i.century Holding Limited
愛世紀集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8507

century

ANNUAL REPORT
2023

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*This annual report, for which the directors (collectively the "**Directors**" and each the "**Director**") of i.century Holding Limited (the "**Company**", and together with its subsidiaries, the "**Group**", "**we**", "**our**" or "**us**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this annual 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 annual report misleading.*

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Leung Kwok Hung Wilson
(Chairman and Chief Executive Officer)
Ms. Tam Shuk Fan

Independent non-executive Directors

Ms. Cheung Wai Man
Mr. Lau Yau Chuen Louis
Mr. Lee Kwun Ting

COMPANY SECRETARY

Mr. Kwok Chi Yin

COMPLIANCE OFFICER

Mr. Leung Kwok Hung Wilson

AUTHORISED REPRESENTATIVES

Ms. Tam Shuk Fan
Mr. Kwok Chi Yin

AUDIT COMMITTEE

Mr. Lau Yau Chuen Louis *(Chairman)*
Ms. Cheung Wai Man
Mr. Lee Kwun Ting

NOMINATION COMMITTEE

Mr. Leung Kwok Hung Wilson *(Chairman)*
Ms. Cheung Wai Man
Mr. Lau Yau Chuen Louis
Mr. Lee Kwun Ting

REMUNERATION COMMITTEE

Mr. Lee Kwun Ting *(Chairman)*
Ms. Cheung Wai Man
Mr. Lau Yau Chuen Louis

AUDITOR

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31/F., Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

REGISTERED OFFICE IN CAYMAN ISLANDS

Cricket Square
Hutchins Drive
PO Box 2681
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Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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No. 1018 Tai Nan West Street
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Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Link Market Services (Hong Kong) Pty Ltd
Suite 1601, 16/F., Central Tower
28 Queen's Road Central
Hong Kong

PRINCIPAL BANKER

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

STOCK CODE

8507

COMPANY WEBSITE

www.icenturyholding.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of i.century Holding Limited (the "**Company**"), I hereby present the annual report for the year ended 31 March 2023.

OVERVIEW

The outbreak of the COVID-19 pandemic severely hit the world economy. This uncertainty has slowed down global economic recovery and development, thus affecting consumption demand of end customers. Besides, global economic issues such as inflation, rising energy prices, etc. have created an unfavourable operating environment.

The Board and management continuously reviewed and adjusted business policies and strategies responding to this challenging year. For the year ended 31 March 2023 (the "**Year**"), the Group's revenue was approximately HK$149.7 million. There was a decrease of approximately 12.2% as compared to that of approximately HK$170.6 million for the year ended 31 March 2022 (the "**Previously Year**") while the gross margin had an increase of 1% because of the adjusted pricing strategy in the Previous Year.

For the Year, the Group's loss attributable to owners of the Company was HK$5.0 million, as compared to the Group's profit attributable to owners of the Company of HK$19.2 million for the Previous Year, which included an one-off gain on disposal of property, plant and equipment of HK$15.0 million. Such change in the Group's profitability was mainly attributable to the combined effect of (i) decrease in gross profit in line with the decrease in revenue and (ii) the increase in expected credit losses, and (iii) the increase in selling and distribution expenses.

Even the consumer demand was rebounded in the first half of 2022, but post-COVID rebound was taper off in around mid-2022. Some customers asked to extend payment terms or to restructure the debts, the allowance for expected credit losses was increased significantly.

PROSPECTS

Moving forward to 2023, though the impact of pandemic was declining, but the inflation remains a significant challenge. The Company will seize the opportunity of recovering market and take below measures to cope with challenges encountered in the socio-economic environment:

1. Increase market development efforts and strengthen cooperation with existing customers;

2. Establish own apparel brand;

3. Develop with eco-friendly concept products;

4. Enhance control over operational and credit risks; and

5. Strengthen capital management.

We will continue to review business strategies and operations of the Group and also to explore other business or investment opportunities for promoting the Group's future development.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to the Group's management and employees for their efforts and dedication, extending my appreciation to our shareholders, customers, suppliers, correspondent banks, and other professional institutions for their unwavering support during these difficult times.

Mr. Leung Kwok Hung Wilson
Chairman and Chief Executive Officer

30 June 2023

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

The Group is an apparel supply chain management services provider and its services range from product development, sourcing and procurement of raw materials, production management and quality control to logistics arrangement. The Group's major customers comprise of apparel retail brands based predominately in the U.S., Europe and Australia, the products of which are marketed and sold under their own brands. The styles and functions of the products for the Group's key customers are generally casual lifestyle for the general consumers and outdoor performance for outdoor activities.

All the Group's products are manufactured in accordance with the specifications and requirements provided by the Group's customers. The Group proposes suggestions to the Group's customers regarding design and specification such as choices of raw materials, styling and pattern in order to meet the brand's requirements and budgets.

The Group's products were manufactured by our manufacturer suppliers or other manufacturers engaged by our trading company suppliers, which are located in the People's Republic of China ("**PRC**").

BUSINESS REVIEW

During the Year, the Group recorded revenue of approximately HK$149.7 million, representing a decrease of approximately 12.2% as compared to the amount of approximately HK$170.6 million for the Previous Year. The decrease in revenue of the Group was primarily attributable to customer change to conservation procurement attitude in USA and European countries. The gross profit decreased from approximately HK$34.1 million for the Previous Year to approximately HK$32.6 million for the Year. The gross profit margin increased from 20.0% for the Previous Year to 21.8% for the Year.

The Group's loss attributable to owners of the Company of approximately HK$5.0 million for the Year as compared to the profit attributable to owners of the Company of HK$4.2 million, which excluded an one-off gain of HK$15.0 million on the disposal of property. The turning point from profit to loss was mainly attributed to a provision of expected credit loss on other receivables due to the significant increase in credit risk arising from a customer which had financial difficulties during the Year. Such customer signed an agreement with an indirectly wholly owned subsidiary of the Company for restructuring the outstanding trade debts by way of instalment plan. Therefore, the outstanding debts from the customer was allocated from trade receivables to other receivables during the Year.

FINANCIAL REVIEW

Revenue

The Group's revenue derived from SCM services was mainly derived from the sales of our key apparel products, such as jackets, woven shirts, pullovers, pants, shorts, T-shirts and other products, including dress, vests and accessories, such as bags, hat, face mask and gloves, through the provision of apparel SCM services to our customers. For the Year, the Group recorded a revenue of approximately HK$149.7 million, representing a decrease of approximately 12.2% comparing with that of approximately HK$170.6 million for the Previous Year.

The following table sets out a breakdown of the Group's revenue by product categories for the years ended 31 March 2023 and 2022:

	For the year ended 31 March			
	2023		2022	
Product category	**HK$'000**	**%**	HK$'000	%
Jackets	**33,179**	**22.1**	40,570	23.8
Woven shirts	**25,594**	**17.1**	19,869	11.6
Pullover	**23,924**	**16.0**	39,394	23.1
Pants and shorts	**35,809**	**23.9**	35,742	21.0
T-shirts	**14,087**	**9.4**	20,169	11.8
Other products (note)	**17,152**	**11.5**	14,826	8.7
	149,745	**100.0**	170,570	100.0

Note: Other products include, for example, tank top, dress, vests and accessories such as bags, hat, face mask and gloves.

During the Year, the sales volume of the Group amounted to 1,237,488 units of finished products. Set out below are the total sales quantities of each product category for each of the years ended 31 March 2023 and 2022:

	For the year ended 31 March			
	2023		2022	
	Unit sold	**%**	Unit sold	%
Jackets	**179,297**	**14.5**	223,558	13.2
Woven shirts	**181,033**	**14.6**	176,895	10.4
Pullover	**183,647**	**14.8**	369,905	21.8
Pants and shorts	**320,760**	**25.9**	363,583	21.5
T-shirts	**169,642**	**13.7**	293,986	17.4
Other products (note)	**203,109**	**16.5**	266,223	15.7
	1,237,488	**100.0**	1,694,150	100.0

Note: Other products include, for example, tank top, dress, vests and accessories such as bags, hat, face mask and gloves.

The selling price of each of the product categories depends primarily on, among other things, overhead expenses, purchase cost, as well as our expected profit margin. Accordingly, the selling price of our products may differ considerably in different purchase orders by different customers. Set out below are the average selling price per unit of finished product sold to our customers for each product category for the years ended 31 March 2023 and 2022:

	For the year ended 31 March		
	2023 Average selling Price HK$ (note i)	2022 Average selling Price HK$ (note i)	Rate of change %
Jackets	**185.1**	181.5	2.0
Woven shirts	**141.4**	112.3	25.9
Pullover	**130.3**	106.5	22.3
Pants and shorts	**111.6**	98.3	13.6
T-shirts	**83.0**	68.6	21.0
Other products (note ii)	**84.4**	55.7	51.6
Overall	**121.0**	100.7	20.2

Notes:

i The average selling price represents the revenue for the year divided by the total sales quantities for the year.

ii Other products include, for example, tank top, dress, vests and accessories such as bags, hat, face mask and gloves.

Cost of sales

Cost of sales primarily consists of cost of goods sold, raw materials and consumable used, freight and transportation, laboratory test and inspection fee, declaration and license charges and other charges. The cost of sales decreased from HK$136.4 million for the Previous Year to HK$117.1 million for the Year, representing a decrease of approximately 14.2%. Such decrease was in line with the decrease in total sales volume.

Gross profit and gross profit margin

The Group's gross profit decreased by approximately HK$1.5 million from approximately HK$34.1 million for the Previous Year to approximately HK$32.6 million for the Year. The gross profit margin increased from approximately 20.0% for the Previous Year to approximately 21.8% for the Year. The increase in gross profit margin was mainly due to increase in average selling price per product.

Other income

Other income mainly consists of (i) bank interest income, (ii) government grants and (iii) sundry income. The Group's other income increased by approximately 112.7% from approximately HK$1.2 million for the Previous Year to approximately HK$2.6 million for the Year. This increase was mainly attributable to the subsidies granted under the Employment Support Scheme and the Technology Voucher Programme by the Government of the HKSAR during the Year.

Other losses and gains

Other losses and gains consist of (i) net foreign exchange losses/gains, (ii) reversal of impairment loss/impairment loss recognised in respect of trade receivables, (iii) impairment loss recognised in respect of deposits and other receivables, (iv) bad debts recovered and (v) gain from sales and leaseback transaction. The Group recorded other gains of approximately HK$14.1 million for the Previous Year to other losses of approximately HK$8.1 million for the Year. The other losses was mainly attributable to the impairment loss recognised in respect of deposits and other receivables arising from a customer which had financial difficulties during the Year.

Selling and distribution expenses

Selling and distribution expenses mainly consist of (i) marketing expenses and (ii) salaries and mandatory provident fund for merchandising staff. Selling and distribution expenses increased by approximately 28.5% from approximately HK$7.8 million for the Previous Year to approximately HK$10.0 million for the Year. The net increase in the Group's selling and distribution expenses was mainly attributable to (i) marketing expenses and (ii) salaries and mandatory provident fund for merchandising staff in respect of annual salary increment and increase headcount in Australia representative office to cope with our business expansion.

Administrative expenses

Administrative expenses primarily comprise (i) Director's remuneration; (ii) staff costs and benefits for general and administrative staff; (iii) legal and professional fee, accountancy fee and compliance costs; (iv) entertainment expenses; and (v) depreciation of property, plant and equipment.

Administrative expenses decreased to approximately HK$21.7 million for the Year from approximately HK$22.0 million for the Previous Year, representing a decrease of approximately 1.5%. Such decrease was mainly attributable to (i) the decrease of HK$0.8 million in depreciation of property, plant and equipment and (ii) the increase of HK$0.5 million in staff costs and benefits for general and administrative staff.

Finance costs

Finance costs mainly consist of (i) bank overdrafts, (ii) bank borrowings and (iii) lease liabilities.

The Group's finance costs decreased by approximately HK$0.5 million, or approximately 62.2%, from approximately HK$0.8 million for the Previous Year to approximately HK$0.3 million for the Year. The decrease was mainly due to the decrease in bank overdrafts.

Income tax expense/credit

Income tax expense for the Year was approximately HK$8,000 while income tax credit for the Previous Year was approximately HK$370,000.

Loss/Profit attributable to owners of the Company

For the Year, the Group recorded a loss attributable to owners of the Company of approximately HK$5.0 million, as compared with the profit attributable to owners of the Company of approximately HK$4.2 million, which excluded an one-off gain of HK$15.0 million on the disposal of property for the Previous Year. Such loss was mainly attributable to the impairment loss recognised in respect of deposits and other receivables as discussed in the above paragraph headed "other losses and gains".

Dividend

The Board does not recommend the payment of final dividend for the Year.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

During the Year, the Group's operations were generally financed through internally generated cash flows and borrowings from banks and the Net Proceeds. As at 31 March 2023 and 2022, the Group had net current assets of approximately HK$17.5 million and HK$36.9 million respectively, including cash and bank balances of approximately HK$17.1 million and HK$27.2 million, respectively. The pledged bank deposit of approximately HK$1.4 million as at 31 March 2023 and HK$9.0 million as at 31 March 2022. The Group's current ratio decreased from approximately 2.0 times as at 31 March 2022 to approximately 1.5 times as at 31 March 2023. Such decrease was mainly due to decrease in pledged bank deposit and cash and bank balances in respect of acquiring a building in Hong Kong during the Year.

Gearing ratio is calculated based on the total debts (include lease liabilities, bank overdrafts and bank borrowings) divided by total equity at the respective reporting date. As at 31 March 2023 and 2022, the Group's gearing ratio was approximately 63.4% and 36.1%, respectively. The Group principally relied on bank borrowings as the source of funding to operate its business and prudently maintained the gearing position at a reasonable level.

TREASURY POLICIES

The Group has adopted a prudent financial management approach towards its treasury policies and thus able to maintain a healthy liquidity position throughout the Year. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

CAPITAL STRUCTURE

Since the Listing on 16 April 2018 (the "**Listing Date**"), there has been no change in the capital structure of the Company. The share capital of the Group only comprises ordinary shares.

As at 31 March 2023, the Company's issued share capital was HK$4.0 million and the number of issued ordinary shares was 400,000,000 of HK$0.01 each. Details of the Group's share capital are set out in note 30 to the consolidated financial statements in this annual report.

PLEDGE OF ASSETS

As at 31 March 2023, a building of the Group with a carrying value of approximately HK$15.3 million and bank deposit of HK$1.4 million were pledged to secure a bank borrowings.

As at 31 March 2022, a bank deposit of approximately HK$9.0 million was pledged to secure a bank loan.

Save as discussed, the Group did not have any charges on its assets.

SIGNIFICANT INVESTMENTS

The Group did not hold any significant investments during the Year (2022: Nil).

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the prospectus of the Company dated 29 March 2018 (the "**Prospectus**") and this annual report, the Group did not have any plan for material investments and capital assets as at 31 March 2023.

