 (2019: HK$18,769,000) and on the basis of the weighted average number of 411,453,063 (2019: 400,000,000) ordinary shares in issue during the year.

Diluted loss per share is same as the basic loss per share as there are no dilutive potential ordinary shares in existence during the years ended 31 March 2020 and 2019.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold Improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:						
As at 1 April 2018	15,819	12,076	32,562	16,409	1,348	78,214
Additions	–	1,620	1,525	1,474	–	4,619
Disposal	–	–	(2,332)	(253)	–	(2,585)
Write-off	–	(398)	–	(76)	–	(474)
Exchange realignment	(1,043)	(47)	(2,069)	(513)	(30)	(3,702)
As at 31 March 2019	**14,776**	**13,251**	**29,686**	**17,041**	**1,318**	**76,072**
Impact on initial application of HKFRS 16	**–**	**–**	**–**	**–**	**(470)**	**(470)**
As at 1 April 2019	**14,776**	**13,251**	**29,686**	**17,041**	**848**	**75,602**
Additions	**–**	**911**	**–**	**232**	**80**	**1,223**
Disposal	**–**	**–**	**(3)**	**–**	**(160)**	**(163)**
Write-off	**–**	**(2,837)**	**–**	**(76)**	**–**	**(2,913)**
Exchange realignment	**(904)**	**(77)**	**(1,747)**	**(516)**	**(26)**	**(3,270)**
As at 31 March 2020	**13,872**	**11,248**	**27,936**	**16,681**	**742**	**70,479**
Accumulated depreciation and impairment losses:						
As at 1 April 2019	14,389	8,174	25,441	14,013	978	62,995
Depreciation	–	1,904	736	857	153	3,650
Disposal	–	–	(1,857)	(253)	–	(2,110)
Write-off	–	(380)	–	(53)	–	(433)
Exchange realignment	(912)	(41)	(1,600)	(446)	(23)	(3,022)
As at 31 March 2019	**13,477**	**9,657**	**22,720**	**14,118**	**1,108**	**61,080**
Impact on initial application of HKFRS 16	**–**	**–**	**–**	**–**	**(470)**	**(470)**
As at 1 April 2019	**13,477**	**9,657**	**22,720**	**14,118**	**638**	**60,610**
Depreciation	**–**	**1,571**	**646**	**988**	**41**	**3,246**
Impairment losses	**–**	**2,094**	**3,164**	**–**	**–**	**5,258**
Disposal	**–**	**–**	**(3)**	**–**	**(56)**	**(59)**
Write-off	**–**	**(2,837)**	**–**	**(76)**	**–**	**(2,913)**
Exchange realignment	**(811)**	**(70)**	**(1,445)**	**(415)**	**(21)**	**(2,762)**
As at 31 March 2020	**12,666**	**10,415**	**25,082**	**14,615**	**602**	**63,380**
Net carrying amount:						
As at 31 March 2020	**1,206**	**833**	**2,854**	**2,066**	**140**	**7,099**
As at 31 March 2019	1,299	3,594	6,966	2,923	210	14,992

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

For the year ended 31 March 2020, management identified impairment indicator of certain leasehold improvements, plant and machinery, furniture, fixtures and office equipment and motor vehicles due to decline in performance in the OEM and OBM businesses. The Group assessed the recoverable amounts of these property, plant and equipment allocated to their respective cash-generating units ("**CGU(s)**") and as a result the carrying amounts of these property, plant and equipment were written down to their recoverable amounts. The impairment losses of approximately HK$5,258,000 (2019: Nil) were recognised in the consolidated statement of profit or loss and other comprehensive income. The recoverable amounts of CGUs are determined based on the higher of fair values less cost to disposal and value in use calculation. The recoverable amount of the CGU related to the OEM and OBM businesses has been determined based on value in use calculations. These calculations use cash flow projections based on the most recent financial forecasts approved by the Directors covering the period from one to five years which is assessed with reference to the useful life of the allocated assets. The key assumptions for the cash flow projections are those regarding the discount rates, annual projected revenue over five-year period and growth rates. 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 annual projected revenue over five-year period and growth rates are based on past performance and expectations of market development. The key assumptions used for the cash flow projections of the CGUs related to the OEM and OBM businesses in 2020 are a discount rate of 13.29% (2019: Nil) and 13.26% (2019: Nil) respectively.

As at 31 March 2020 and 2019, a building in the PRC with net carrying amount of approximately HK$986,000 (equivalent to RMB900,766) and HK$1,050,000 (equivalent to RMB900,766) respectively, was pledged to bank for banking facilities granted to the Group (note 29).

From 1 April 2019, leased assets are presented as right-of-use assets (note 16) in the consolidated statement of financial position. Please refer to note 2(a)(i) for details about the changes in accounting policy.

