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SATU

SATU HOLDINGS LIMITED
舍圖控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8392)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2020

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE

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

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

*This announcement, for which the directors (the "**Directors**") of Satu Holdings Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement 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 announcement misleading.*

The board of Directors (the "**Board**") of the Company is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 March 2020 (the "**Year**"), together with the comparative figures for the year ended 31 March 2019 ("**2019**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2020

	Note	**2020**	2019
		HK$'000	*HK$'000*
Revenue	*4*	**49,762**	58,900
Cost of sales	*5*	**(36,913)**	(41,362)
Gross profit		**12,849**	17,538
Other income and net gains	*4*	**766**	2,623
Selling and distribution expenses		**(8,917)**	(11,650)
Administrative expenses		**(15,783)**	(15,082)
Loss from operations		**(11,085)**	(6,571)
Finance costs	*6*	**(41)**	(25)
Loss before tax		**(11,126)**	(6,596)
Income tax expense	*7*	**(104)**	(428)
Loss for the year attributable to owners of the Company	*8*	**(11,230)**	(7,024)
Loss per share			
Basic and diluted	*12*	**(HK1.12 cents)**	(HK0.70 cents)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	2020	2019
	HK$'000	*HK$'000*
Loss for the year	**(11,230)**	(7,024)
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(13)**	(19)
Other comprehensive income for the year, net of tax	**(13)**	(19)
Total comprehensive income for the year attributable to owners of the Company	**(11,243)**	(7,043)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment		**2,431**	7,225
Right-of-use assets	*13*	**2,071**	–
Deferred tax assets		**–**	88
		4,502	7,313
Current assets			
Inventories		**1,567**	1,842
Trade receivables	*14*	**7,082**	11,676
Prepayments, deposits and other receivables		**939**	1,386
Current tax assets		**–**	1,362
Pledged bank deposit		**–**	125
Bank and cash balances		**31,220**	31,332
		40,808	47,723
Current liabilities			
Trade payables	*15*	**954**	914
Other payables and accruals	*15*	**1,944**	2,386
Contract liabilities	*15*	**703**	381
Lease liabilities	*16*	**697**	–
Finance lease payables	*16*	**–**	167
Current tax liabilities		**23**	9
		4,321	3,857
Net current assets		**36,487**	43,866
Non-current liabilities			
Lease liabilities	*16*	**1,377**	–
Finance lease payables	*16*	**–**	324
		1,377	324
NET ASSETS		**39,612**	50,855
Capital and reserves			
Share capital	*17*	**10,000**	10,000
Reserves		**29,612**	40,855
TOTAL EQUITY		**39,612**	50,855

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Share capital	Other reserve	Foreign currency translation reserve	Share premium	Merger reserve	(Accumulated losses)/ Retained earnings	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2018	10,000	8	(10)	36,793	(360)	11,467	57,898
Loss and total comprehensive income for the year	–	–	(19)	–	–	(7,024)	(7,043)
At 31 March 2019 and 1 April 2019	**10,000**	**8**	**(29)**	**36,793**	**(360)**	**4,443**	**50,855**
Loss and total comprehensive income for the year	**–**	**–**	**(13)**	**–**	**–**	**(11,230)**	**(11,243)**
At 31 March 2020	**10,000**	**8**	**(42)**	**36,793**	**(360)**	**(6,787)**	**39,612**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

1. GENERAL INFORMATION

Satu Holdings Limited (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 27 March 2017 and its shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 16 October 2017. The address of the registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company in Hong Kong is Unit 2504, 25/F, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

The Company is an investment holding company, the Company and its subsidiaries (collectively the "**Group**") now comprising the Group are principally engaged in trading, designing of homeware products and E-commerce business.

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

2. BASIS OF PREPARATION

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

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

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

(a) Application of new and revised HKFRSs

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

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

HKFRS 16 Leases

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

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact on leases where the Group is the lessor. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

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

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

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

(a) New definition of a lease

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

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

(b) Lessee accounting and transitional impact

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

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

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

(ii) applied a single discount rate to a portfolio of leases with a similar remaining term for similar class of underlying assets in a similar economic environment. Specifically, discount rate for certain leases of properties was determined on a portfolio basis;

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

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

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

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

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

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

	HK$'000
Operating lease commitments disclosed as at 31 March 2019	2,277
Less: commitments relating to lease exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 March 2020	(2,128)
– adjustments as a result of a different treatment of extension and termination options	(149)
Present value of remaining lease payments, discounted using the incremental borrowing rate as at 1 April 2019	–
Add: finance lease liabilities recognised as at 31 March 2019	491
Lease liabilities recognised as at 1 April 2019	491
Of which are:	
Current lease liabilities	167
Non-current lease liabilities	324
	491

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

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

		Effects of adoption of HKFRS 16		
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16	*Note*	**Carrying amount as at 31 March 2019** *HK\$'000*	**Re-classification** *HK\$'000*	**Carrying amount as at 1 April 2019** *HK\$'000*
Assets				
Right-of-use assets		–	414	414
Property, plant and equipment	*(i)*	7,225	(414)	6,811
Liabilities				
Lease liabilities		–	491	491
Finance lease payables	*(ii)*	491	(491)	–

Note:

(i) In relation to assets previously under finance leases, the Group re-categorises the carrying amount of the relevant assets which were still leased as at 1 April 2019 amounting to HK$414,000 as right-of-use assets.

(ii) The Group reclassified the obligation under finance leases of HK$167,000 and HK$324,000 to lease liabilities as current and non-current liabilities respectively at 1 April 2019.