CAPITAL COMMITMENTS

As at 31 March 2023, the Group has capital commitment in respect of acquisition of property, plant and equipment of HK$1.3 million which has been contracted but not provided in the consolidated financial statements and the Group has a lease contract that have not yet commenced as at 31 March 2023. The future lease payments for this non-cancellable lease contract is HK$1.6 million due within one year. (2022: Nil).

Save as discussed, the Group did not have any significant capital commitments.

CONTINGENT LIABILITIES

As at 31 March 2023, the Group did not have material contingent liabilities (2022: Nil).

FOREIGN EXCHANGE EXPOSURE

The Group operates in Hong Kong with majority of the transactions being settled in Hong Kong dollars ("**HK$**"), United States dollars ("**US$**") and Renminbi ("**RMB**"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, which are denominated in a currency that is not the functional currency of the Group.

The Group is not exposed to foreign exchange risk in respect of HK$ against the US$ as long as this currency is pegged.

The Group currently does not have a foreign currency hedging policy in respect of assets and liabilities denominated in foreign currency. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign exchange exposure, if necessary.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2023, the Group employed a total of 44 employees (31 March 2022: 43). The Group's staff costs mainly included Directors' emoluments, salaries, other staff benefits and contributions to retirement schemes. For the years ended 31 March 2023 and 2022, the Group's total staff costs (including Directors' emoluments) amounted to approximately HK$21.4 million and HK$20.0 million, respectively. Remuneration is determined with reference to market terms and the performance, qualification, experience, position and seniority of individual employee.

The remuneration committee will review and determine the remuneration and compensation packages of the Directors with reference to their experience, responsibilities, workload, time devoted to the Group and performance of the Group.

KEY PERFORMANCE INDICATORS

The Company has defined the following key performance indicators which are closely aligned with the performance of the Group.

	2023	2022
Revenue	**HK$149,745,000**	HK$170,570,000
Gross profit	**HK$32,612,000**	HK$34,130,000
(Loss)/Profit for the year attributable to owners of the Company	**-HK$4,955,000**	HK$19,214,000
Gross profit margin	**21.8%**	20.0%
Net (loss)/profit margin	**-3.3%**	11.3%
Return on total assets	**-7.3%**	26.0%
Return on equity	**-14.7%**	49.8%
Current ratio	**1.5 times**	2.0 times
Quick ratio	**1.5 times**	2.0 times

USE OF PROCEEDS

The net proceeds (the "**Net Proceeds**") from the listing of shares of the Company (the "**Shares**") were successfully listed on GEM of the Stock Exchange on 16 April 2018. The total Net Proceeds amounted to approximately HK$31.0 million.

The table below sets out the adjusted allocation and the actual use of Net Proceeds up to 31 March 2023:

	Planned use of Net Proceeds as stated in the Prospectus (adjusted on a pro rata basis based on the actual net proceeds) HK$'000	Actual use of Net Proceeds from the Listing date to 31 January 2021 HK$'000	Unutilised Net Proceeds as at 31 January 2021 HK$'000	Revised allocation of Net Proceeds as at 31 January 2021 HK$'000 (note i)	Actual use of Net Proceeds from 1 February 2021 to 31 May 2022 HK$'000	Unutilised Net Proceeds as at 31 May 2022 HK$'000	Further revised allocation of Net Proceeds as at 31 May 2022 HK$'000 (note ii)	Actual use of Net Proceeds from 1 June 2022 to 31 March 2023 HK$'000	Unutilised net proceeds as at 31 March 2023 HK$'000
Setting up representative offices in the U.S. and France	20,257	4,806	15,451	11,451	1,217	10,234	–	–	–
Establishing a quality control office in the PRC	4,679	4,679	–	–	–	–	–	–	–
Repayable bank borrowings	4,144	4,144	–	–	–	–	–	–	–
General working capital	1,900	1,900	–	–	–	–	–	–	–
Expansion of existing representative office in Melbourne, Australia	–	–	–	4,000	2,540	1,460	1,460	1,460	–
Setting up representative office in France	–	–	–	–	–	–	550	550	–
Acquisition of new property for office premises in Hong Kong (note iii)	–	–	–	–	–	–	9,684	9,684	–
	30,980	15,529	15,451	15,451	3,757	11,694	11,694	11,694	–

Notes:

i On 8 February 2021, the Board resolved to change the use of Net Proceeds in connection to expand the existing representative office in Melbourne, Australia. Details of the Change of Use of Proceeds are set out in the Company's announcement dated 8 February 2021.

ii On 24 June 2022, the Board resolved to change the use of Net Proceeds in connection to (i) expand the existing representative office in Melbourne, Australia, (ii) setting up representative office in France, and (iii) acquisition of new property for office premises in Hong Kong. Details of the Change of Use of Proceeds are set out in Company's announcement dated 24 June 2022.

iii On 16 September 2022, the Group entered into an agreement for sale and purchase with an independent third party to acquire a property in Hong Kong at a consideration of HK$14,749,000. The Group would apply approximately HK$9,684,000 for the partial settlement of the consideration. The sum of approximately HK$9,684,000 is part of the Net Proceeds from the listing of shares by the Company on GEM of the Stock Exchange by way of share offer on 16 April 2018. The balance of consideration will be settled by way of internal resource and/or mortgage loan. For details, please refer to the Company's announcement dated 16 September 2022.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following set out a comparison of the business objectives as stated in the Prospectus and the Announcements with the Group's actual business progress up to 31 March 2023.

Business Strategies as stated in the Prospectus and the Announcements	Business objectives up to 31 March 2023 as stated in the Prospectus and the Announcements	Actual business progress for the period from the Listing Date to 31 March 2023
Setting up representative offices in the U.S. and France	– setting up and leasing a representative office in Los Angeles, the U.S. – recruiting one manager, four sales executives and two supporting clerks for operation our representative office in the U.S.	– a representative office in Los Angeles, the U.S. had been set up in August 2018 – the Group re-designated an independent non-executive Director to executive Director for operating our representative office in the U.S. with effect from August 2018
	– Arranging our sales executives to visit and set up exhibition booths in trade shows in the U.S.	– the executive Director visited the trade shows and sourcing shows in the U.S.
	– Setting up and leasing a representative office in Paris, France	– a representative office in France had been set up in September 2019
	– recruiting one manager, four sales executives and two supporting clerks for operating our representative office in France	– the Group employed a design and sales executive staff to operate the representative office in France in April 2019
	– arranging our sales executives to visit and set up exhibition booths in trade shows in Europe	– the design and sales executive staff visited the trade shows in Europe
Establishing a quality control office in the PRC	– setting up and leasing a quality control office in the city of Ningbo of Zhejiang Province, the PRC	– a quality control office in Ningbo of Zhejiang Province, the PRC had been set up in August 2018
	– recruiting one quality control supervisor, four additional quality control staff and six additional merchandisers	– the Group promoted a quality control staff to manager for monitoring the daily operations in Ningbo by August 2018; – the Group employed four additional quality control staff and six additional merchandisers by March 2019
Expansion of existing representative office in Melbourne, Australia	– recruiting new personnel for operating our representative office in Melbourne, Australia	– the Group employed a sales executive and a supporting staff to operate the representative office in Melbourne, Australia by March 2021
	– arranging our sales executives to visit the trade shows and sourcing shows in Australia	– the sales executive staff visited trade shows and sourcing shows in Australia
Acquisition of new property for office premises in Hong Kong	– Acquiring a new property for storage and/or show room purpose	– the acquisition of new property for office premises in Hong Kong had been completed in February 2023

FUTURE PROSPECTS

The global market is still struggling to recover from the economic crisis by the COVID-19 pandemic, inflation and rise of energy price. We expect the major economy may fall into recession, consumer demand may further decrease, the drop in orders for goods will be more severe. Even our gross profit margin has improved but the revenue is still challenging.

To cope with the lingering business downturn, our management would take couple measures to increase our competitive edge.

We would assign more resources in marketing development to strengthen cooperation with existing customers and to explore more customers in current and emerging markets. In response to the market trend, we would continue to develop more products with eco-friendly concept and market sentiment. Meanwhile, we would put our effort to build up our own apparel brand.

The unfavorable global environment has impact on businesses worldwide. It would increase the operational risk, which has led to a decline in consumer confidence. To stave off bad debt problems, we have further tightened a more conservative credit risk controls. It would then limit recover of our revenue.

In the long term, the Group remains positive about its business strategies and believes that it will bring satisfactory and sustainable returns to the shareholders.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Leung Kwok Hung Wilson (梁國雄, "Mr. Leung"), aged 54, is the chairman of the Board, an executive Director, and chief executive officer of the Group. Mr. Leung is also chairman of the nomination committee of the Company. Mr. Leung was appointed as the Director on 20 June 2017 and was re-designated as an executive Director and the chairman of the Group on 26 September 2017. Mr. Leung is also a director of certain subsidiaries of the Group. Mr. Leung has over 30 years of sales and merchandising experience in the apparel industry. After completing his secondary education in Hong Kong in 1986, he commenced his merchandising career in the apparel industry and worked as an assistant merchandiser in Dodwell Hong Kong Buying Office Limited, a merchant firm from May 1988 to May 1990. From June 1990 to July 1991, he was an assistant merchandiser of Innova Limited, a U.S. company trading in knitted shirts. From July 1991 to February 1992, he was a merchandiser of Hilpop Fashion Limited, an apparel design and development company. From April 1992 to April 1999, he was a merchandiser of Kasmen Limited, an apparel manufacturing and exporting company and he was a senior merchandiser from May 1999 to February 2005. Having spent more than 13 years in the merchandising field, Mr. Leung cofounded Majestic City Limited in 2001 and Majestic City International Limited in August 2008 with Ms. Tam Shuk Fan. He is primarily responsible for the overall corporate strategies, management and business development of the Group. In addition to his experience in the apparel industry, Mr. Leung has been serving the Hong Kong Auxiliary Police Force since 1994 and is currently a station sergeant.

Mr. Leung is the husband of Ms. Tam Shuk Fan, the executive Director of the Company.

Ms. Tam Shuk Fan (譚淑芬, "Ms. Tam"), aged 52, was appointed as a Director on 20 June 2017 and was re-designated as an executive Director on 26 September 2017. Ms. Tam is responsible for overseeing the management and administration of the Group's business operations. Ms. Tam is also a director of certain subsidiaries of the Group. Ms. Tam completed her secondary education in Hong Kong in 1987 and one-year post-secondary secretarial studies at Chu Hai College in July 1988. From April 1989 to April 1999, she worked in Kasmen Limited, an apparel manufacturing and exporting company, and her last position was shipping officer. In April 1999, she left Kasmen Limited and worked as a shipping and account officer of Mikura Limited, an electrical and electronic manufacturing company, from 1999 to 2001. Prior to co-founding the Group in August 2008, she was a clerk in the finance department of Quality Healthcare Medical Centre Limited, a healthcare company from December 2001 to February 2006.

Ms. Tam is the wife of Mr. Leung, the chairman and an executive Director of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Cheung Wai Man (張慧敏, "Ms. Cheung"), aged 54, was appointed as an independent non-executive Director on 20 March 2018. Ms. Cheung is also a member of the audit committee (the "**Audit Committee**"), a member of the remuneration committee (the "**Remuneration Committee**") and a member of the nomination committee (the "**Nomination Committee**"). Ms. Cheung is responsible for providing independent judgement on the Group's strategy, performance, resources and standard of conduct. Ms. Cheung has approximately 29 years of experience in merchandising field. After completion of her post-secondary education, she worked in Associated Merchandising Corporation Hong Kong Office, a retail merchandising sourcing services provider, from August 1988 and March 1993 and her last position was assistant merchandise representative. She was an assistant merchandiser of Liz Claiborne International Limited, a company engaged in buying and sourcing of fabrics and raw materials for apparel and garments, and was promoted to merchandiser in July 1994 until she left in May 1995. From June 1995, she was an associate merchandiser of Gap International Sourcing Limited, an apparel manufacturer and provider, and subsequently was promoted to merchandise manager in accessories category until her departure in January 2017. Since then, Ms. Cheung has not been engaged in any employment or business as she wishes to devote more time to her other personal commitments.

Mr. Lau Yau Chuen Louis (劉友專, "Mr. Lau"), aged 46, was appointed as an independent non-executive Director on 20 March 2018. Mr. Lau is also the chairman of the Audit Committee, member of the Remuneration Committee and member of the Nomination Committee. Mr. Lau is responsible for providing independent judgement on the Group's strategy, performance, resources and standard of conduct. After graduated from City University of Hong Kong, Mr. Lau obtained a MBA from the University of Greenwich in United Kingdom and is a member of the Association of Chartered Certified Accountants. Mr. Lau has over 23 years of financial reporting, audit and compliance experiences gained from international certified public accounting firms and listed companies. Mr. Lau was formerly an executive director and financial controller of Artini China Co. Ltd. (stock code: 789); the deputy chief financial officer and company secretary of China Innovative Financial Group Limited (stock code: 412); the independent non-executive director of IAG Holding Limited (stock code: 8513); and the chief financial officer of Millennium Pacific Group Holdings Limited (stock code: 8147). Mr. Lau is currently the chief financial officer and company secretary of China Wantian Holdings Limited (stock code: 1854).

Mr. Lee Kwun Ting (李冠霆, "Mr. Lee"), aged 36, was appointed as an independent non-executive Director on 8 August 2018. Mr. Lee is also a member of the Audit Committee, chairman of the Remuneration Committee and member of the Nomination Committee. Mr. Lee is responsible for providing independent judgement of the Group's strategy, performance, resources and standard of conduct. Mr. Lee is a practicing solicitor in Hong Kong. After graduating from The University of Hong Kong with a Bachelor of Laws (LLB), Mr. Lee obtained a Postgraduate Certificate in Laws (PCLL) and a Master in Laws (LLM) from the University of Hong Kong.

Mr. Lee was an Associate of Messrs. W.K. To & Co. from August 2012 to June 2018. From June 2018 to August 2019, Mr. Lee was a consultant of Messrs. Fongs. In November 2019, Mr. Lee commenced practice in Messrs. Ivan Lee & Co. Mr. Lee is currently a member on the Domestic Violence Panel of the Law Society of Hong Kong. Moreover, Mr. Lee serves as a Legal Aid Panel Solicitor of the Legal Aid Department and a Chief Inspector of the Hong Kong Auxiliary Police Force.

SENIOR MANAGEMENT

Mr. Chan Chi Kwong, Dickson (陳智光, "Mr. Chan"), aged 51, was appointed as a chief financial officer of the Group on 2 July 2018 and he is a director of two subsidiaries of the Group, Majestic City (UNI) Corporation and Majestic City (AUS) Pty Limited.

Mr. Chan has over 30 years of experience in accounting, auditing and taxation matters. Mr. Chan was an independent non-executive director of Sanbase Corporation Limited (stock code: 8501) from January 2020 to November 2021. Mr. Chan is currently an independent non-executive director of eBroker Group Limited, a company listed on GEM of the Stock Exchange (stock code: 8036) since 2018.