16. RIGHT-OF-USE ASSETS

	Warehouses and retail stores HK$'000 *(Note (i))*	Other leases HK$'000 *(Note (ii))*	Land use right HK$'000 *(Note (iii))*	Total HK$'000
As at 1 April 2019 *(note 2(a)(i))*	**29,638**	**–**	**868**	**30,506**
Additions	**6,712**	**7,530**	**–**	**14,242**
Modification to lease terms *(note (iv))*	**(1,824)**	**–**	**–**	**(1,824)**
Depreciation	**(16,605)**	**(1,670)**	**(30)**	**(18,305)**
Impairment losses *(note (v))*	**(7,498)**	**(5,858)**	**–**	**(13,356)**
Exchange realignment	**–**	**–**	**(50)**	**(50)**
As at 31 March 2020	**10,423**	**2**	**788**	**11,213**

The following are the amounts recognised in consolidated statement of profit or loss and other comprehensive income:

	Year ended 31 March 2020
Depreciation of right-of-use assets	**18,305**
Interests on lease liabilities	**1,567**
Low value lease expenses	**156**
Short term lease expenses	**1,113**
	21,141

16. RIGHT-OF-USE ASSETS (CONTINUED)

Notes:

(i) The Group has obtained the right to use other properties as warehouses and retail stores through tenancy agreements. The leases typically run for an initial period of two to three years. Lease payments are usually increased every year to reflect market rentals.

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. For the year ended 31 March 2020, none of the variable lease payment was recognised as the variable lease payment terms were not fulfilled (2019: HK$19,465,000).

Some leases include an option to renew the lease when all terms are renegotiated.

(ii) The Group leases some premises for the accommodation of some employees under leases expiring from two to five years with fixed lease payment terms. Leases include an option to renew the lease when all terms are renegotiated. None of the leases include variable lease payments.

(iii) The Group holds land use rights in the PRC. The right of use of the leasehold lands in the PRC are subject to the expiry in 2046. The Group is the registered owner of these property interests, including the whole or part of undivided share in the underlying land. Lump sum payments were made upfront to acquire these property interests from their previous registered owners, and there are no ongoing payments to be made under the terms of the land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities.

As at 31 March 2020 and 2019, all land use rights are located in the PRC and were pledged to bank for banking facilities granted to the Group (note 29).

(iv) During the year ended 31 March 2020, some landlords agreed to grant temporary reliefs for a short period of few months or modified the lease payment terms. The rent concessions are accounted as lease modifications of existing contracts upon application of HKFRS 16.

(v) For the year ended 31 March 2020, management identified impairment indicator of certain warehouses and retail stores due to decline in performance in the OEM and OBM businesses. The Group assessed the recoverable amounts of these right-of-use assets allocated to their respective CGUs and as a result the carrying amounts of these right-of-use assets were written down to their recoverable amounts. The impairment losses of approximately HK$13,356,000 (2019: Nil) were recognised in the consolidated statement of profit or loss and other comprehensive income. The recoverable amounts of CGUs are determined based on the higher of fair values less cost to disposal and value in use calculation. The recoverable amount of the CGU related to the OEM and OBM businesses has been determined based on value in use calculations. These calculations use cash flow projections based on the most recent financial forecasts approved by the Directors covering the period from one to five years which is assessed with reference to the useful life of the allocated assets. The key assumptions for the cash flow projections are those regarding the discount rates, annual projected revenue over five-year period and growth rates. 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 annual projected revenue over five-year period and growth rates are based on past performance and expectations of market development. The key assumptions used for the cash flow projections of the CGUs related to the OEM and OBM businesses in 2020 are a discount rate of 13.29% (2019: Nil) and 13.26% (2019: Nil) respectively.

17. LAND USE RIGHTS

	HK$'000
Cost:	
As at 1 April 2018	1,670
Exchange realignment	(110)
As at 31 March 2019	**1,560**
Initial application of HKFRS 16 *(note 2(a)(i))*	**(1,560)**
As at 1 April 2019 and 31 March 2020	**–**
Accumulated amortisation:	
As at 1 April 2018	707
Amortisation	31
Exchange realignment	(46)
As at 31 March 2019	**692**
Initial application of HKFRS 16 *(note 2(a)(i))*	**(692)**
As at 1 April 2019 and 31 March 2020	**–**
Net carrying amount:	
As at 1 April 2019 and 31 March 2020	**–**
As at 31 March 2019	868

The Group has initially applied HKFRS 16 using the modified retrospective approach to recognise right-of-use assets relating to leases which were previously classified as land use rights at the date of initial application. Further details on the impact of the transition to HKFRS 16 are set out in note 2(a)(i).

As at 31 March 2019, all land use rights are located in the PRC and were pledged to bank for baking facilities granted to the Group (note 29).

18. CLUB DEBENTURES

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Club debentures	**820**	820

As at 31 March 2020 and 2019, the club debentures were stated at cost less accumulated impairment losses, the Directors considered that there was no impairment of the club debentures since the market price less costs to sell were higher than its carrying value.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

In 2018, the Group entered into a life insurance policy with an insurance company to insure a Director. Under this policy, the beneficiary and policy holder are a subsidiary of the Company. The subsidiary has paid the total insurance premium with an aggregate amount of US$4,140,000 (equivalent to approximately HK$32,168,000) at the inception of the insurance. The subsidiary can terminate the policy at any time and receive back the money based on the surrender value of the contract at the date of withdrawal, which is determined by the insurance premium of the insurance policy plus the accumulated interest earned and minus the insurance costs ("**Surrender Value**"). In addition, if the withdrawal is made between the first and fourteenth policy years, there is a special amount of surrender charge by the insurance company. The insurance company will declare a guaranteed fixed interest of 3.9% per annum plus a premium determined by the insurance company on the outstanding Surrender Value of the contract of the first five years. Commencing from the sixth year, the guaranteed interest will be reduced to 2.25% per annum.

During the year ended 31 March 2020, the Group has applied to redeem the insurance policy which was subsequently redeemed on 9 April 2020. Accordingly, the insurance policy was recognised as current asset as at 31 March 2020. The amounts of HK$1,105,000 (2019: HK$1,145,000) in respect of the gain from change in fair value of investment in life insurance was recognised as part of "other income, gains and losses".