Mr. Chan currently is a fellow member and CPA (Practising) of The Hong Kong Institute of Certified Public Accountants. Mr. Chan holds a master's degree in corporate finance from The Hong Kong Polytechnic University and a Bachelor of Laws degree from the City University of Hong Kong.

Ms. Chan Sheung Ping (陳湘萍, "Ms. Chan"), aged 54, has been appointed as the chief operating officer of the Group on 26 September 2017. Ms. Chan is in primarily responsible for assisting the chairman in managing the Group's business operation and offering advice on the corporate direction and strategic development of the Group. In addition, Ms. Chan also assists the executive Directors in managing customer relationship and marketing activities of the Group. Ms. Chan has over 29 years of experience in the merchandising field of the apparel industry. Over the years, Ms. Chan worked as a merchandiser and was responsible for managing the production in factories and quality control in several garment related companies since 1987, such as Fook Tin Garment Manufactory, Fortuna Garment Factory and Mikura Limited. Ms. Chan joined the Group in 2008.

Mr. Kwok Chi Yin (郭志賢, "Mr. Kwok"), aged 55, joined the Group on 26 September 2017 as the company secretary. Mr. Kwok is responsible for company secretarial matters of the Group. Mr. Kwok obtained a bachelor of commerce with double major in accounting and finance from Deakin University of Australia in September 1997. He has been a member of Hong Kong Institute of Certified Public Accountants since July 2001 and a member of Certified Practising Accountant Australia since June 2001.

Mr. Kwok has over 20 years of accounting and finance experience. Mr. Kwok is the chief financial officer of MCM Global Limited, an OEM manufacturing of electrical and mechanical consumer goods company since June 2013. Mr. Kwok served as the financial controller of Choong Nang Energy Equipment Manufactory Limited, an energy equipment manufacturing company, between June 2006 to June 2013. From 25 April 2014 to 7 January 2016, Mr. Kwok was the company secretary of Baofeng Modern International Holdings Company Limited, a company involved in manufacture and sale of slippers, sandals, casual footwear and graphene-based ethylene-vinyl acetate foam material and slippers (stock code: 1121), whose shares are listed on the Stock Exchange. In addition, he served as accounting manager in several companies in different industries including garment manufacturing and trading, marketing and promotion businesses from March 1999 to June 2006.

The Board recognises that transparency and accountability are important to a listed company. Since its Listing, the Company is committed to establishing and maintaining good corporate governance policy and procedures. The Directors believe that good corporate governance provides a framework that is essential for effective management, successful business growth and a healthy corporate culture and in return is beneficial to the Company's shareholders as a whole.

CORPORATE GOVERNANCE PRACTICES

The Board has adopted and complied with the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules. During the Year, the Board is of the opinion that the Company has complied with all the code provisions of the CG Code, except for the deviation from code provision C.2.1 of the CG Code as set out in "Chairman and Chief Executive Officer" and code provision D.2.5 of the CG Code as set out in "Internal Control and Risk Management" in this corporate governance report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Model Code**"). The Company had also made specific enquiry to each of the Directors and all Directors confirmed that they have complied with the required standards set out in the Model Code regarding Directors' securities transactions and the Company was not aware of any non-compliance with the Model Code by the Directors during the Year.

Pursuant to Rule 5.66 of the Model Code, the Directors have also requested any employee of the Company or director or employee of subsidiary of the Company who, because of his/her office or employment in the Company or a subsidiary, is likely to possess inside information in relation to the securities of the Company, not to deal in securities of the Company when he/she would be prohibited from dealing by the Model Code as if he/she were a Director.

DISCLOSURE OF INSIDER INFORMATION

The Group acknowledges its responsibilities under the Securities and Futures Ordinance (the "**SFO**") and the GEM Listing Rules and the overriding principle that inside information should be announced immediately when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of inside information are as follows:

- 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;

- the Group has formulated inside information policies and disclosed its policies on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and its website;

- the Group has strictly prohibited unauthorized use of confidential or inside information; and

- the Group regularly reminds the Directors and employees about due compliance with all policies regarding the inside information, as well as keeps them appraised of the latest regulatory updates.

BOARD OF DIRECTORS

Composition of the board

During the Year and up to the date of this annual report, the composition of the Board is as follows:

Executive Directors
Mr. Leung Kwok Hung Wilson *(Chairman and chief executive officer)*
Ms. Tam Shuk Fan

Independent non-executive Directors
Ms. Cheung Wai Man
Mr. Lau Yau Chuen Louis
Mr. Lee Kwun Ting

The Board has complied with the requirements of the GEM Listing Rules to have at least three independent non-executive directors who represent more than one-third of the Board and with at least one of whom possesses appropriate professional qualifications or accounting or related financial management expertise pursuant to Rule 5.05 of the GEM Listing Rules.

The Board has received from each independent non-executive Director (the "**INED**") a written annual confirmation of his/her independence pursuant to Rules 5.09 and 5.10 of the GEM Listing Rules, and the Nomination Committee of the Company has assessed the independence of each INED and the Company considers that each of their independence is in compliance with Rules 5.05(1) and 5.05(2) and 5.05A of the GEM Listing Rules as at the date of this annual report. Each INED will inform the Company in writing as soon as practicable if there is any change of circumstances which may affect his/her independence.

After annual assessment by the Nomination Committee, the Board considers the current structure, size and composition of the Board is performing a balanced and independent monitoring function on management practices to complement the Company's corporate strategy.

The biographical details of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report. Save as disclosed, none of the Directors has any other financial, business, family or other material or relevant relationships among members of the Board and senior management.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. During the Year, Mr. Leung was the chairman and the chief executive officer of the Company. Our Directors consider that vesting both the roles of chairman of the Board and chief executive officer of our Company in Mr. Leung will provide a strong and consistent leadership to our Group. In view of Mr. Leung's extensive experience in the industry, personal profile and critical role in our Group and our historical development, we consider that it is beneficial to the business prospects of our Group that Mr. Leung continues to act as both our chairman and our chief executive officer.

BOARD MEETINGS AND ATTENDANCE RECORD OF DIRECTORS

During the Year, the Board meets regularly to review the financial and operating performance of the Group, to make important decisions and to approve future strategies. Attendances of these meetings by Directors are set out below:

	Meeting Attended/Held				
	Annual General Meeting In number	**Board** In number	**Audit Committee** In number	**Remuneration Committee** In number	**Nomination Committee** In number
Total Number of Meetings	1	5	5	1	1
Executive Directors					
Mr. Leung Kwok Hung Wilson *(Chairman)*	1/1	5/5	N/A	N/A	1/1
Ms. Tam Shuk Fan	1/1	5/5	N/A	N/A	N/A
Independent non-executive Directors					
Ms. Cheung Wai Man	1/1	5/5	5/5	1/1	1/1
Mr. Lau Yau Chuen Louis	1/1	5/5	5/5	1/1	1/1
Mr. Lee Kwun Ting	1/1	5/5	5/5	1/1	1/1

RESPONSIBILITIES OF THE BOARD

The overall management of the Company's business is vested in the Board, which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. All the Directors should make decisions objectively in the interests of the Company. The Board has the full support from the executive Directors and the senior management of the Company in discharging its responsibilities.

The day-to-day management, administration and operation of the Company are delegated to the executive Directors and the senior management of the Company. The delegated functions and tasks are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by any of the executive Directors and the senior management. The Board also assumes the responsibilities of maintaining a high standard of corporate governance including, among others, developing and reviewing the Company's policies and practices on corporate governance, reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements, and reviewing the Company's policies and practices on compliance with legal and regulatory requirements, and reviewing the Company's compliance with the CG Code. All Directors including the INEDs, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for efficient and effective delivery of the Board functions. The Board had also delegated various responsibilities to the three board committees of the Company (the "**Board Committees**").

CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to code provision C.1.4 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills as to ensure that their contribution to the Board remains informed and relevant. During the Year, the Company had arranged for directors to attend training sessions which placed emphasis on the roles, functions and duties of a director of a listed company. In addition to the training arranged by the Company, the directors have also participated in other continuous professional development activities.

A Summary of training received by the Directors during the Year is as follow:

	Course/Seminar/ Workshop organized by professional body	Reading materials
Executive Directors		
Mr. Leung Kwok Hung Wilson	✔	
Ms. Tam Shuk Fan	✔	
Independent Non-executive Directors		
Ms. Cheung Wai Man	✔	✔
Mr. Lau Yau Chuen Louis	✔	✔
Mr. Lee Kwun Ting	✔	✔

BOARD COMMITTEES

The Board established three Board Committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee to oversee specific aspects of the Group's affairs and help it in the execution of its responsibilities. Each of the Board Committees have specific written terms of reference which clearly outline the committees' authority and duties and require the Board Committees to report back on their decisions or recommendations to the Board. All Board Committees are provided with sufficient resources to discharge their duties, including access to management or professional advice if considered necessary.

AUDIT COMMITTEE

The Company has established the Audit Committee on 20 March 2018 with written terms of reference in compliance with rule 5.28 of the GEM Listing Rules and paragraph D.3.3 of the CG Code. The Audit Committee consists of three INEDs, namely Ms. Cheung, Mr. Lau and Mr. Lee. Mr. Lau has been appointed as the chairman of the Audit Committee and is the INED with the appropriate professional qualifications.

The primary duties of the Audit Committee are to review and supervise the Group's financial reporting process, to nominate and monitor the Company's external auditors, and to oversee the risk management and internal control procedures of the Company.

For the Year, 5 meetings of the Audit Committee meetings were held, to review the Management and external auditor the accounting principles and practices adopted by the Group and discussed auditing, internal controls, and financial reporting matters, including the following:

- review and discuss of the quarterly, interim and annual financial statements, results announcements and reports, the related accounting principles and practices adopted by the Group and the relevant audit findings;
- the recommendation to the Board for the proposal for re-appointment of the external auditor of the Company and approval of the remuneration and terms of engagement of the external auditor; and
- review of Company's continuing connected transactions for the year ended 31 March 2023 pursuant to the GEM Listing Rules;
- the review of the risk management and internal control systems of the Group; and
- perform other duties assigned by the Board.

The attendance of each member for the Audit Committee meetings is set out on page 24 of this annual report.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 20 March 2018 with written terms of reference in compliance with rules 5.34 to 5.36 of the GEM Listing Rules and Code Provision E.1.2 of the CG Code. The Remuneration Committee currently consists of three members, namely Ms. Cheung, Mr. Lau and Mr. Lee. Mr. Lee has been appointed as the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Company, and to ensure that none of the Directors determine their own remuneration.

For the Year, one meeting of the Remuneration Committee meetings were held to review and subsequently to approve the remuneration package of the executive Directors and senior management.

The attendance of each member for the Remuneration Committee meetings is set out on page 24 of this annual report.

REMUNERATION OF SENIOR MANAGEMENT

The annual remuneration of the members of the senior management by brand for the Year is as follows:

Remuneration Brands	No. of Individuals
HK$nil to HK$1,000,000	2
HK$1,000,001 to HK2,500,000	1
	3

Details of the amount of Directors remuneration for the Year are set out in note 13 to the consolidated financial statements.

NOMINATION COMMITTEE

The Company established the Nomination Committee on 20 March 2018 with written terms of reference in compliance with Code Provision B.3.1 of the CG Code. The Nomination Committee currently consists of four members, namely Mr. Leung, Ms. Cheung, Mr. Lau and Mr. Lee. Mr. Leung has been appointed as the chairman of the Nomination Committee.

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board annually, to identify individuals suitably qualified to become members of the Board, to assess the independence of the INEDs, and to make recommendations to the Board on relevant matters relating to appointments of Directors.

For the Year, one meeting was held and has, inter alia, reviewed the structure, size and composition of the Board, assessed the independent of INEDs and considered the Directors to retire and re-appoint at the forthcoming AGM.

The attendance of each member of the Nomination Committee is set out on page 24 of this annual report.

NOMINATION POLICY

The Company's policy for nomination of directors in the summary of work performed by the Nomination Committee is as follows.

Selection criteria

In evaluating and selecting any candidate for directorship to the Board, the following criteria should be considered:

(a) character and integrity;

(b) qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;

(c) diversity aspects under the Company's board diversity policy and any measurable objectives adopted by the Nomination Committee for achieving diversity of the Board;

(d) for INEDs, whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules;

(e) willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company; and

(f) such other perspectives that are appropriate to the Company's business and succession plan and where applicable may be adopted and/or amended by the Board and/or Nomination Committee from time to time for nomination of directors and succession planning.

Procedures for appointment of new Directors

(i) if the Board determines that an additional or replacement Director is required, it will deploy multiple channels for identifying suitable director candidates, including referrals from Directors, shareholders, management, advisors of the Company and external executive search firms.

(ii) upon compilation and interview of the list of potential candidates, the relevant Nomination Committee will shortlist candidates for consideration by the Nomination Committee/Board based on the selection criteria and such other factors that it considers appropriate. The Board has the final authority on determining suitable director candidate for appointment.

(iii) any shareholder of the Company who wishes to nominate a person to stand for election as a Director at a general meeting must lodge with the Company Secretary of the Company within the lodgement period specified in the relevant shareholder circular (a) a written nomination of the candidate, (b) written confirmation from such nominated candidate of his willingness to stand for election, and (c) biographical details of such nominated candidate as required under the GEM Listing Rules. Particulars of the candidate so proposed will be sent to all shareholders for information by a supplementary circular.

Procedures for re-appointment of Directors

(i) where a retiring Director, being eligible, offers himself for re-election, the Board shall consider and, if consider appropriate, recommend such retiring Director to stand for re-election at a general meeting. A circular containing the requisite information on such retiring Director will be sent to shareholders prior to a general meeting in accordance with the Listing Rules.

DIVERSITY

Board diversity

The Company adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the objective and approach of which the Board could achieve and maintain a high level of diversity. The Company recognises the benefits of having a diversified Board, as such the Group will ensure that members of the Board have the appropriate balance of skills, experience and diversity of perspectives that are required to support the Group's business strategies and sustainable development.

Pursuant to the Board Diversity Policy, 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, knowledge and length of service, and any other factors that the Board may consider relevant and applicable from time to time. The ultimate decision will be based on the merit and contribution the selected candidates will bring to the Board. The Board Diversity Policy will be reviewed by the Board annually.

The Board currently comprises five members, including two executive Directors and three independent non-executive Directors, is which two of the existing board members of the Company is female, bring the female representation to about 40% of the Board and is of the opinion that it meets the diversity requirements under the GEM Listing Rules.

Diversity in general

The Group also continues to adopt employee diversity measures to promote the diversity at all levels of its workforce. As at 31 March 2023, Group had 44 full-time employees (including Directors and senior management), of which 22.7% were male and 77.3% were female. The Company will continue to take steps to promote diversity, including gender diversity, at workforce levels.

CORPORATE GOVERNANCE FUNCTIONS

The Board as a whole is responsible for performing the corporate governance functions set out in code provision A.2.1 of the CG Code. namely:

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

All Directors are appointed for a specific term. Upon expiry of the existing term, the Company has entered into a director's service agreement with each of the executive Directors, namely Mr. Leung and Ms. Tam, for a term of three years.

Each of the INEDs has accepted an appointment with the Company for an initial term of three years. After expiry, the INEDs entered into an agreement for one year together with automatically renewable successive term until terminated by either party giving at least one month written notice.

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

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 shall 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.

ACCOUNTABILITY AND AUDIT

Financial reporting

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group that give a true and fair view of the state of affairs of the Group. The Directors aim to present a balanced and understandable assessment of the Group's position and prospects with timely publication of the consolidated financial statements of the Group. As at 31 March 2023, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt on the Group's ability to continue as a going concern.

The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company. The statements by external auditors, HLB Hodgson Impey Cheng Limited, about their reporting responsibility on the consolidated financial statement of the Group are set out in the section headed "Independent Auditor's Report" in this annual report.

Independent auditors' remuneration

The remuneration paid to external auditors in respect of the Year is set out below:

Type of services	**Amount HK$'000**
Audit services	650

Internal control and risk management

The Board had the overall responsibility for the establishment, maintenance and review of the Group's internal control system to safeguard shareholders' investments and the assets of the Group. The internal control system of the Group aims to facilitate effective and efficient operation which in turn minimizes the risks to which the Group is exposed. The system can only provide reasonable but not absolute assurance against misstatements or losses.

The Group recognises that good risk management is essential for the long-term development on the Group's business. Management is responsible for establishing, implementing, reviewing and evaluation a sound and effective internal control system underpinning the risk management framework. All employees of the Group are committed to implement the risk management framework into the daily operation.

Under Code Provision D.2.5 of the Code, the Group should have an internal audit function. During the year, the Group does not have an internal audit function as the Board has reviewed the effectiveness of the internal control system of the Company and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. The situation will be reviewed from time to time. The Group had engaged an external consulting firm as the Group's internal control adviser, Infinity Concept Ripple Limited (the "**Internal Control Adviser**"), to conduct independent internal control review for the Year.

Such review is conducted annually and cycles reviewed are under a rotation basis. The scope of review was previously determined and approved by the Board. The Internal Control Adviser has reported findings and areas for improvement to the Audit Committee and management. The Board and Audit Committee are of the view that there are no material internal control defeats noted. All recommendations from the Internal Control Adviser are properly followed up by the Group to ensure that they are implemented within a reasonable period of time. The Board therefore considered that the risk management and internal control systems are effective and adequate.

COMPANY SECRETARY

Mr. Kwok was appointed as the company secretary of the Company on 26 September 2017. The biographical details are set out under the section headed "Biographical Details of Directors and Senior Management" of this report. During the Year, Mr. Kwok had undertaken more than 15 hours of relevant professional training.

COMPLIANCE OFFICER

Mr. Leung is the compliance officer of the Company. Please refer to his biographical details as set out on in the section headed "Biographical Details of Directors and Senior Management" of this report.

SHAREHOLDERS' RIGHT

As one of the measures to safeguard shareholders' interest and rights, separate resolutions can be proposed at the shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. All resolutions put forward at shareholders' meeting will be voted by poll pursuant to the GEM Listing Rules and the poll results will be posted on the website of the Stock Exchange and the Company's website after the relevant shareholders' meeting.

Procedures for shareholders to convene an extraordinary general meeting ("EGM")

The following procedures for shareholders to convene an EGM are subject to the Articles (as amended from time to time), and the applicable legislation and regulation, in particular the GEM Listing Rules (as amended from time to time):

(a) any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company having the right of voting at general meetings of the Company (the "**Eligible Shareholder(s)**") shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company ("**Company Secretary**"), to require 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.

(b) eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving a resolution at EGM must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned at the principal place of business of the Company in Hong Kong at 6/F., Orient International Tower, No. 1018 Tai Nan West Street, Lai Chi Kok, Kowloon, Hong Kong for the attention of the Board and/or the Company Secretary.

(c) the Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM and the proposed agenda. Together with a deposit of a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned in accordance with the statutory requirements to all the registered shareholders.

(d) the Requisition will be verified with the Hong Kong branch share registrar and transfer office of the Company and upon their confirmation that the Requisition is proper and in order, the Board will convene an EGM by serving sufficient notice in accordance with the requirements under the Articles to all the registered Shareholders. On the contrary, if the Requisition has been verified as not in order or the Eligible Shareholders concerned have been failed to deposit sufficient money to meet the Company's expenses for the said purposes, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM.

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

Procedures for putting forward proposals at shareholders' meetings

There are no provisions allowing shareholders to move new resolutions at the general meetings under the Companies Law (Revised) of Cayman Islands. However, pursuant to the Articles, shareholders who wish to make proposals or move a resolution may, however, convene an EGM in accordance with the "Procedures for Shareholders to convene an EGM" set out above.

Procedures for shareholders to send enquires to the Board

Shareholders may send their enquiries and concerns to the Board and or Company Secretary by addressing them to the principle place of business of the Company in Hong Kong at 6/F., Orient International Tower, No. 1018 Tai Nan West Street, Lai Chi Kok, Kowloon, Hong Kong by post for the attention of the Board and/or the Company Secretary.

INVESTOR RELATIONS

The Company had adopted a shareholder communication policy with the objective of providing the shareholders of the Company with information about the Company and enabling them to engage actively with the Company and exercise their rights as shareholders in an informed manner.

The Company had established a range of communication channels between itself and its shareholders, and investors. These include answering questions through the annual general meeting, the publication of annual, interim and quarterly reports, notices, announcements and circulars, the Company's website at www.icenturyholding.com and meetings with investors and shareholders. News update of the Group's business are also available on the Company's website.

Share registration matters shall be handled for the shareholders by the Company's share registrar, Link Market Services (Hong Kong) Pty Limited at Suite 1601, 16/F., Central Tower, 28 Queen's Road Central, Hong Kong.

DIVIDEND POLICY

Pursuant to the amended CG Code, the Company should have a dividend policy and disclose such policy in its annual report. The Company has adopted a dividend policy (the "**Dividend Policy**"), and the summary of which is set out below:

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

  (i) the general financial condition of the Group;

  (ii) capital and debt level of the Group;

  (iii) future cash requirements and availability for business operations, business strategies and future development needs;

  (iv) the contractual restrictions on the payment of dividends by the Company to its shareholders;

  (v) the general market conditions; and

  (vi) any other factors that the Board considers appropriate.

(b) The payment of the dividend by the Company is also subject to any restrictions under the Companies Law of the Cayman Islands and the Articles of Association of the Company.

(c) The Board endeavours to strike a balance between the Shareholders' interests and prudent capital management with a sustainable Dividend Policy.

CONSTITUTIONAL DOCUMENTS

Pursuant to Rule 17.102 of the GEM Listing Rules, the Company has published its memorandum of association and the Articles on the respective websites of the Stock Exchange and the Company. On 16 September 2022, the Shareholders of the Company have approved the adoption of the second amended and restated memorandum and articles of association of the Company to (i) reflect certain amendments in the applicable laws of Cayman Islands and the GEM Listing Rules; and (ii) to make other consequential and housekeeping changes. For details, please refer to the Company's circular dated 17 August 2022.

The Directors hereby present their report together with the audited consolidated financial statements of the Group for the Year.

PRINCIPAL ACTIVITIES

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

SEGMENT INFORMATION

Details of the segment information of the Group for the Year are set out in note 7 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 50 of this annual report.

The Board does not recommend the payment of a final dividend for the Year.

BUSINESS REVIEW

Business review of the Group for the Year as required by Schedule 5 to the Hong Kong Companies Ordinance, including a fair review of the Group's business and an indication of likely future development in the Group (Chapter 622 of the laws of Hong Kong) (the "**Companies Ordinance**") business, can be found in the section headed "Management Discussion and Analysis" set out on pages 6 to 16 of this annual report which forms part of this "Report of the Directors".

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's key risk exposure and summarised as follow:

(i) the Group is exposed to credit risks of our customers;

(ii) the Group relies on several major customers and does not enter into long-term contracts with the customers. Any disruption in the business relationships with the Group's major customers may materially and adversely affect the business, prospects, financial condition and results of operations;

(iii) the Group is subject to intense competition from competitors engaging South and Southeast Asian manufacturers, and if the Group fails to compete successfully against the competitors, the profitability and financial performance may be adversely affected;

(iv) risks relating to the Group's business operations involving the U.S., French and Australia customers;

(v) the Group is dependent on third parties for the production of apparel products, are any disruption in the relationships with our suppliers or their operations could adversely affect our business;

(vi) most of our suppliers are located in the PRC and any major adverse changes to the economic, political and social conditions of the PRC may adversely affect our business and results of operations;

(vii) most of the Group's products sold to U.S. are manufactured in the PRC, such that the PRC-U.S. trade dispute may have a material and adverse effect on our business, financial conditions and results of operations;

(viii) any failure to maintain an effective quality control system will have a material and adverse effect on our business, financial conditions and results of operations; and

(ix) the outbreak of COVID-19 may bring adverse impact on our business operations involving in the U.S., French and Australia customers.

For other risks and uncertainties facing the Group, please refer to the section headed "Risk Factors" in the Prospectus.

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group.

RELATIONSHIPS WITH STAKEHOLDERS

The Group recognises employees as one of the valuable assets of the Group and the Group strictly complies with the labour laws, rules and regulations and reviews regularly the existing staff benefits for any potential improvement. Apart from the remuneration package, the Group also offers medical insurance to its employees. The Group works closely with its customers in devising new product designs each season and delivering the products according to their requirements. The Group had maintained business relationships with its five largest customers for a period ranging from 1 to 8 years. Over the years, the Directors believe that the Group has fostered a trustworthy and reliable strategic partnership with its customers, which is built upon its proven track record of quality products, industry and product knowhow, market awareness, dedicated management team, and competitive pricing. The Group has also established a stable, close-working and long-term relationship with its suppliers. During the Year, there was no material dispute or disagreement with the employees, the customers and the suppliers of the Group.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the Year are as follows:

	Sales	Purchases
The largest customer	17.3%	N/A
Five largest customers in aggregate	54.9%	N/A
The largest supplier	N/A	20.2%
Five largest suppliers in aggregate	N/A	49.0%

Save as disclosed in this annual report and to the best knowledge of the Directors, none of the Directors, their close associates or any shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in the Group's five largest customers or suppliers during the Year.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 118 of this annual report. The summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the Year are set out in note 18 to the consolidated financial statements.

BORROWINGS

Particulars of borrowings of the Group as at 31 March 2023 are set out in note 29 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the Year are set out in note 30 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity on page 53 and note 36(b) to the consolidated financial statements, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive or similar rights under the laws of Caymans Islands or the Articles which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders of the Company.

DISTRIBUTABLE RESERVES

There is no distributable reserves of the Company as at 31 March 2023.

DIRECTORS

The Directors during the Year and up to the date of this annual report were:

Executive Directors

Mr. Leung Kwok Hung Wilson *(Chairman and Chief Executive Officer)*
Ms. Tam Shuk Fan

Independent non-executive Directors

Ms. Cheung Wai Man
Mr. Lau Yau Chuen Louis
Mr. Lee Kwun Ting

Pursuant to article 84 of the Article, at each AGM, one-third of the Directors for the time being (or, if their numbers is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation and that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

Accordingly, all the Directors, namely Ms. Tam and Mr. Lee will retire from office as Directors at the forthcoming AGM to be held on 18 September 2023 and are eligible and have offer themselves for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out on pages 17 to 20 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years, which shall be renewed as determined by the Board or the shareholders of the Company. The service agreement of each of the executive Directors may be terminated by either party giving not less than six months notice in writing to the other, subject to relevant terms therein and the Articles.

Each of the INEDs had entered into an appointment letter with the Company for an initial term of three years, which shall be renewed as determined by the Board or the shareholders of the Company. The appointment letter of each of the INEDs may be terminated by either party giving not less than one month written notice to the other, subject to relevant terms therein and the Articles.

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

INDEPENDENCE CONFIRMATION

The Company had received confirmation from each of the INEDs regarding his/her independence in accordance with Rule 5.09 of the GEM Listing Rules and therefore considers each of them to be independent.

EMOLUMENT POLICY

The Remuneration Committee of the Company will review and determine the remuneration and compensation packages of the Directors and senior management with reference to their responsibilities, workload, time devoted to our Group and the performance of our Group.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 33(a) to the consolidated financial statements of this annual report, neither Director nor a connected entity of a Director had any material interest, either directly or indirectly, in any transactions, arrangements or contract of significance to the business of the Group, to which the Company or any of its subsidiaries was a party during the Year.

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

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

The Directors' remuneration are subject to the shareholders' approval at the general meetings. Other emoluments are determined by the Remuneration Committee with reference to Directors' duties, responsibilities and performance and the results of the Group.

RETIREMENT BENEFIT SCHEME

Details of the Group's retirement benefit scheme are set out in note 38 to the consolidated financial statements.

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of any business of the Group were entered into or existed during the Year.

DISCLOSURE OF INTERESTS

A. Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporation

As at 31 March 2023, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein (the "**Register**"); or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange were as follows:

Long positions in the shares of the Company

Name of Director	Capacity/Nature of interest	Number of interested shares	Approximate percentage of the Company's Shareholding
Mr. Leung	Interest in a controlled corporation	280,000,000	70%
Ms. Tam	Interest in a controlled corporation	280,000,000	70%

Note: Such 280,000,000 shares are registered in the name of Giant Treasure Development Limited ("**Giant Treasure**"), a company beneficially owned as to 50% by Mr. Leung and 50% by Ms. Tam. Mr. Leung and Ms. Tam are husband and wife. Therefore, each of Mr. Leung and Ms. Tam is deemed to be interested in all the shares held by Giant Treasure under the SFO.

Save as disclosed above, as at 31 March 2023, none of the Directors nor chief executive of the Company had or was deemed to have any other interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

B. Substantial Shareholders' and other Persons' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company

As at 31 March 2023, so far as the Directors are aware, the following persons/entities (other than the Directors and chief executive of the Company), had, or were deemed to have, interests or a short positions in the shares or the underlying shares, which would fall to be disclosed to the Company the stock Exchange under the Divisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO, or who were directly or indirectly interested in 5% or more of the issued voting shares of the Company:

Long positions in the shares of the Company

Name of Shareholder	Capacity/Nature of interest	Number of shares held	Approximate percentage of shareholding
Giant Treasure	Beneficial owner	280,000,000 (note)	70%

Note: Such 280,000,000 shares are registered in the name of Giant Treasure a company beneficially owned as to 50% by Mr. Leung and 50% by Ms. Tam. Mr. Leung and Ms. Tam are husband and wife. Therefore, each of Mr. Leung and Ms. Tam is deemed to be interested in all the shares held by Giant Treasure under the SFO.

Save as disclosed above, as at 31 March 2023, no person, other than the Directors and chief executive of the Company whose interests or are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporation" above, had notified the Company of an interest or short position in the Shares, underlying shares or debenture of the Company that was required to be recorded in the register of the Company required to be kept under section 336 of the SFO, or who were directly or indirectly interested in 5% or more of the issued voting shares of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year was the Company or any of its 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.