The Directors consider that the carrying amount of the investment in the life insurance policy approximates its fair value.

As at 31 March 2020 and 2019, the insurance premium was pledged to a bank to secure bank borrowing facility granted to the Group (note 29).

20. DEFERRED TAX ASSETS

The following table is the analysis of the deferred tax balance for financial reporting purpose:

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Deferred tax assets	**–**	1,068

The following table shows the deferred tax assets recognised by the Group and movements thereon during the current and prior year:

	Credit loss allowance	**Accelerated tax depreciation**	**Total**
	HK$'000	HK$'000	HK$'000
As at 1 April 2018	16	929	945
Credited/(charged) to profit or loss	146	(23)	123
As at 31 March 2019 and 1 April 2019	**162**	**906**	**1,068**
Charged to profit or loss	**(162)**	**(906)**	**(1,068)**
As at 31 March 2020	**–**	**–**	**–**

As at 31 March 2020, no deferred tax asset has been recognised in respect of the unused tax losses amounting to approximately HK$28,715,000 (2019: Nil) due to the unpredictability of future profit streams of the Hong Kong subsidiaries. The unused tax losses do not expire under current tax legislation.

As at 31 March 2020, no deferred tax asset has been recognised in respect of the unused tax losses amounting to approximately HK$28,927,000 (equivalent to RMB25,549,000) (2019: HK$1,921,000 (equivalent to RMB1,643,000)) due to the unpredictability of future profit streams of the PRC subsidiary. The unused tax losses will expire in five years.

21. INVENTORIES

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Raw materials	**9,231**	20,902
Work in progress	**20,540**	33,756
Finished goods	**26,855**	35,225
	56,626	89,883

A write-down of inventories of approximately HK9,519,000 was recognised during the year ended 31 March 2020 (2019: approximately HK$1,273,000).

22. TRADE RECEIVABLES

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Trade receivables	**10,648**	21,389

The following is an aged analysis of trade receivables based on the invoice dates and net of loss allowance at the end of the reporting period:

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Within 30 days	**6,482**	9,739
31 days to 120 days	**4,164**	10,752
121 days to 1 year	**2**	217
More than 1 year	**–**	681
	10,648	21,389

For the years ended 31 March 2020 and 2019, the Group recognised expected credit loss on trade receivables based on the accounting policy stated in note 4i(ii) to the consolidated financial statements. The details of the Group's credit policy and credit risk arising from trade receivables are set out in note 43(ii) to the consolidated financial statements.

23. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Non-current		
Rental and utilities deposits	**3,152**	6,256
Current		
Rental and utilities deposits	**4,456**	1,308
Prepayments	**634**	3,465
Other receivables *(note)*	**1,206**	1,060
	6,296	5,833

Note: The Directors consider that the fair value of other receivables which are expected to be recovered within one year are not materially different from their carrying amounts because this balance have short maturity period on their inception.

The Group recognised impairment loss based on the accounting policy stated in note 4(i)(ii) to the consolidated financial statements. Further details on the Group's credit policy and credit risk arising from deposits paid and other receivables are set out in note 43(ii) to the consolidated financial statements.

24. AMOUNT DUE TO/LOAN FROM A DIRECTOR

During the year ended 31 March 2020, the Group entered into an agreement with a director to borrow a loan of HK$20,000,000. The loan which matures on 30 June 2021, is unsecured and the effective interest rate is 4% per annum. As at 31 March 2020, the Group was repaid of HK$233,000.

As at 31 March 2019, the amount was non-trade related, unsecured, interest-free and repayable on demand.

25. PLEDGED BANK DEPOSIT AND CASH AND BANK BALANCES

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Cash at banks	**4,388**	7,344
Cash in hand	**106**	108
Cash and bank balance	**4,494**	7,452
Pledged bank deposit	**15,000**	15,000

Note: As at 31 March 2020, pledged bank deposit for granted bank borrowings amounted to HK$15,000,000 (2019: HK$15,000,000).

26. TRADE AND BILLS PAYABLES

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Trade payables	**11,919**	14,294
Bills payables	**513**	15,306
	12,432	29,600

The following is an aged analysis of trade payables based on the invoice date at the end of the reporting period:

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Within 30 days	**2,752**	8,946
31 days to 1 year	**9,166**	5,348
More than 1 year	**1**	–
	11,919	14,294

27. CONTRACT LIABILITIES

The contract liabilities represented the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied as of each reporting period.

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Contract liabilities arising from:		
Sale of goods	**97**	124

The Group sells the gift certificates to the customers who redeems the gift certificates for goods offered at the retail stores. The gift certificates are non-refundable and valid for one year from the date of issue. No contract liabilities were recognised in the consolidated statement of financial position as at 31 March 2020 and 2019, as the amount of contract liabilities in respect of the prepaid gift certificates has no significant impact of the Group's revenue.

27. CONTRACT LIABILITIES (CONTINUED)

The following is the movement in contract liabilities during the year:

	2020 HK$'000	2019 HK$'000
Balance as at 1 April	**124**	130
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the reporting period	**(124)**	(130)
Increase in contract liabilities as a result of billing in advance of sale of goods	**97**	124
Balance as at 31 March	**97**	124

The Group has applied the practical expedient to its sales contracts for the production of baby clothing and baby accessories and therefore the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for garment production that had an original expected duration of one year or less.