At no time during the Year had the Directors and the Chief Executive (including their spouses and children under 18 years of age) any interest in, or been granted, or exercised any rights to subscribe for the shares (or warrants or debentures, as applicable) of the Company and its associated corporations (within the meaning of the SFO).

PERMITTED INDEMNITY PROVISION

The Company has taken out and maintained directors' liability insurance which provides appropriate coverage for the Directors and directors of the Group. The Company purchased and maintains the Directors' and Officers' Liability Insurance to provide protection against claims arising from the lawful discharge of duties by the Directors.

DIRECTOR'S INTEREST IN COMPETING BUSINESS

For the year ended 31 March 2023, the Directors were not aware of any business or interest of the Directors, the controlling shareholders (as defined under the GEM Listing Rules) of the Company, and their respective close associates (as defined under the GEM Listing Rules) that competes or may compete with the business of the Group and any other conflict of interest which any such person has or may have with Group.

Deed of non-competition

A deed of non-competition dated 20 March 2018 was entered into by the controlling shareholders of the Company in favour of the Company (for itself and as trustee for its subsidiaries), details of which are set out in the section headed "Relationship with Controlling Shareholders" of the Prospectus.

The INEDs have reviewed the implementation of the deed of non-competition and are of the view that the controlling shareholders of the Company have complied with their undertakings given under the deed of non-competition for the Year.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTION

The related party transactions set out in note 33 to the consolidated financial statements constituted connected transactions for the Company under Chapter 20 of the GEM Listing Rules, but these transactions were either discontinued prior to the Listing or fell under the de minimis threshold which are exempted from reporting, annual review, announcement, circular and independent shareholders' approval requirements. The Company has complied with the disclosure obligations, where applicable, in accordance with Chapter 20 of the GEM Listing Rules.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2023.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public during the reporting Year and up to the date of this annual report.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to attend and vote at the forthcoming AGM to be held on Monday, 18 September 2023, the register of members of the Company will be closed from Wednesday, 13 September 2023 to Monday, 18 September 2023 (both days inclusive), during which period no transfer of the shares will be registered. Shareholders of the Company are reminded to ensure that all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Link Market Services (Hong Kong) Pty Ltd, at Suite 1601, 16/F., Central Tower, 28 Queen's Road Central, Hong Kong by no later than 4:30 p.m. on Tuesday, 12 September 2023.

CORPORATE GOVERNANCE

Details of the corporate governance practices adopted by the Company are set out in the section headed "Corporate Governance Report" on pages 21 to 34 of this annual report.

ENVIRONMENT, SOCIAL AND GOVERNANCE REPORT

A separate environmental, social and governance report ("**ESG Report**") will be published at the same time as the publication of this annual report. The ESG Report will be prepared in accordance with Appendix 20 to the GEM Listing Rules. The ESG Report will be available on the website of the Company at www.icenturyholding.com.

EVENT AFTER THE REPORTING PERIOD

The Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2023 and up to the date of this annual report.

REVIEW BY AUDIT COMMITTEE

The audited consolidated financial statements of the Group for the year ended 31 March 2023 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the Year comply with applicable reporting standards and GEM Listing Rules, and that adequate disclosures have been made.

AUDITOR

The consolidated financial statements for the year have been audited by HLB Hodgson Impey Cheng Limited, who will retire and, being eligible, offer themselves for re-appointment. A resolution for their re-appointment as the auditor of the Company will be proposed at the forthcoming AGM.

On behalf of the Board

Leung Kwok Hung Wilson
Chairman and Chief Executive Officer

Hong Kong, 30 June 2023

INDEPENDENT AUDITORS' REPORT

國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F., Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
I.CENTURY HOLDING LIMITED
(Incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of i.century Holding Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 50 to 117, which comprise the consolidated statement of financial position as at 31 March 2023, 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.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Allowance for expected credit losses of trade and other receivables *Refer to note 21 and 22 to the consolidated financial statements.*	
The Group had trade and other receivables with gross carrying amount of approximately HK$11,936,000 and HK$13,681,000 and allowance for expected credit losses of approximately HK$897,000 and HK$9,467,000, respectively. In general, the trade receivable credit terms granted by the Group to the customers up to 90 days. Management performed periodic assessment on the recoverability of the trade receivables and the sufficiency of allowance for expected credit losses based on information including credit profile of different customers, aging of the trade receivables, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and on-going trading relationships with the relevant customers. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses.	Our procedures in relation to management's allowance for expected credit losses assessment of trade and other receivables including but not limited to: – obtaining an understanding and evaluating the key controls that the Group has implemented to manage and monitor its credit risk; – checking, on a sample basis, the aging profile of the trade receivables as at 31 March 2023 to the underlying financial records and post year-end settlements to bank receipts; – inquiring of management for the status of each of the material trade and other receivables past due as at year end and corroborating explanations from management with supporting evidence, such as performing public search of credit profile of selected customers, understanding on-going business relationship with the customers based on trade records, checking historical and subsequent settlement records of and other correspondence with the customers;

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Allowance for expected credit losses of trade and other receivables *Refer to note 21 and 22 to the consolidated financial statements.*	
Management performed periodic collective assessment as well as individual assessment on the recoverability of other receivables based on historical settlement record, past experience, and also available reasonable and supportive forward-looking information under expected credit losses model.	– for individually assessed expected credit losses, assessing the estimated loss rates with reference to the individual customers' historical observed default rates and checking the settlement history and changes in the forward-looking information; and
We focused on this area due to the allowance for expected credit losses of trade and other receivables under the expected credit losses model involved the use of significant management judgements and estimates.	– assessing the appropriateness of the expected credit loss provisioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit losses. We found that the management judgement and estimates used to assess the recoverability of the trade and other receivables and determine the impairment provision to be supportable by available evidence.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee are responsible for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. We report our opinion solely to you, as a body, in accordance with our agreed terms of 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

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

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

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

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

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

The engagement director on the audit resulting in this independent auditors' report is Fong Ka Yiu.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Fong Ka Yiu
Practising Certificate Number: P08080

Hong Kong, 30 June 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
Revenue	8	**149,745**	170,570
Cost of sales		**(117,133)**	(136,440)
Gross profit		**32,612**	34,130
Other income	9	**2,591**	1,219
Other losses and gains, net	10	**(8,093)**	14,139
Selling and distribution expenses		**(10,049)**	(7,821)
Administrative expenses		**(21,707)**	(22,027)
Finance costs	11	**(301)**	(796)
(Loss)/profit before tax	12	**(4,947)**	18,844
Income tax (expense)/credit	15	**(8)**	370
(Loss)/profit for the year		**(4,955)**	19,214
Other comprehensive income/(loss)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**99**	(17)
Other comprehensive income/(loss) for the year		**99**	(17)
Total comprehensive (loss)/income for the year		**(4,856)**	19,197
(Loss)/profit for the year attributable to owners of the Company		**(4,955)**	19,214
Total comprehensive (loss)/income for the year attributable to owners of the Company		**(4,856)**	19,197
(Loss)/earnings per share			
Basic and diluted (HK cents)	17	**(1.24)**	4.80

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
Non-current assets			
Property, plant and equipment	18	**15,949**	362
Right-of-use assets	19(a)	**110**	398
Other receivables	22	**211**	900
Deferred tax assets	31	**20**	28
		16,290	1,688
Current assets			
Inventories	20	**1,122**	1,249
Trade receivables	21	**11,039**	18,864
Deposits paid, prepayments and other receivables	22	**15,737**	13,061
Amount due from related companies	23(a)	**2,951**	2,913
Amounts due from related party	23(b)	**2,500**	–
Pledged bank deposit	24	**1,400**	9,000
Bank balances and cash	25	**17,115**	27,175
		51,864	72,262
Current liabilities			
Trade payables	26	**5,053**	2,556
Other payables and accruals	27	**2,423**	2,853
Contract liabilities	28	**5,562**	14,753
Bank overdrafts	29	**–**	8,567
Bank borrowings	29	**21,291**	4,141
Amount due to a related company	23(a)	**–**	1,300
Lease liabilities	19(b)	**49**	1,200
		34,378	35,370
Net current assets		**17,486**	36,892
Total assets less current liabilities		**33,776**	38,580

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
Equity attributable to owners of the Company			
Share capital	30	**4,000**	4,000
Reserves		**29,724**	34,580
Total equity		**33,724**	38,580
Non-current liability			
Lease liabilities	19(b)	**52**	–
		52	–
		33,776	38,580

The consolidated financial statement on pages 50 to 117 were approved and authorised for issue by the board of directors on 30 June 2023 and are signed on its behalf by:

Leung Kwok Hung Wilson *Director*	**Tam Shuk Fan** *Director*

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2023

	Attributable to owners of the Company					
	Share capital HK$'000 (note 30)	Share premium HK$'000	Contribution reserve HK$'000 (note i)	Exchange reserve HK$'000 (note ii)	Accumulated losses HK$'000	Total equity HK$'000
At 1 April 2021	4,000	43,238	–*	(12)	(27,843)	19,383
Profit for the year	–	–	–	–	19,214	19,214
Other comprehensive loss:						
Exchange difference arising on translation of foreign operations	–	–	–	(17)	–	(17)
Total comprehensive income for the year	–	–	–	(17)	19,214	19,197
At 31 March 2022 and at 1 April 2022	**4,000**	**43,238**	**–***	**(29)**	**(8,629)**	**38,580**
Loss for the year	**–**	**–**	**–**	**–**	**(4,955)**	**(4,955)**
Other comprehensive income:						
Exchange difference arising on translation of foreign operations	**–**	**–**	**–**	**99**	**–**	**99**
Total comprehensive loss for the year	**–**	**–**	**–**	**99**	**(4,955)**	**(4,856)**
At 31 March 2023	**4,000**	**43,238**	**–***	**70**	**(13,584)**	**33,724**

* The amount is less than HK $1,000.

Notes:

(i) Contribution reserve of the Group represents the differences between the aggregated share capital of the subsidiaries and one nil paid share of the Company issued as fully paid pursuant to the reorganisation for transfer of the subsidiaries to the Company. The balance was approximately HK$4.

(ii) Exchange reserve represents exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Hong Kong dollar) are recognised directly in other comprehensive income and accumulated in the exchange reserve. Such exchange differences accumulated in the exchange reserve are reclassified to retained earnings/(accumulated losses) on the disposal of the foreign operations.

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
Operating activities			
(Loss)/profit before tax		**(4,947)**	18,844
Adjustments for:			
Interest income	9	**(177)**	(44)
Finance costs	11	**301**	796
Depreciation of property, plant and equipment	18	**369**	1,176
Depreciation of right-of-use assets	19(a)	**431**	310
Written-off of inventory	10	**305**	–
Gain arising from sales and leaseback transaction	10	**–**	(15,005)
Impairment losses recognised in respect of deposits and other receivables	10	**9,467**	75
(Reversal of impairment loss)/impairment losses recognised in respect of trade receivables	10	**(1,455)**	1,215
Operating cash flows before movements in working capital		**4,294**	7,367
Increase in inventories		**(178)**	(1,249)
Decrease in trade receivables		**9,280**	1,798
Increase in deposits, prepayments and other receivables		**(11,356)**	(1,417)
Increase in amounts due from related companies		**(38)**	(17)
Increase in amounts due from related party		**(2,500)**	–
(Decrease)/increase in amounts due to a related company		**(1,300)**	1,300
Increase/(decrease) in trade payables		**2,497**	(3,059)
(Decrease)/increase in other payables and accruals		**(430)**	132
(Decrease)/increase in contract liabilities		**(9,191)**	4,325
Net cash (used in)/generated from operating activities		**(8,922)**	9,180
Investing activities			
Interest received		**53**	90
Proceed from disposal of property, plant and equipment		**–**	22,649
Purchase of property, plant and equipment		**(15,959)**	–
Decrease in pledged bank deposit		**7,600**	–
Net cash (used in)/generated from investing activities		**(8,306)**	22,739

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
Financing activities			
Interest paid for bank borrowings		**(219)**	(117)
Interest paid for bank overdrafts		**(42)**	(643)
Proceeds from bank borrowings		**18,390**	1,000
Repayments of bank borrowings		**(1,240)**	(960)
Repayments of lease liabilities		**(1,263)**	(740)
Net cash generated from/(used in) financing activities		**15,626**	(1,460)
Net (decrease)/increase in cash and cash equivalents		**(1,602)**	30,459
Cash and cash equivalents at the beginning of the reporting period		**18,608**	(11,832)
Effect of foreign exchange rate changes		**109**	(19)
Cash and cash equivalents at the end of the reporting period		**17,115**	18,608
Analysis of the balances of cash and cash equivalents			
Bank balances and cash	25	**17,115**	27,175
Bank overdrafts	29	**–**	(8,567)
		17,115	18,608

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability. The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and principal place of business in Hong Kong is 6/F., Orient International Tower, No. 1018 Tai Nan West Street, Lai Chi Kok, Kowloon, Hong Kong. The Company's immediate holding company and ultimate holding company is Giant Treasure Development Limited ("**Giant Treasure**"), a company incorporated in the British Virgin Islands (the "**BVI**") and controlled by Mr. Leung Kwok Hung Wilson ("**Mr. Leung**") and Ms. Tam Shuk Fan ("**Ms. Tam**") (the "**Controlling Shareholders**").

The Company is an investment holding company and its subsidiaries principally engaged in provision of apparel supply chain management ("**SCM**") services.

The shares of the Company (the "**Shares**") have been listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 16 April 2018.

The consolidated financial statements are presented in Hong Kong dollar ("**HK$**"), which is the functional currency of the Company and its principal subsidiaries and all values are rounded to the nearest thousands (HK$'000), except when otherwise stated.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 April 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020
Accounting Guideline 5 (revised)	Merger Accounting for Common Control Consolidation

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1	Non-current Liabilities with Covenants[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendment to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.

2 Effective for annual periods beginning on or after a date to be determined.

3 Effective for annual periods beginning on or after 1 January 2024.

The directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange ("**GEM Listing Rules**") and by the Hong Kong Companies Ordinance.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with HKFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. 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 retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

Property, plant and equipment

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

Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Buildings	Over the lease term or 4%
Furniture and fixtures	20%
Leasehold improvements	20%
Computers	20-30%
Motor vehicle	20%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit (the "**CGU**") to which the asset belongs.

In testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGU for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are 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 for which the estimates of future cash flows have not been adjusted.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

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

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated to the assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so 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 (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade receivables, deposits paid and other receivables, amounts due from related companies, amounts due from related party, pledged bank deposit and bank balances) which are subject to impairment assessment under HKFRS 9 Financial Instruments. The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the end of the reporting period. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the end of the reporting period as well as the forecast of future conditions.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (continued)

The Group always recognise lifetime ECL for trade receivables without significant financing component. The ECL on these assets are assessed individually for trade receivables and collectively for corporate customers using a provision matrix with past due status grouping.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the end of the reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (continued)

Significant increase in credit risk (continued)

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

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

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

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

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (continued)

Credit-impaired financial assets

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

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 2 years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward-looking information that is available without undue cost or effort.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (continued)

Measurement and recognition of ECL (continued)

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset measured at amortised cost only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity

Classification as debts or equity

Debts and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at fair value through profit or loss.