28. ACCRUALS AND OTHER PAYABLES

	As at 31 March	
	2020 **HK$'000**	2019 HK$'000
Other payables	**244**	272
Accrued expenses *(note)*	**12,763**	13,519
	13,007	13,791

Note: The amounts mainly represented accrued staff costs and commission.

29. BANK BORROWINGS

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Secured bank loans repayable within one year:		
Revolving loans	**49,822**	52,324
Bills of exchange	**1,574**	10,894
Term loans	**–**	974
Bank overdraft	**8,455**	5,368
	59,851	69,560

Bank borrowings bear floating interests from 3.95% to 5.38% (2019: 4.36% to 5.66%) per annum. The effective interest rates are ranging from 4.01% to 5.38% (2019: from 3.88% to 4.54%) per annum.

The Group's banking facilities and its interest-bearing bank borrowings are secured and guaranteed by:

- the charge over the deposits for HK$15,000,000 or its equivalent in other foreign currencies as at 31 March 2020 and 2019;
- the investment in life insurance policy (note 19) with an insured sum of not less than USD9,000,000 (equivalent to HK$69,750,000) and the beneficiary for the account of the subsidiaries of the Company in favour of the bank as at 31 March 2020 and 2019;
- a building (note 15) and land use rights (note 17) owned by a subsidiary as at 31 March 2020 and 2019; and
- corporate guarantees from the Company and the subsidiaries of the Company as at 31 March 2020 and 2019.

As at 31 March 2020, the unutilised banking facilities, including export loans, revolving loans and bank overdrafts amounted to approximately HK$9,900,000 (2019: HK$13,800,000), HK$Nil (2019: HK$2,500,000) and HK$295,000 (2019: HK$9,632,000) respectively.

30. OTHER BORROWINGS

On 23 October 2019, the Group entered into an agreement with an independent third party to borrow a loan of HK$2,189,000 (equivalent to RMB2,000,000). The loan is repayable on demand, unsecured and interest-free.

On 3 December 2019, the Group entered into an agreement with an independent third party to borrow a loan of HK$1,094,000 (equivalent to RMB1,000,000). The loan is repayable on demand, unsecured and interest-free.

On 10 October 2019, the Group entered into an agreement with an independent third party to borrow a loan of HK$1,500,000. The loan mature on 31 December 2020, unsecured and the effective interest rate is 5% per annum.

31. FINANCE LEASE LIABILITIES

(a) Total minimum lease payment is as follows:

	As at 31 March 2019 HK$'000
Due within one year	71
Future finance charges on finance leases	(1)
Present value of finance lease liabilities	70

31. FINANCE LEASE LIABILITIES (CONTINUED)

(b) The present value of finance lease liabilities is as follows:

	As at 31 March 2019 HK$'000
Due within one year	70

The Group entered into the finance lease for its motor vehicle with remaining lease term of 1 year. The fixed interest rate under the lease is 4.73% per annum. The lease does not have options to renew or any contingent rental provisions. Under the lease terms, the Group has the option to purchase the leased assets at a price that is expected to be sufficiently lower than the fair value of the leased asset at the end of the leases.

Finance lease liabilities are secured by the underlying assets where the lessor has the rights to revert in event of default. The carrying amounts of the finance lease liabilities are denominated in HK$ and approximate to their fair values.

On 1 April 2019, the Group has initially applied HKFRS 16 using the modified retrospective approach to recognise lease liabilities relating to leases which were previously classified as finance leases at the date of initial application. Further details on the impact of the transition are set out in note 2(a)(i).

32. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16:

As at 31 March 2020	**Minimum lease payments HK$'000**	**Interest HK$'000**	**Present value HK$'000**
Not later than one year	**16,768**	**840**	**15,928**
Later than one year and not later than two years	**6,889**	**320**	**6,569**
Later than two year and not later than five years	**3,284**	**150**	**3,134**
	26,941	**1,310**	**25,631**

As at 1 April 2019	Minimum lease payments HK$'000	Interest HK$'000	Present value HK$'000
Not later than one year	15,042	1,018	14,024
Later than one year and not later than two years	12,634	424	12,210
Later than two years and not later than five years	3,546	72	3,474
	31,222	1,514	29,708

The Group has initially applied HKFRS 16 using the modified retrospective approach 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 are set out in note 2(a)(i).

The present value of future lease payments is analysed as:

	As at 31 March 2020 HK$'000	As at 1 April 2019 HK$'000
Current liabilities	**15,928**	14,024
Non-current liabilities	**9,703**	15,684
	25,631	29,708

33. SHARE OPTION SCHEME

The Company has adopted a new share option scheme (the "**Share Option Scheme**") on 28 December 2017.