Financial liabilities at amortised cost

Financial liabilities (including trade payables, other payables and accruals, lease liabilities, bank overdrafts and borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derecognition/modification of financial liabilities

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

Except for changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform in which the Group applies the practical expedient, when the contractual terms of a financial liability are modified, the Group assess whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Derecognition/modification of financial liabilities (continued)

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

For other changes made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first applies the practical expedient to the changes required by interest rate benchmark reform by updating the effective interest rate. The Group then applies the applicable requirements in HKFRS 9 on modification of a financial asset or a financial liability (see accounting policy above) to the additional changes to which the practical expedient does not apply.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Bank balances and cash

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

Borrowing costs

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from '(loss)/profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investment in a subsidiary, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investment is only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

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

Employee benefits

Retirement benefit obligations

Payment to Mandatory Provident Fund Scheme (the "**MPF Scheme**") is recognised as an expense when employees have rendered service entitling them to the contributions. The Group operates a MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution scheme, the assets of which are held in separate trustee-administered funds.

Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, with the employers' contributions subject to a cap of monthly relevant income of HK$30,000. The Group's contributions to the scheme are expensed as incurred and vested in accordance with the scheme's vesting scales. Where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group.

The retirement benefits scheme contributions arising from the MPF Scheme charged to profit or loss represent contributions paid or payable to the funds by the Group at rates specified in the rules of the schemes.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Retirement benefit obligations (continued)

The employees employed by the Group's subsidiaries in the People's Republic of China (the "**PRC**") are members of state-managed retirement benefit schemes operated by the government of the PRC. The subsidiaries are required to contribute a specific percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes operated by the government of the PRC is to make the specified contributions under the schemes.

Revenue from contract with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance 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.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for an presented on a net basis.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contract with customers (continued)

Sales of goods – apparel SCM services

The Group manufactures and sells a wide range of key apparel products to a number of owners or agents of global reputable brands. Sales are recognised when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from sales is based on the price specified in the sales order and is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made with a credit term up to 90 days, which is consistent with market practice.

As receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Provision

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Contingent assets and contingent liabilities

Contingent assets

Contingent assets arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Group and they are not recognised in the consolidated financial statements. The Group assesses continually the development of contingent assets. If it has become virtually certain that an inflow of economic benefits will arise, the Group recognises the asset and the related income in the consolidated financial statements in the reporting period in which the change occurs.

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combination, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates 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.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exception to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straightline basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

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

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In the calculation of the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item in the consolidated statement of financial position.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

When the modified contract contains one or more additional lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component. The associated non-lease components are included in the respective lease components.

Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- 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 2022; and

- there is no substantive change to other terms and conditions of the lease.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (continued)

Covid-19-related rent concessions (continued)

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

Sale and leaseback transactions

The Group applies the requirements of HKFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group.

The Group as a seller-lessee

For a transfer that satisfies the requirements as a sale, the Group as a seller-lessee measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset and recognises any gain or loss that relates to the rights transferred to the buyer-lessor only. Right-of-use asset and lease liability with fixed payments are subsequently measured in accordance with the Group's accounting policies above.

If the fair value of the consideration for the sale does not equal the fair value of the asset, or if the payments for the lease are not at market rates, the Group makes the following adjustments to measure the sale proceeds at fair value:

(a) any below-market terms is accounted for as a prepayment of lease payments; and

(b) any above-market terms is accounted for as additional financing provided by the buyer-lessor to the seller-lessee.

Dividend distribution

Dividend distribution to the shareholder is recognised as a liability in the Group's consolidated financial statements in the period in which the dividend is approved by shareholders of the Company.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

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

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

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

(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 which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

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

A related party transaction is a transfer of resources, services or obligation between the Group and a related party, regardless of whether a price is charged.

Close family members 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.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3 to the consolidated financial statements, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

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

For the Group's property, plant and equipment and right-of-use assets, the Group has to exercise judgments in determining whether an asset is impaired or the event previously causing the asset impaired no longer exists, particularly in assessing: (i) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (ii) whether the carrying value of the asset can be supported by the recoverable amounts, in the case of value in use, the net present value of the future cash flows which are estimated based upon the continuing use of the asset or disposal; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections are discounted using an appropriate rate. Changing the assumptions applied by management to determine the level of impairment, including the discount rates and the growth rate assumptions in the cash flow projections, could material affect the net present value result in the impairment test.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Allowance for ECL for trade and other receivables

Trade and other receivables with significant balances and credit-impaired are assessed for ECL individually.

In addition, the Group uses practical expedient in estimating ECL on trade receivables which are not assessed individually using a provision matrix. The provision rates are based on aging of debtors as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

For other receivables, the management makes periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade and other receivables are disclosed in note 6 to the consolidated financial statements.

5. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of total borrowings and equity attributable to owners of the Company, comprising share capital, reserves and accumulated losses as disclosed in the consolidated financial statements.

The directors review the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and balance its overall capital structure through the payment of dividends and injection of capital.

The gearing ratio at the end of each reporting period was as follows:

	2023 **HK$'000**	2022 HK$'000
Total debts (note)	**21,392**	13,908
Equity attributable to owners of the Company	**33,724**	38,580
Gearing ratio	**63.4%**	36.1%

Note: Total debts include lease liabilities, bank overdrafts and bank borrowings in notes 19 (b) and 29 to the consolidated financial statements respectively.

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

	2023 HK$'000	2022 HK$'000
Financial assets		
Financial assets at amortised cost	**42,013**	60,018
Financial liabilities		
Financial liabilities at amortised cost	**28,868**	20,617

The management monitor and manage the financial risks relating to the operations of the Group through internal risks reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The Group's major financial instruments include trade receivables, deposits paid and other receivables, amounts due from related companies, amounts due from related party, pledged bank deposit and bank balances, trade payables, other payables and accruals, amount due to a related company, lease liabilities and borrowings. Details of these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Foreign exchange risk

The Group major operates in Hong Kong with majority of the transactions being settled in HK$, United States dollar ("**US$**") and Renminbi ("**RMB**"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, which are denominated in a currency that is not the functional currency of the Group.

The Group is not exposed to foreign exchange risk in respect of HK$ against the US$ as long as this currency is pegged.

No sensitivity analysis is presented since the Group's exposure to RMB are insignificant because the carrying amounts denominated in RMB are insignificant.

The Group currently does not have a foreign currency hedging policy in respect of assets and liabilities denominated in foreign currency. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (continued)

Market risk (continued)

(ii) Fair value and cash flow interest rate risk

The Group's interest rate risk arises from other receivables, pledged bank deposit, bank balances, lease liabilities, bank borrowings and bank overdrafts. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. The Group is exposed to fair value interest rate risk in relation to other receivables, pledge bank deposits and lease liabilities (see notes 22, 24 and 19(b) for details). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balance, and bank overdrafts (see notes 25 and 29 for details). The Group aims at keeping borrowings at variable rates. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("**IBORs**") with alternative nearly risk-free rates. Details of the impacts on the Group's risk management strategy arising from the interest rate benchmark reform and the progress towards implementation of alternative benchmark interest rates are set out under "interest rate benchmark reform" in this note.

The Group regularly reviews and monitors the floating interest rate borrowings in order to manage its interest rate risk. Management does not anticipate significant impact on interest-bearing assets resulted from the changes in interest rates because the interest rates of bank balances are not expected to change significantly.

If there would be a general increase/decrease in the market interest rates by 50 basis points (2022: 50 basis points), with all other variables held constant, the Group's pre-tax loss would have increased/decreased by approximately HK$3,000 (2022: pre-tax profit would have increased/decreased by approximately HK$81,000) for the year ended 31 March 2023. The sensitivity analysis above has been determined assuming that the change in market interest rates had occurred at the end of the reporting period and had applied the exposure to interest rate risk to those financial instruments in existence at those dates. The estimated 50 basis points increase or decrease represents management's assessment of a reasonably possible change in market interest rates over the period until the next reporting period.

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (continued)

Credit risk

The credit risk of the Group mainly arises from trade receivables, deposits paid and other receivables, amounts due from related companies, amounts due from related party, pledged bank deposit and bank balances and cash.

Deposits paid and other receivables

The management of the Group makes periodic collective assessment as well as individual assessment on the recoverability of deposits paid and other receivables based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information under ECL model. The management of the Group believes that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. The Group recognised impairment loss of approximately HK$75,000 in respect of deposits paid and other receivables for the year ended 31 March 2022. The expected credit loss rate for deposits paid and other receivables is approximately 4%.

Other receivables with gross carrying amount of approximately HK$10,885,000 as at 31 March 2023 was long overdue with significant amounts, known insolvencies or non-response to collection activities that assessed individually for impairment assessment. The Group recognised impairment loss of approximately HK$9,467,000 in respect of other receivables for the year ended 31 March 2023. The expected credit loss rate for other receivables is approximately 87%.

Amount due from related companies and related party

The directors continuously monitor the credit quality and financial positions of the counterparties and the level of exposure of related companies and related party to ensure that the follow-up action is taken to recover the debts. In this regard, the directors consider that the Group's credit risk on amounts due from related companies and related party are significantly reduced. In addition, the Group performs impairment assessment under ECL model on balances individually. The management of the Group believes that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. The Group assessed the ECL for these amounts are insignificant and thus no loss allowance is recognised.

Pledged bank deposit and bank balances

Management considers the Group has limited credit risk with its bank which are leading and reputable and bank are assessed as having low credit risk. The Group assessed 12m ECL for pledged bank deposit and bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on pledged bank deposit and bank balances are considered to be insignificant and therefore no loss allowance was recognised.

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (continued)

Credit risk (continued)

Trade receivables

The Group has implemented a credit policy for its trade customers and credit terms given vary according to the length of business relationship with the customers, reputation and payment history. In order to minimise the credit risk, management of the Group reviews the recoverable amount of each individual debt at the end of the reporting period that adequate impairment losses are made for irrecoverable amounts. In addition, the Group performs impairment assessment under ECL model on trade receivables based on provision matrix as appropriate. In the regard, the management of the Group considers that the Group's credit risk is significantly reduced.

As part of the Group's credit risk management, the Group uses provision matrix to assess the impairment for its customers because 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 distinguished between the Group's different customer bases.

The Group has concentration of credit risk as 52% (2022: 36%) and 85% (2022: 86%) of the total trade receivables was due from the Group's largest debtor and the five largest debtors respectively.

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (continued)

Credit risk (continued)

Trade receivables (continued)

The following table provides information about the exposure to credit risk and ECL for trade receivables at 31 March 2023 and 2022 within lifetime ECL (not credit-impaired). Debtors with significant outstanding balances or credit-impaired with gross carrying amounts of approximately HK$636,000 as at 31 March 2023 (2022: HK$3,804,000) were assessed individually.

As at 31 March 2023	**Average loss rate %**	**Gross amount HK$'000**	**Loss allowances HK$'000**
Neither past due nor impaired	**0.01**	**5,218**	**–***
1-30 days past due	**0.49**	**2,023**	**10**
31-60 days past due	**0.72**	**1,545**	**11**
61-90 days past due	**2.11**	**1,470**	**31**
Over 90 days past due	**20.02**	**1,044**	**209**
		11,300	**261**

* *Amount less than HK$1,000*

As at 31 March 2022	Average loss rate %	Gross amount HK$'000	Loss allowances HK$'000
Neither past due nor impaired	0.01	11,558	1
1-30 days past due	0.67	2,093	14
31-60 days past due	1.11	2,982	33
61-90 days past due	2.63	380	10
Over 90 days past due	19.30	399	77
		17,412	135

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (continued)

Credit risk (continued)

Trade receivables (continued)

As at 31 March 2023, the Group had approximately HK$261,000 (2022: HK$135,000) impairment allowance for trade receivables based on the provision matrix and impairment allowance of approximately HK$636,000 (2022: HK$2,217,000) were made on debtors with significant balances and credit-impaired debtors.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach:

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
At 1 April 2021	1,137	–	1,137
Impairment losses recognised, net	1,215	–	1,215
At 31 March 2022 and at 1 April 2022	**2,352**	**–**	**2,352**
Transfer to credit-impaired	**(3)**	**3**	**–**
(Reversal of)/impairment losses recognised, net	**(2,088)**	**633**	**(1,455)**
At 31 March 2023	**261**	**636**	**897**

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (continued)

Liquidity risk

Cash flow is managed at group level by the management. The Group manages liquidity risk by maintaining adequate cash and cash equivalents, monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and financial liabilities.

The following table shows the details of the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date, on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates.

	Weighted average interest rate	Within 1 year	1 to 2 years	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000
At 31 March 2023					
Trade payables	**–**	**5,053**	**–**	**5,053**	**5,053**
Other payables and accruals	**–**	**2,423**	**–**	**2,423**	**2,423**
Lease liabilities	**5.9**	**53**	**53**	**106**	**101**
Bank borrowings	**3.4**	**21,291**	**–**	**21,291**	**21,291**
		28,820	**53**	**28,873**	**28,868**
At 31 March 2022					
Trade payables	–	2,556	–	2,556	2,556
Other payables and accruals	–	2,853	–	2,853	2,853
Lease liabilities	5.4	1,235	–	1,235	1,200
Bank overdrafts	5.8	8,567	–	8,567	8,567
Bank borrowings	2.8	4,141	–	4,141	4,141
Amount due to a related company	–	1,300	–	1,300	1,300
		20,652	–	20,652	20,617

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (continued)

Liquidity risk (continued)

The following table summarises the maturity analysis of bank borrowings with repayable on demand clause based on agreed scheduled repayments set out in the loan agreements. The amount includes interest payments computed using contractual rates. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to immediate repayment. The directors believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Maturity Analysis – bank borrowings subject to a repayment on demand clause based on scheduled repayments					
	Within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 March 2023						
Bank borrowings – secured and guaranteed	**9,201**	**2,201**	**3,966**	**9,231**	**24,599**	**21,291**
At 31 March 2022						
Bank borrowings – secured and guaranteed	1,122	1,122	1,771	337	4,352	4,141

Interest rate benchmark reform

As listed in note 29 to the consolidated financial statements, several of the Group's HIBOR bank loans may be subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

HIBOR

While the Hong Kong Dollar Overnight Index Average ("**HONIA**") has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist.

Fair value of financial instruments

The carrying amounts of the Group's financial assets and financial liabilities carried at amortised cost were not materially different from their fair values at 31 March 2023 and 2022.

7. SEGMENT INFORMATION

The Group is principally engaged in sales of apparel products with the provision of apparel SCM services to customers.

HKFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess the performance. The information reported to the directors, who are the chief operating decision-makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Information about major customers

Revenue from customers during the reporting period individually contributing over 10% of the Group's revenue is as follows:

	2023	2022
	HK$'000	HK$'000
Customer A	**25,977**	26,209
Customer B	**N/A[1]**	22,234
Customer C	**22,148**	20,947
Customer D	**N/A[1]**	20,898

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

Except as disclosed above, no other single customers contributed 10% or more to the Group's revenue for both years.