A summary of the principal terms of the Share Option Scheme is as follows:

1. The purpose of the Share Option Scheme is to enable the Group to grant options to the eligible participants as incentives or rewards for their contribution to the Group;

2. Share Option Scheme can be granted to eligible participants of the Company, being any eligible employee (including executive director), non-executive director (including independent non-executive director) of the Company or subsidiary; and any invested entity, advisers, consultants and any group classes of participants who contributed of the Company or growth of the Group;

3. The maximum number of shares of the Company may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Options Schemes and any other share option schemes adopted by the Group shall not exceed 30% of the shares of the Company in issue from time to time;

4. Pursuant to the Share Option Scheme, the total number of share which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregated exceed 10% of the shares of the Company on the day on which dealings in the shares first commence on the Stock Exchange;

5. The Share Option Scheme must be approved by any of director, chief executive and substantial shareholders of the Company, the total number of share issued and upon exercise of the option and granted under any other share option scheme of the Group (including both exercised and outstanding options) shall not exceed 1% of the share of the Company in issue within twelve month period;

6. The period within which the option must be exercised will be specified by the Company at the time of grant. This period must expire no later than ten years from the date of the offer date of the options; and

7. The subscription price for the shares of the Company to be issued shall not be less than the highest of: (a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the offer date, (b) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange of Hong Kong Limited for the five business days immediately preceding the offer date granted; and (c) the number or nominal amount of the share of the Company on the date of grant.

For the years ended 31 March 2020 and 2019, the Company had no share option being granted, outstanding, lapsed or cancelled pursuant to the Share Option Scheme.

34. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Authorised ordinary shares of HK$0.01 each:		
As at 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	2,000,000,000	20,000
Issued and fully paid ordinary shares of HK$0.01 each:		
As at 1 April 2018, 31 March 2019 and 1 April 2019	400,000,000	4,000
Placing of new shares *(note)*	61,476,000	615
As at 31 March 2020	**461,476,000**	**4,615**

Note: On 23 January 2020, the Company issued 61,476,000 new shares at a price of HK$0.095 per share by way of placement to not less than six individuals, who and whose ultimate beneficial owners are independent third parties. The net proceeds from the placing of new shares amounted to approximately HK$5,731,000.

35. RESERVES

Details of the movements of the Group's reserves for the years ended 31 March 2020 and 2019 are presented in the consolidated statement of changes in equity. Movements on the Company's reserves are as follows:

The Company	Share premium	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000
As at 1 April 2018	57,023	(7,790)	49,233
Loss for the year	–	(42,983)	(42,983)
As at 1 April 2019 and 31 March 2019	**57,023**	**(50,773)**	**6,250**
Loss for the year	**–**	**(20,193)**	**(20,193)**
Placing of new shares *(note 34)*	**5,116**	**–**	**5,116**
As at 31 March 2020	**62,139**	**(70,966)**	**(8,827)**

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2020 HK$'000	2019 HK$'000
		As at 31 March	
Non-current assets			
Investments in subsidiaries		**8**	8
Current assets			
Other receivables		**156**	277
Amounts due from subsidiaries		**18,868**	10,425
Cash and bank balances		**54**	7
		19,078	10,709
Current liabilities			
Other payables		**2,031**	467
Amounts due to subsidiaries *(note)*		**–**	–
Other borrowings		**1,500**	–
		3,531	467
Net current assets		**15,547**	10,242
Total assets less current liabilities		**15,555**	10,250
Non-current liability			
Loan from a director		**19,767**	–
Net (liabilities)/assets		**(4,212)**	10,250
Equity			
Equity attributable to owners of the Company			
Share capital	*34*	**4,615**	4,000
(Accumulated losses)/retained earnings	*35*	**(8,827)**	6,250
Total equity		**(4,212)**	10,250

Note: The nominal value of the amounts due to subsidiaries is HK$1.

On behalf of the Board of Directors

Mr. Kwan Kar Man	**Mr. Cheung Desmond Lap Wai**
Director	*Director*

37. PARTICULARS OF SUBSIDIARIES

Details of the Company's subsidiaries as at 31 March 2020 are as follows:

Name	Place of incorporation/ establishment and kind of legal entity	Place of operation and principal activity	Issued ordinary share capital/registered capital	Percentage of equity attributable to the Company	
				2020	2019
Directly owned subsidiaries:					
Mansion Success Holdings Limited	Incorporated in BVI, limited liability company	HK Investment holding	US$1,000	**100%**	100%
LFC Partners Limited	Incorporated in BVI, limited liability company	HK Investment holding	HK$1	**100%**	100%
Indirectly owned subsidiaries:					
Mantex Supplies Company Limited	Incorporated in HK, limited liability company	HK Wholesale of children wear	HK$694,000	**100%**	100%
Martex International Limited	Incorporated in HK, limited liability company	HK Investment holding	HK$1,009,900	**100%**	100%
Babies Trendyland Limited	Incorporated in HK, limited liability company	HK Trading of children wear	HK$1,000,000	**100%**	100%
Mi'Des Associated Partners Limited	Incorporated in BVI, limited liability company	HK Inactive	US$2	**100%**	100%
Mei Li Hua Children Garment Company Limited * 中山美麗華兒童服裝製品有限公司	Incorporated in PRC, limited liability company	PRC Manufacturing of children wear	RMB15,082,206	**100%**	100%
Nanjing Youyue Trading Company Limited * 南京悠悅貿易有限公司	Incorporated in PRC, limited liability company	PRC Trading of children wear	RMB1	**100%**	100%

* English translated name is for identification purpose only.

38. LEASES

Operating leases – lessee

Future minimum rental payable under non-cancellable operating lease of the Group in respect of buildings at the end of each reporting period is as follows:

	As at 31 March 2019 HK$'000
Within one year	16,876
Within two to five years	15,445
	32,321

The Group leases properties under operating leases. As at 31 March 2019, leases are negotiated for terms of one year to five years.

Contingent rents, generally determined based on a percentage of revenue of the related shops, of appropriately HK$19,465,000 for the Group have been recognised as an expense in the consolidated statement of profit or loss and other comprehensive income during the year ended 31 March 2019.

39. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties:

(i) Related party transactions

	Year ended 31 March	
	2020 HK$'000	2019 HK$'000
Interest on a loan from a director	**692**	–

(ii) Compensation of key management personnel

The emoluments of executive Directors who are also identified as members of key management of the Group during the year are set out in note 10 to the consolidated financial statements.

40. NOTES SUPPORTING STATEMENT OF CASH FLOWS

a) *Cash and cash equivalents comprise:*

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Cash and cash equivalents comprise:		
Cash and bank balances	**4,494**	7,452

b) *Reconciliation of liabilities arising from financing activities:*

The table below details changes in the Group's liabilities arising from financing activities. 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 from financing activities.

	Bank borrowings HK$'000	Other borrowings HK$'000	Loan from a director HK$'000	Lease liabilities HK$'000	Amount due to a director HK$'000	Total HK$'000
As at 1 April 2019	69,560	–	–	29,708	15,003	114,271
Changes from cash flows:						
Proceeds from bank borrowings	76,938	–	–	–	–	76,938
Repayment of bank borrowings	(85,750)	–	–	–	–	(85,750)
Borrowing costs paid	(3,731)	(154)	(692)	–	–	(4,577)
Proceeds from other borrowings	–	4,896	–	–	–	4,896
Capital element of finance lease rentals paid	–	–	–	(16,495)	–	(16,495)
Interest element of finance lease rentals paid	–	–	–	(1,567)	–	(1,567)
Advance from a director	–	–	19,767	–	–	19,767
Repayment to a director	–	–	–	–	(15,003)	(15,003)
	(12,543)	4,742	19,075	(18,062)	(15,003)	(21,791)
Exchange adjustment	(897)	(113)	–	–	–	(1,010)
Other changes:						
Interest expenses	3,731	154	692	1,567	–	6,144
Modification of HKFRS 16	–	–	–	(1,824)	–	(1,824)
Additional of HKFRS 16	–	–	–	14,242	–	14,242
	3,731	154	692	13,985	–	18,562
As at 31 March 2020	59,851	4,783	19,767	25,631	–	110,032

40. NOTES SUPPORTING STATEMENT OF CASH FLOWS (CONTINUED)

b) Reconciliation of liabilities arising from financing activities: (Continued)

	Bank borrowings HK$'000	Finance lease liabilities HK$'000	Amount due to a director HK$'000	Total HK$'000
As at 1 April 2018	50,159	159	–	50,318
Changes from cash flows:				
Proceeds from bank borrowings	97,642	–	–	97,642
Repayment of bank borrowings	(77,416)	–	–	(77,416)
Borrowing costs paid	(3,583)	–	–	(3,583)
Capital element of finance lease rentals paid	–	(89)	–	(89)
Interest element of finance lease rentals paid	–	(3)	–	(3)
Advances from a director	–	–	15,003	15,003
	16,643	(92)	15,003	31,554
Exchange adjustments	(825)	–	–	(825)
Other changes:				
Interest expenses	3,583	3	–	3,586
As at 31 March 2019	69,560	70	15,003	84,633

41. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amount and fair value of financial assets and liabilities:

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Finance assets		
Financial assets at FVTPL	**30,755**	29,650
Amortised cost:		
Trade receivables	**10,648**	21,389
Deposits and other receivables	**8,814**	8,624
Pledged bank deposit	**15,000**	15,000
Cash and bank balances	**4,494**	7,452
	38,956	52,465
	69,711	82,115

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Finance liabilities		
Measured at amortised cost:		
Trade and bills payables	**12,432**	29,600
Accruals and other payables	**13,007**	13,791
Amount due to a director	**–**	15,003
Bank borrowings	**59,851**	69,560
Other borrowings	**4,783**	–
Loan from a director	**19,767**	–
Finance lease liabilities	**–**	70
Lease liabilities	**25,631**	–
	135,471	128,024

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the financial assets at FVTPL, cash and bank balances, trade and other receivables, deposits, trade and bills payables, accruals and other payables, amount due to a director, bank borrowings and finance lease liabilities approximate to their carrying amounts largely due to the short term maturities of these instruments.

The following table provides an analysis of financial instrument carried at fair value by level of the fair value hierarchy:

Level 1: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;

Level 2: Fair value measured based on valuation techniques using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs; or

Level 3: Fair value measured based on valuation techniques using significant unobservable inputs (i.e. not derived from market data).

Assets measured at fair value

As at 31 March 2020

	Fair value measurement using			
	Quoted price in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Recurring fair value measurement for:				
Financial assets at FVTPL	**–**	**30,755**	**–**	**30,755**

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Assets measured at fair value (Continued)

As at 31 March 2019

	Fair value measurement using			
	Quoted price in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for:				
Financial assets at FVTPL	–	29,650	–	29,650

The fair value of the investment in a life insurance policy is determined by the insurance company with reference to the Surrender Value.

For the years ended 31 March 2020 and 2019, there were no transfers of fair value measurements between level 1 and Level 2 and no transfers into or out of Level 3.

43. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments include interest rate risk, credit risk, liquidity risk and foreign currency risk. The Group has no significant exposures to other financial risks except as disclosed below. The Directors review and agree policies for managing each of these risks and they are summarised below.

(i) Interest rate risk

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

The Group's exposure to interest rate risk mainly arises on bank borrowings (note 29) which bore floating interests. The Group has not used any derivative contracts to hedge its exposure to interest rate risk. The Group has not formulated a policy to manage the interest rate risk.

Sensitivity analysis

If the interest rates had been increased by 100 basis points at the beginning of the year and all other variables were held constant, the Group's loss after tax and retained earnings would decrease by approximately HK$267,000 for the year ended 31 March 2020 (2019: decreased by HK$276,000). The assumed changes have no impact on the Group's and other components of equity.

The same percentage decrease in the interest rate would have the same magnitude on the Group's loss after tax and retained earnings as shown above but of opposite effect, on the basis that all variables remain constant.

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Interest rate risk (Continued)

Sensitivity analysis (Continued)

The assumed changes in interest rates are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rate over the next twelve month period.

The sensitivity analysis included in the consolidated financial statements for the years ended 31 March 2020 and 2019 have been prepared on the same basis.

(ii) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's maximum exposure to credit risk is the carrying amounts of cash and bank balances, pledged bank deposit, trade receivables, deposits paid and other receivables.

For the operation and management of retail stores, the Group has no significant concentrations of credit risk. Most of the sales transactions were settled in cash basis and by credit card payment. Credit terms are only offered to corporate customers with whom the Group has an established and ongoing relationship.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount and the Group regularly follows up on receivables outstanding beyond their stipulated time threshold for payments. The Group does not require collateral in respect of financial assets.

Exposure to credit risk

At the end of each reporting period, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the consolidated statement of financial position.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, the Group has a certain concentration of credit risk as 24.7% (2019: 29.6%) and 76.7% (2019: 71.8%) of the trade receivables was due from the Group's largest customer and the five largest customers respectively with the OBM and OEM businesses.

Trade receivables

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Credit risk (Continued)

Trade receivables (Continued)

The following table provides information about the Group's exposure the credit risk and ECLs for trade receivables:

As at 31 March 2020:

		Gross carrying amount (HK$'000)	ECLs (HK$'000)	Net carrying amount (HK$'000)
Not past due	0.88%	7,396	(65)	7,331
Less than 30 days past due	8.75%	2,025	(177)	1,848
31–120 days past due	44.58%	75	(34)	41
121 days – 1 year past due	83%	–	–	–
More than 1 year past due	100%	1,040	(1,040)	–
Total		10,536	(1,316)	9,221

As at 31 March 2019:

		Gross carrying amount (HK$'000)	ECLs (HK$'000)	Net carrying amount (HK$'000)
Not past due	0.07%	18,373	(14)	18,359
Less than 30 days past due	1.49%	1,998	(31)	1,967
31–120 days past due	7.43%	232	(16)	216
121 days – 1 year past due	51.98%	1,711	(887)	824
More than 1 year past due	57.97%	54	(31)	23
Total		22,368	(979)	21,389

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

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. The Group closely monitors the financial standing of these debtors on a going basis to ensure that the Group is exposed to minimal credit risk.

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Credit risk (Continued)

Trade receivables (Continued)

In addition, if there is evidence indicating the trade receivables are credit-impaired, the Group shall measures loss allowances for trade receivables on an individual basis. As at 31 March 2020, debtors with credit-impaired with gross carrying amount of HK$2,854,000 (2019: nil) was assessed individually. ECLs of amounted to HK$1,427,000 is recognised during the year ended 31 March 2020

The following table shows the movement in loss allowance that has been recognised for trade receivables under the simplified approach.

	2020 **HK$'000**	2019 HK$'000
As at 1 April	**979**	97
ECLs recognised during the year		
– not credit-impaired	**337**	882
– credit-impaired	**1,427**	–
	1,764	882
As at 31 March	**2,743**	979

Deposits and other receivables

The Group determines ECLs for deposits paid and other receivables based on 12-month ECLs which take into account the historical default experiences and forward-looking information, as appropriate, for example, the Group considers the consistently low historical default rates of counterparties. It is concluded that credit risk inherent in the Group's outstanding deposits paid and other receivables are insignificant. The Group has assessed that deposits paid and other receivables do not have a significant increase in credit risk since initial recognition and risk of default is insignificant, therefore the ECLs for these deposits paid and receivables were immaterial under the 12-month ECLs method and no loss allowance was recognised during the year.

Cash at bank and pledged bank deposit

The Group's bank deposits were deposited with major financial institutions in Hong Kong and the PRC, which management believes are of high-credit-quality without significant credit risk.

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) 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 Group maintains its own treasury function to monitor the current and expected liquidity requirements and aims to maintain flexibility by keeping sufficient cash and bank balances generated from operations.

The following tables show the remaining contractual maturities at the end of 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.

As at 31 March 2020

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 5 years HK$'000
Non-derivatives:				
Trade and bills payables	12,432	12,432	12,432	–
Accruals and other payables	13,007	13,007	13,007	–
Bank borrowings	59,851	61,831	61,831	–
Other borrowings	4,783	4,783	4,783	–
Loan from a director	19,767	20,756	791	19,965
Lease liabilities	25,631	26,941	16,768	10,173
	135,471	139,750	109,612	30,138

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Liquidity risk (Continued)

As at 31 March 2019

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 5 years HK$'000
Non-derivatives:				
Trade and bills payables	29,600	29,600	29,600	–
Accruals and other payables	13,791	13,791	13,791	–
Amount due to a director	15,003	15,003	15,003	–
Bank borrowings	69,500	70,875	70,875	–
Finance lease liabilities	70	71	71	–
	127,964	129,340	129,340	–

(iv) Foreign currency risk

The Group mainly operates in HK and the PRC and most of its business transactions, assets and liabilities are principally denominated in HK$, USD and RMB. Most of its sales proceeds were received in USD and HK$, and most of the purchases are conducted in HK$, USD and RMB. Most of its production costs, such as wages are incurred in RMB. HK$ is pegged with USD, thus foreign exchange exposure of USD is considered as minimal.