Geographical information

The following tables set out information about geographic location of customers is based on the location to which the goods are delivered. The geographic location of non-current asset is based on the physical location of the assets.

7. SEGMENT INFORMATION (continued)

Geographical information (continued)

Revenue from external customers

	2023 HK$'000	2022 HK$'000
United states of America (the "**USA**")	**61,800**	78,890
France	**3,770**	1,705
Other European countries (note i)	**36,699**	44,384
Australia	**42,629**	38,641
Canada	**637**	1,272
Japan	**2,367**	2,789
Other locations (note ii)	**1,843**	2,889
	149,745	170,570

Notes:

(i) Other European countries mainly include Denmark, Netherlands and United Kingdom.

(ii) Other locations mainly include Argentina, Chile, New Zealand and South Africa.

Non-current assets

The following is an analysis of the Group's non-current assets, excluding deferred tax assets, by their geographical location:

	2023 HK$'000	2022 HK$'000
Hong Kong	**16,141**	1,571
PRC, excluding Hong Kong	**129**	56
France	**–**	33
	16,270	1,660

8. REVENUE

Disaggregation of revenue from contracts with customers:

	2023 HK$'000	2022 HK$'000
Sales of goods	**149,745**	170,570

	2023 HK$'000	2022 HK$'000
Timing of revenue recognition		
At a point in time	**149,745**	170,570

Transaction allocated to the remaining performance obligation for contracts with customers

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its revenue such that the Group does not disclose information about revenue that the Group will be entitled to when it satisfies the remaining obligations under the contracts as all contract works have an original expected duration of one year or less.

9. OTHER INCOME

	2023 HK$'000	2022 HK$'000
Government grants (note)	**994**	147
Bank interest income	**53**	41
Interest income	**124**	3
Staff welfare sponsorship	**5**	32
Sundry income	**1,415**	996
	2,591	1,219

Note: During the year ended 31 March 2023, the Group recognised government grants of approximately HK$789,000 (2022: HK$32,000) in respect of COVID-19-related subsidies and HK$205,000 in respect of the Technology Voucher Programme provided by the Government of the HKSAR. During the year ended 31 March 2022, the Group recognised government grants of HK$99,000 and HK$16,000 in respect of Distance Business Program and maternity leave subsidies provided by the Government of the HKSAR respectively. There were no unfulfilled conditions or contingencies relating to these government grants.

10. OTHER LOSSES AND GAINS, NET

	2023 HK$'000	2022 HK$'000
Net foreign exchange (losses)/gains	**(107)**	66
Reversal of impairment loss/(impairment loss) recognised in respect of trade receivables, net	**1,455**	(1,215)
Bad debt recovered	**331**	358
Impairment loss recognised in respect of deposits and other receivables	**(9,467)**	(75)
Gain from sales and leaseback transaction (note 18)	**–**	15,005
Written-off of inventory	**(305)**	–
	(8,093)	14,139

11. FINANCE COSTS

	2023 HK$'000	2022 HK$'000
Interest on bank overdrafts	**42**	629
Interest on bank borrowings	**219**	117
Interest on bills payables	**–**	4
Interest on lease liabilities (note 19(b))	**40**	46
	301	796

12. (LOSS)/PROFIT BEFORE TAX

(Loss)/profit before tax has been arrived at after charging:

	2023 HK$'000	2022 HK$'000
Auditors' remuneration and other services		
– Audit services	650	500
– Non-audit services	–	68
	650	568
Depreciation of property, plant and equipment	369	1,176
Depreciation of right-of-use assets	431	310
Rental expenses in respect of short-term leases	796	666
Cost of inventories sold	111,891	128,630
Staff costs (excluding directors' remuneration) (note)		
– Salaries and wages	13,402	12,179
– Staff benefits	205	239
– Retirement benefit scheme contributions	768	671
	14,375	13,089

Note: Staff costs excluding directors' remuneration included in "Selling and distribution expenses" are salaries and wages of approximately HK$7,167,000 (2022: HK$6,519,000) and retirement benefit scheme contributions of approximately HK$519,000 (2022: HK$427,000).

13. DIRECTORS' REMUNERATION

Director's remuneration for the year disclosed pursuant to the GEM Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of information about benefits of Directors) Regulation, is as follows:

	Directors' fee	Salaries, allowances, and benefit in kind	Retirement benefit scheme contribution	Total
	HK$'000	HK$'000	HK$'000	HK$'000
31 March 2023				
Executive directors:				
Mr. Leung	**–**	**4,800**	**36**	**4,836**
Ms. Tam	**–**	**1,800**	**36**	**1,836**
Independent non-executive directors:				
Ms. Cheung Wai Man	**100**	**–**	**–**	**100**
Mr. Lau Yau Chuen Louis	**132**	**–**	**–**	**132**
Mr. Lee Kwun Ting	**100**	**–**	**–**	**100**
	332	**6,600**	**72**	**7,004**
31 March 2022				
Executive directors:				
Mr. Leung	–	4,800	35	4,835
Ms. Tam	–	1,800	35	1,835
Ms. Lee Yin Mei (note)	–	142	–	142
Independent non-executive directors:				
Ms. Cheung Wai Man	100	–	–	100
Mr. Lau Yau Chuen Louis	132	–	–	132
Mr. Lee Kwun Ting	100	–	–	100
	332	6,742	70	7,144

Note: Ms. Lee Yin Mei resigned as an executive director on 3 May 2021.

13. DIRECTORS' REMUNERATION (continued)

Mr. Leung is also the Chief Executive Officer of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

No directors have waived or agreed to waive any remuneration during the reporting period.

During the years ended 31 March 2023 and 2022, there were no amount paid or payable by the Group to the directors or any of the five highest paid individuals as set out in note 14 below as an inducement to join or upon joining the Group or as compensation for loss of office.

Save as disclosed in note 33 to the consolidated financial statements, no transaction, arrangement and contract of significance in relation to the Group's business to which the Company or any subsidiaries of the Company was a party and in which a director had a material interest, whether directly or indirectly, subsisted at the end of the reporting period or at any time during the reporting period.

14. FIVE HIGHEST PAID EMPLOYEES

Among the five individuals with the highest emoluments are two (2022: two) directors, whose remuneration are set out in note 13 above. Details of the remuneration of the remaining three (2022: three) non-director highest paid employees are as follows:

	2023 **HK$'000**	2022 HK$'000
Salaries and other benefits	**3,692**	3,407
Retirement benefit scheme contributions	**53**	36
	3,745	3,443

The above individuals with the highest remuneration are within the following bands:

	2023	2022
Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$2,500,000	**1**	1
	3	3

15. INCOME TAX EXPENSE/(CREDIT)

	2023 HK$'000	2022 HK$'000
Current tax – Hong Kong Profits Tax		
– Charge for the year	–	–
Current tax – Overseas taxation		
– Charge for the year	–	–
	–	–
Deferred tax (note 31)		
– Charge/(credit) for the year	8	(370)
	8	(370)

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

The directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25%.

No PRC Enterprise Income Tax had been made as the Group had no assessable profit for the years ended 31 March 2023 and 2022.

Taxation of other overseas subsidiary is calculated at the applicable rate prevailing in the jurisdictions in which the subsidiary operates.

No provision for Hong Kong Profits Tax had been made as the Group has sufficient tax losses brought forward to set off against assessable profits for the years ended 31 March 2023 and 2022.

15. INCOME TAX EXPENSE/(CREDIT) (continued)

The income tax expense/(credit) can be reconciled to the (loss)/profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2023 **HK$'000**	2022 HK$'000
(Loss)/profit before tax	**(4,947)**	18,844
Tax at the rates applicable in the countries concerned	**(1,046)**	2,988
Tax effect of expenses not deductible for tax purpose	**1,497**	833
Tax effect of income not taxable for tax purpose	**(346)**	(2,577)
Tax effect of estimated tax losses not recognised	**1,808**	1,090
Utilisation of tax losses previously not recognised	**(1,905)**	(2,704)
Income tax expense/(credit)	**8**	(370)

16. DIVIDEND

No final dividend was paid or proposed during the year, nor has any dividend been proposed by the board of directors subsequent to the end of the reporting period.

17. (LOSS)/EARNINGS PER SHARE

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

	2023 **HK$'000**	2022 HK$'000
(Loss)/profit		
(Loss)/profit for the purpose of basic and diluted (loss)/earnings per share	**(4,955)**	19,214

	Number of shares	
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	**400,000**	400,000

No diluted (loss)/earnings per share were presented as there were no potential ordinary shares in issue for both years ended 31 March 2023 and 2022.

18. PROPERTY, PLANT AND EQUIPMENT

	Building HK'000	Furniture and fixtures HK'000	Leasehold improvements HK'000	Computers HK'000	Motor vehicle HK'000	Total HK'000
Cost						
At 1 April 2021	8,326	494	884	3,523	–	13,227
Disposal (note ii)	(8,326)	–	–	–	–	(8,326)
Exchange alignment	–	–	–	4	–	4
At 31 March 2022 and at 1 April 2022	–	494	884	3,527	–	4,905
Additions (note i)	15,352	–	–	270	337	15,959
Exchange alignment	–	–	–	(8)	–	(8)
At 31 March 2023	**15,352**	**494**	**884**	**3,789**	**337**	**20,856**
Accumulated depreciation						
At 1 April 2021	1,832	402	637	2,381	–	5,252
Charge for the year	56	28	103	989	–	1,176
Disposal (note ii)	(1,888)	–	–	–	–	(1,888)
Exchange alignment	–	–	–	3	–	3
At 31 March 2022 and at 1 April 2022	–	430	740	3,373	–	4,543
Charge for the year	51	25	102	169	22	369
Exchange alignment	–	–	–	(5)	–	(5)
At 31 March 2023	**51**	**455**	**842**	**3,537**	**22**	**4,907**
Carrying amount						
At 31 March 2023	**15,301**	**39**	**42**	**252**	**315**	**15,949**
At 31 March 2022	–	64	144	154	–	362

Notes:

(i) As at 31 March 2023, building with net carrying amount of approximately HK$15,301,000 was pledged to secure general banking facilities granted to the Group (note 29).

(ii) During the year ended 31 March 2022, the Group disposed the buildings with carrying amount of approximately HK$6,438,000 at consideration of HK$22,649,000. Net proceeds of approximately HK$21,950,000 was used to settle bank overdraft with carrying amount of approximately HK$15,050,000 and the remaining was used as working capital of the Group. Subsequently, the Group entered into the lease agreement with the purchaser to leaseback the building for 18 months. The transaction constituted a sales and leaseback transaction and the Group recognised right-of-use assets and lease liabilities of approximately HK$521,000 and HK$1,727,000 respectively. Further details of the disposal are set out in the Company's announcement dated 23 July 2021 and circular dated 10 September 2021.

19. LEASES

(a) Right-of-use assets

The carrying amounts of right-of-use assets and the movements during the year are as follows:

	Leased office premises HK$'000
At 1 April 2021	188
Additions (note)	521
Depreciation charge	(310)
Exchange alignment	(1)
At 31 March 2022 and at 1 April 2022	**398**
Additions (note)	**149**
Depreciation charge	**(431)**
Exchange alignment	**(6)**
At 31 March 2023	**110**

Note: Amount included right-of-use assets resulting from new leases entered.

For the years ended 31 March 2023 and 2022, the Group leases various offices for its operations. Lease contracts are entered into for fixed term of one year to three years, but may have extension and termination options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

19. LEASES (continued)

(b) *Lease liabilities*

The movements of lease liabilities in respect of the above leases are as follows:

	Leased office premises HK$'000
At 1 April 2021	169
New leases	1,727
Interest on lease liabilities (note 11)	46
Lease payments	(740)
Exchange alignment	(2)
At 31 March 2022 and at 1 April 2022	1,200
New leases	123
Interest on lease liabilities (note 11)	40
Lease payments	(1,263)
Exchange alignment	1
At 31 March 2023	**101**

19. LEASES (continued)

(b) Lease liabilities (continued)

	2023 HK$'000	2022 HK$'000
Lease liabilities payable:		
Within one year	49	1,200
Within a period of more than one year but not exceeding two years	52	–
	101	1,200
Less: Amount due for settlement with 12 months shown under current liabilities	(49)	(1,200)
Amount due for settlement after 12 months shown under non-current liabilities	52	–

The weighted average incremental borrowing rate applied to lease liabilities was approximately 5.9% (2022: range from 5.3% to 5.8%).

(c) The amounts recognised in the consolidated statement of profit or loss and other comprehensive income in relation to leases are as follows:

	2023 HK$'000	2022 HK$'000
Interest on lease liabilities	40	46
Depreciation of right-of-use assets	431	310
Expenses relating to short-term leases	796	666
Total amount recognised in profit or loss	1,267	1,022

The total cash outflow for leases for the year ended 31 March 2023 was approximately HK$2,059,000 (2022: HK$1,406,000). The amounts included payments of principal and interest portion of lease liabilities and short-term leases. These amounts could be presented in operating or financing cash flows.

20. INVENTORIES

	2023 HK$'000	2022 HK$'000
Goods-in-transit	**215**	625
Finished goods	**907**	624
	1,122	1,249

21. TRADE RECEIVABLES

	2023 HK$'000	2022 HK$'000
Trade receivables	**11,936**	21,216
Less: allowance for ECL	**(897)**	(2,352)
	11,039	18,864

As at 1 April 2021, trade receivables (net of allowance for ECL) amount to approximately HK$21,877,000.

At the end of the reporting period, aging analysis of trade receivables, based on the invoice dates (or date of revenue recognition, if earlier) and net of allowance for ECL, is as follows:

	2023 HK$'000	2022 HK$'000
0 – 30 days	**4,577**	2,484
31 – 60 days	**2,515**	10,522
61 – 90 days	**869**	2,392
Over 90 days	**3,078**	3,466
	11,039	18,864

The Group allows credit period up to 90 days (2022: 90 days) to its customers.

Details of impairment assessment of trade receivables are set out in note 6 to the consolidated financial statements.

22. DEPOSITS PAID, PREPAYMENTS AND OTHER RECEIVABLES

	2023 HK$'000	2022 HK$'000
Trade deposits paid	**8,515**	11,641
Prepayment	**425**	254
Deposits	**2,794**	248
Other receivables (note i and ii)	**4,214**	1,818
	15,948	13,961
Less: Other receivables classified as non-current assets (note i and ii)	**(211)**	(900)
	15,737	13,061

Notes:

(i) As at 31 March 2023, amount of approximated HK$1,465,000 represented receivables from a third party which is non-interest-bearing and repayable in 15 months.

(ii) As at 31 March 2022, amount of approximately HK$1,730,000 represented receivables from a third party which carries interest of 10.53% and repayable in 19 months.

Details of impairment assessment of deposits paid and other receivables are set out in note 6 to the consolidated financial statements.