As at 31 March 2020 and 2019, if RMB had strengthened/weakened by 5% against HK$ with all other variable held constant, loss for the years ended 31 March 2020 and 2019 would have been approximately HK$668,000 and HK$743,000 respectively, lower/higher, mainly as a result of foreign exchange losses/gains on translation of RMB denominated cash and bank balances, deposits, prepayments and other receivables, trade and bills payables and accruals and other payables.

44. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

The capital structure of the Group consists of equity attributable of owners of the Company only, comprising share capital and reserves.

The capital structure of the Group consists of debts, which includes amount due to a director, bank borrowings, other borrowings, loan from a director, finance lease liabilities, lease liabilities and equity attributable to owners of the Company. The Group's management regularly reviews the capital structure. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

The debt to equity ratios of the Group at the end of each of the reporting periods are as follows:

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Amount due to a director	**–**	15,003
Bank borrowings	**59,851**	69,560
Other borrowings	**4,783**	–
Loan from a director	**19,767**	–
Finance lease liabilities	**–**	70
Lease liabilities	**25,631**	–
	110,032	84,633
Less: Cash and bank balances	**(4,494)**	(7,452)
Pledged bank deposit	**(15,000)**	(15,000)
Net debt	**90,538**	62,181
Equity attributable to owners of the Company	**9,781**	64,980
Debt to equity ratio	**925.6%**	95.7%

45. CONTINGENT LIABILITIES

At the end of reporting period, the Group did not have any significant contingent liabilities (2019: Nil).

46. EVENTS AFTER THE REPORTING PERIOD

(i) On 29 May 2020, Mei Li Hua Children Garment Company Limited ("**MLH**"), a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the with Zhongshan Anpin Electrical Appliance Company Limited (the "**Transferee**"). The Group proposed to reorganise its assets and set up a wholly-owned subsidiary (the "**Target Company**"), and transfer its factory and land to the Target Company. MLH has conditionally agreed to sell the entire equity interests in the Target Company to the Transferee by two tranches (the "**Possible Transaction**"). The Transferor shall firstly sell 5% equity interests in the Target Company for the first consideration of RMB550,000 (equivalent to HK$596,695), and the Transferor shall then sell 95% equity interests in the Target Company for the second consideration of RMB10,450,000 (equivalent to HK$11,337,205) after the first completion. The aggregation of the first consideration and the second consideration of RMB11,000,000 (equivalent to HK$11,933,900) shall be settled by cash after deducting the earnest money. Details of the Possible Transaction were disclosed in the Company's announcements dated 15 May 2020, 29 May 2020 and 11 June 2020; and

(ii) The Group requested to surrender the life insurance policy with an insurance company to insure a Director, and the policy has been terminated on 9 April 2020. Net cash surrender value of the policy of USD3,929,547 (equivalent to HK$30,473,633) is used for repayment of a bank loan and general working capital of the Group.

47. APPROVAL OF FINANCIAL STATEMENTS

The consolidation financial statements for the year ended 31 March 2020 were approved by the Board of Directors on 26 June 2020.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years are set out below.

CONSOLIDATED RESULTS

	Year ended 31 March				
	2020	2019	2018	2017	2016
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Revenue	**185,687**	230,825	265,768	335,810	409,765
(Loss)/profit before tax	**(59,165)**	(18,928)	(1,267)	12,244	15,907
Listing expenses	**–**	–	15,280	2,129	–
Adjusted (loss)/profit before tax (excluding listing expenses)	**(59,165)**	(18,928)	14,013	14,373	15,907
Income tax credit/(expense)	**(1,183)**	159	(2,997)	(1,975)	(4,736)
Net (loss)/profit for the year (excluding listing expenses)	**(60,348)**	(18,769)	11,016	12,398	11,171
Net (loss)/profit from ordinary activities for the year	**(60,348)**	(18,769)	(4,264)	10,269	11,171

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 March				
	2020	2019	2018	2017	2016
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Non-current assets	**22,284**	53,654	52,130	21,966	22,678
Current assets	**123,819**	140,160	126,418	124,027	139,670
Current liabilities	**(106,298)**	(128,148)	(91,590)	(100,240)	(124,262)
Net current assets	**17,521**	12,012	34,828	23,787	15,408
Non-current liabilities	**(30,024)**	(686)	(882)	(1,457)	(1,678)
Net assets	**9,781**	64,980	86,076	44,296	36,408

Addendum

The Board has noted that owing to an inadvertent mistake, the following sentence stated on page 21 of the annual report of the Company for the year ended 31 March 2020 contains typo errors:

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

The sentence should be read as "The Directors were aware of certain material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern."

The Board wishes to add that "the Directors and the Audit Committee are aware that due to the net liabilities position of the Group as at 31 March 2020, the independent auditor issued a disclaimer opinion on the Company's consolidated financial statements for the FY2020. For further details, please refer to the Independent Auditor's Report as stated on pages 49 to 51 and the section headed "Going Concern Assumption" on page 70 of the annual report of the Company."