23. AMOUNTS DUE FROM/(TO) RELATED COMPANIES/PARTY

(a) Amounts due from/(to) related companies

The related companies are controlled by Mr. Leung and Ms. Tam, who are the controlling shareholders and executive directors of the Company or controlled by Ms. Tam Suk Ching, a close family member of Ms. Tam.

During the year ended 31 March 2023, the maximum amounts due from related companies are approximately HK$2,951,000 (2022: HK$2,913,000).

Amounts due from/(to) related companies are unsecured, interest-free and repayable on demand.

(b) Amounts due from related party

The balance represents the amount receivable of HK$2,500,000 from a daughter of Mr. Leung and Ms. Tam ("**Ms. Leung**") (note 29(iii)).

The balance is non-trade in nature, interest-free and repayable on demand.

24. PLEDGED BANK DEPOSIT

	2023	2022
	HK$'000	HK$'000
Pledged bank deposit	**1,400**	9,000

At 31 March 2023 and 2022, pledged bank deposit carry interest at range from 0.04% to 4.00% per annum. At 31 March 2023, pledged bank deposit have maturities of 11 months (2022: 3 months) at inception.

Pledged bank deposit are used as collaterals against certain trade finance facilities and short-term banking facilities granted by the bank to the Group.

25. BANK BALANCES AND CASH

	2023	2022
	HK$'000	HK$'000
HK$	**6,903**	8,070
US$	**8,722**	18,447
AUD	**457**	72
RMB	**787**	361
EUR	**242**	225
GBP	**4**	–
	17,115	27,175

Bank balances carry interest at floating rates and placed with creditworthy banks with no recent history of default.

Included in the bank balances and cash were amounts in RMB to approximately HK$787,000 at 31 March 2023 (2022: HK$361,000), which are subject to relevant rules and regulations of foreign exchange control promulgated by the government of the PRC.

26. TRADE PAYABLES

	2023 HK$'000	2022 HK$'000
Trade payables	**5,053**	2,556

The following is aging analysis of trade payables based on the invoice dates:

	2023 HK$'000	2022 HK$'000
0-30 days	**2,840**	886
31-60 days	**506**	963
61-90 days	**463**	160
Over 90 days	**1,244**	547
	5,053	2,556

The trade payables are non-interest-bearing and are generally settled on 30 days (2022: 30 days) terms.

27. OTHER PAYABLES AND ACCRUALS

	2023 HK$'000	2022 HK$'000
Accruals	**1,702**	2,486
Other payables	**721**	367
	2,423	2,853

28. CONTRACT LIABILITIES

	2023 HK$'000	2022 HK$'000
Provision of apparel SCM services	**5,562**	14,753

As at 1 April 2021, the Group had contract liabilities of approximately HK$10,428,000.

When the Group receives a deposit before production activity commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit. The Group typically receives a deposit on acceptance of contract.

All of the contract liabilities at the beginning of the years ended 31 March 2023 and 2022 have been recognised as revenue during the respective financial reporting period as the Group will normally deliver the goods to satisfy the remaining performance obligations of the relevant contract liabilities within one year or less.

The Group classifies these contract liabilities as current because the Group expects to them to be settled in its normal operating cycle which is within 12 months after the end of the reporting period.

29. BANK OVERDRAFTS AND BANK BORROWINGS

	2023 HK$'000	2022 HK$'000
Bank overdrafts – secured (note i)	–	8,567
Bank borrowings		
– Secured (note ii and iii)	15,353	–
– Unsecured (note iv)	5,938	4,141
	21,291	4,141
	21,291	12,708

Notes:

(i) The bank overdrafts bear interest at variable interest rates ranging from 2.75% to 6.00% per annum was guaranteed by a corporate guarantee executed by the Company and are secured by a property owned by a related company and pledged bank deposit of approximately HK$9,000,000 (note 24).

(ii) The secured borrowings consist of a revolving loan of HK$7,000,000 bear interest at variable interest rate at 6.00% per annum was guaranteed by Mr. Leung, Ms. Tam and HKMC Insurance Limited and pledged bank deposit of HK$1,400,000 (note 24).

(iii) The secured borrowings consist of an outstanding balance of bank borrowings of approximately HK$8,353,000 which include (i) an instalment loan with principal amount of HK$5,890,000 in relation to a property ("**Property A**") owned by the Group (Note 18) which bearing variable interest rate at 3.38% per annum and is secured by the collateral of Property A and (ii) an instalment loan with principal amount of HK$2,500,000 in relation to a property ("**Property B**") owned by Ms. Leung (Note 23(b) which bearing variable interest rate at 3.38% per annum and is secured by the collateral of Property B.

The Group also obtained a banking facility of HK$12,000,000 with the guarantee made by Mr. Leung and secured by the collateral of Property A and Property B. Such banking facility has remained unutilised as at 31 March 2023.

(iv) The unsecured bank borrowings were guaranteed by Mr. Leung, Ms. Tam and the HKMC Insurance Limited under the Small and Medium Enterprise Guarantee Scheme as at 31 March 2023 and 2022.

29. BANK OVERDRAFTS AND BANK BORROWINGS (continued)

The carrying amounts of the above borrowings are repayable (based on scheduled repayment dates set out in the loan agreements):

	2023 HK$'000	2022 HK$'000
Within one year	**8,744**	9,589
Within a period of more than one year but not exceeding two years	**1,806**	1,050
Within a period of more than two years but not exceeding five years	**3,041**	1,701
Within a period of more than five years	**7,700**	368
	21,291	12,708
Less: Amounts classified as current liabilities – carrying amounts of borrowings due within one year or contain a repayment on demand clause	**(21,291)**	(12,708)
Amounts classified as non-current liabilities	**–**	–

Bank borrowings due for repayment after one year which contain a repayment on demand clause are classified as current liabilities as at 31 March 2023 and 2022.

The Group's borrowings are denominated in HK$.

30. SHARE CAPITAL

	2023		2022	
	Number of ordinary shares '000	**Carrying amount HK$'000**	Number of ordinary shares '000	Carrying amount HK$'000
Ordinary shares of HK$0.01 each				
Authorised:				
At 1 April and 31 March	**10,000,000**	**100,000**	10,000,000	100,000
Issued and fully paid:				
At 1 April and 31 March	**400,000**	**4,000**	400,000	4,000

31. DEFERRED TAX

	Accelerated tax depreciation HK$'000
At 1 April 2021	342
Credit to profit or loss (note 15)	(370)
At 31 March 2022 and at 1 April 2022	**(28)**
Charge to profit or loss (note 15)	**8**
At 31 March 2023	**(20)**

As at 31 March 2023, the Group had unused estimated tax losses of approximately HK$13,556,000 (2022: HK$23,576,000) available for offset against future profits. No deferred tax asset has been recognised in respect of tax losses due to the unpredictability of future profit streams and unrecognised tax losses may be carried forward indefinitely.

32. COMMITMENTS

(a) Capital commitment

As at 31 March 2023, the Group had the following capital commitments:

	2023 HK$'000	2022 HK$'000
Contracted, but not provided for in respect of acquisition of property, plant and equipment	**1,250**	–

(b) Commitments under short-term lease

The Group has a lease contract that have not yet commenced as at 31 March 2023. The future lease payments for this non-cancellable lease contract is approximately HK$1,600,000 due within one year.

Save as discussed, the Group did not have any significant capital commitments.

33. MATERIAL RELATED PARTY TRANSACTIONS

(a) Related party transactions

Save as disclosed elsewhere in the notes to the consolidated financial statements, the Group entered into the following related party transactions during the years ended 31 March 2023 and 2022:

	2023 HK$'000	2022 HK$'000
Rental expenses in respect of short-term leases to Turbo Profit Investment Limited (note i)	**–**	216
Rental expenses in respect of short-term leases to Joint Linker Investment Limited (note i)	**600**	257
Handling expenses to Rich Charm Corporation Limited (note ii)	**1,038**	959
Handling expenses to Joyful Harvest Corporation Limited (note ii)	**167**	108
Handling expenses to King Great Investment Limited (note iii)	**57**	–
Purchase from King Great Investment Limited (note iii)	**1,398**	–

Notes:

(i) The related companies are controlled by Mr. Leung and Ms. Tam, who are the controlling shareholders and executive directors of the Company.

(ii) The related companies are controlled by Ms. Tam Suk Ching, a close family member of Ms. Tam.

(iii) A company controlled by Mr. Chan Chi Kwong Dickson, who is a key management personnel of the Group.

33. MATERIAL RELATED PARTY TRANSACTIONS (continued)

(a) Related party transactions (continued)

The transactions were conducted at term and conditions mutually agreed between the relevant parties. The directors are of the opinion that those related party transactions were conducted in the normal ordinary course of business of the Group.

(b) Key management personnel compensation

Remuneration for key management personnel of the Group, including amounts paid to the directors as disclosed in note 13 to the consolidated financial statements and certain of the highest paid employees as disclosed in note 14 to the consolidated financial statements, is as follows:

	2023 HK$'000	2022 HK$'000
Short term employee benefits	**3,354**	3,306
Post-employment benefits	**54**	54
	3,408	3,360

The remuneration of the directors and key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

(c) Outstanding balances with related companies and related party

Details of the balances with related companies and related party at the end of the reporting period are set out in note 23 to the consolidated financial statements.

34. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 March 2022, the Group entered into a new lease agreement for the use of office premises for 18 months. On the lease commencement, the Group recognised right-of-use asset and lease liability of approximately HK$521,000 and HK$1,727,000 respectively.

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Interest payable HK$'000 (note 27)	**Lease liabilities** HK$'000 (note 19(b))	**Borrowings** HK$'000 (note 29)	**Total** HK$'000
At 1 April 2021	10	169	4,101	4,280
New lease entered	–	1,727	–	1,727
Exchange alignment	–	(2)	–	(2)
Financing cash flows	(643)	(740)	(77)	(1,460)
Interest expenses	633	46	117	796
At 31 March 2022 and at 1 April 2022	**–**	**1,200**	**4,141**	**5,341**
New lease entered	**–**	**123**	**–**	**123**
Exchange alignment	**–**	**1**	**–**	**1**
Financing cash flows	**(42)**	**(1,263)**	**16,931**	**15,626**
Interest expenses	**42**	**40**	**219**	**301**
At 31 March 2023	**–**	**101**	**21,291**	**21,392**

36. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(a) Statement of financial position of the Company

	Note	2023 HK$'000	2022 HK$'000
Non-current asset			
Investment in a subsidiary		**1**	1
Current assets			
Deposits and prepayments		**–**	8
Amount due from fellow subsidiaries		**3,088**	10,383
Amount due from a related company		**24**	24
Bank balances and cash		**541**	530
		3,653	10,945
Current liability			
Accruals		**174**	142
Net current assets		**3,479**	10,803
Total assets less current liabilities		**3,480**	10,804
Equity			
Share capital	30	**4,000**	4,000
Reserves		**(520)**	6,804
Total equity		**3,480**	10,804

The financial statements were approved and authorised for issue by the board of directors on 30 June 2023 and are signed on its behalf by:

Leung Kwok Hung Wilson
Director

Tam Shuk Fan
Director

36. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

(b) Reserves movements of the Company

	Share capital HK$'000	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2021	4,000	43,238	(32,868)	14,370
Loss and total comprehensive loss for the year	–	–	(3,566)	(3,566)
At 31 March 2022 and at 1 April 2022	**4,000**	**43,238**	**(36,434)**	**10,804**
Loss and total comprehensive loss for the year	**–**	**–**	**(7,324)**	**(7,324)**
At 31 March 2023	**4,000**	**43,238**	**(43,758)**	**3,480**

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name of subsidiary	Place of incorporation/ operation	Class of share/ registered capital held	Issued and fully paid share capital/registered capital	Proportion of ownership interest and voting power held by the Company 2023	2022	Principal activities
Majestic City Enterprises Holdings Limited	Hong Kong	Ordinary	HK$2	**100%**	100%	Provision of apparel SCM services
Majestic City Global Limited*	Hong Kong	Ordinary	HK$2	**100%**	N/A	Property holding
Majestic City International Limited	Hong Kong	Ordinary	HK$2	**100%**	100%	Provision of apparel SCM services
Majestic City (EU) Limited	Hong Kong	Ordinary	HK$1,000	**100%**	100%	Investment holding

* The company is newly incorporated during the year ended 31 March 2023

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

All subsidiaries listed above are indirectly held by the Company.

None of the subsidiaries had debt securities outstanding at the end of the reporting period or at any time during the year.

38. RETIREMENT BENEFITS SCHEMES

The Group operates the MPF Scheme under rules and regulations of the Mandatory Provident Fund Schemes Ordinance for all its employees in Hong Kong. All employees of the Group in Hong Kong are required to join the MPF Scheme. The Group has chosen to follow the minimum statutory contribution requirement of 5% of eligible employees' monthly relevant income but limited to the mandatory cap of HK$30,000. The contributions are charged to profit or loss as incurred. The assets of the MPF Scheme are held separately from those of the Group in an independently administrative fund.

The employees of the Group's subsidiary in the PRC are members of state-managed retirement benefit schemes operated by the government of the PRC. The subsidiary is required to contribute a specific percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes operated by the government of the PRC is made the specified contributions under the schemes. The contributions are charged to profit or loss as incurred.

During the years ended 31 March 2023 and 2022, the Group had no forfeited contributions under the MPF Scheme and the retirement benefits scheme utilised to reduce the existing levels of contributions. As at 31 March 2023 and 2022, there was no forfeited contribution under the MPF Scheme and retirement benefits scheme which may be used by the Group to reduce the contribution payable in the future years.

39. EVENTS AFTER THE REPORTING PERIOD

The Group had no material events for disclosure subsequent to 31 March 2023 and up to the date of this report.

40. AUTHORISATION FOR ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issued by the board of directors on 30 June 2023.

FINANCIAL SUMMARY

The following is a summary of the results, and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements:

RESULTS

	Year ended 31 March				
	2023 HK'000	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000
Revenue	**149,745**	170,570	94,509	108,158	121,156
(Loss)/profit before tax	**(4,947)**	18,844	(16,724)	(16,900)	(13,221)
Income tax (expense)/credit	**(8)**	370	33	(91)	(237)
(Loss)/profit for the year	**(4,955)**	19,214	(16,691)	(16,991)	(13,458)

ASSETS, LIABILITIES AND EQUITY

	As at 31 March				
	2023 HK$'000	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000
Current assets	**51,864**	72,262	56,712	41,411	73,910
Non-current assets	**16,290**	1,688	8,163	11,545	12,475
Total assets	**68,154**	73,950	64,875	52,956	86,385
Current liabilities	**34,378**	35,370	45,114	16,424	32,957
Non-current liabilities	**52**	–	378	494	358
Total liabilities	**34,430**	35,370	45,492	16,918	33,315
Net assets	**33,724**	38,580	19,383	36,038	53,070
EQUITY					
Equity attributable to owners of the Company	**33,724**	38,580	19,383	36,038	53,070

Note: The summary above does not form part of the audited financial statements.