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

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

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their principal element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance lease under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial result and cash flows for the year ended 31 March 2020, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2020 instead of HKFRS 16, and by comparing these hypothetical amounts for 2020 with the actual 2019 corresponding amounts which were prepared under HKAS 17.

	2020				2019
	Amounts reported under HKFRS 16	**Add back: HKFRS 16 depreciation and interest expense**	**Deduct: Estimated amounts related to operating lease as if under HKAS 17**	**Hypothetical amounts for 2020 as if under HKAS 17**	Compared to amounts reported for 2019 under HKAS 17
	HK$'000	***HK$'000***	***HK$'000*** *(note 1)*	***HK$'000***	*HK$'000*
Financial result for year ended 31 March 2020 impacted by the adoption of HKFRS 16:					
Loss from operation	**(11,085)**	**154**	**(160)**	**(11,091)**	(6,571)
Finance costs	**(41)**	**11**	**–**	**(30)**	(25)
Loss before tax	**(11,126)**	**165**	**(160)**	**(11,121)**	(6,596)
Loss for the year	**(11,230)**	**165**	**(160)**	**(11,225)**	(7,024)

	2020 Amounts reported under HKFRS 16 *HK$'000*	Estimated amounts related to operating leases as if under HKAS 17 *HK$'000* *(notes 1&2)*	Hypothetical amounts for 2020 as if under HKAS 17 *HK$'000*	2019 Compared to amounts reported for 2019 under HKAS 17 *HK$'000*
Line items in the consolidated cash flow statement for year ended 31 March 2020 impacted by the adoption of HKFRS 16:				
Cash used in operations	**(1,580)**	**(160)**	**(1,740)**	(1,344)
Interest element of lease rentals paid	**(41)**	**11**	**(30)**	(25)
Net cash used in operating activities	**(261)**	**(149)**	**(410)**	(2,716)
Capital element of lease rentals paid	**(750)**	**149**	**(601)**	(159)
Net cash used in financing activities	**(750)**	**149**	**(601)**	(159)

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2020 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2020. This estimate assumes that there were no difference between rentals and cash flows and that all of the new leases entered into in 2020 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2020. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash used in operating activities and net cash used in financing activities as if HKAS 17 still applied.

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

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

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3 Definition of a Business	1 January 2020
Amendments to HKAS 1 and HKAS 8 Definition of Material	1 January 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform	1 January 2020

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

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

	2020	2019
	HK$'000	*HK$'000*
Revenue		
Sales of homeware products	**49,762**	58,900
Other income and net gains		
Interest income	**463**	352
Packaging income	**115**	197
Sample and design income	**105**	133
Gain on disposals of right-of-use assets	**48**	–
Gain on disposals of property, plant and equipment	**2**	–
Exchange (loss)/gain, net	**(226)**	1,494
Others	**259**	447
	766	2,623

Segment information

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

Geographical information

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

	2020	2019
	HK$'000	*HK$'000*
United Kingdom	**18,971**	22,220
United States	**6,127**	7,077
Denmark	**5,247**	11,203
France	**4,762**	4,450
Poland	**3,610**	1,621
Australia	**3,423**	2,536
Germany	**1,292**	1,067
Switzerland	**1,122**	1,119
Italy	**1,111**	1,596
Others	**4,097**	6,011
	49,762	58,900

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

	2020	2019
	HK$'000	*HK$'000*
Hong Kong	**2,182**	591
PRC	**2,079**	6,250
Others	**241**	384
	4,502	7,225

Information about major customers

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

	2020	2019
	HK$'000	*HK$'000*
Customer A	**N/A**[1]	9,716
Customer B	**13,868**	11,123
Customer C	**8,026**	7,966
Customer D	**N/A**[1]	6,376

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

5. COST OF SALES

	2020	2019
	HK$'000	*HK$'000*
Allowance for slow-moving inventories, net	**579**	273
Consumable materials	**39**	169
Cost of homeware products	**32,619**	37,470
Goods handling charges	**2,204**	2,216
Packing expenses	**972**	917
Others	**500**	317
	36,913	41,362

6. FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
Interest on lease liabilities	**41**	–
Finance lease charges	**–**	25
	41	25

7. INCOME TAX EXPENSE

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

	2020	2019
	HK$'000	*HK$'000*
Current tax		
– Hong Kong Profits Tax		
Provision for the year	**14**	9
Under-provision in prior year	**–**	406
	14	415
– PRC Enterprise Income Tax		
Under-provision in prior year	**2**	–
	2	–
Deferred tax	**88**	13
	104	428

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

Under the two-tiered profits tax regime, profits tax rate for the first HK$2 million of assessable profits of qualifying corporations established in Hong Kong will be lowered to 8.25%, and profits above that amount will be subject to the tax rate of 16.5%.

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

No provision for PRC Enterprise Income Tax has been made in the consolidated financial statements for the year ended 31 March 2020 since the Group has either sufficient tax losses brought forward to set off against current year's assessable profit or no estimated assessable profit for the year.

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

	2020	2019
	HK$'000	*HK$'000*
Loss before tax	**(11,126)**	(6,596)
Tax at the Hong Kong Profits Tax rate of 16.5% (2019: 16.5%)	**(1,835)**	(1,088)
Tax effect of income that is not taxable	**(85)**	(51)
Tax effect of expenses that are not deductible	**337**	419
Tax effect of temporary differences not recognised	**758**	5
Under provision in prior year	**2**	406
Tax effect of utilisation of tax losses not previously recognised	**(17)**	(6)
Tax losses not recognised	**949**	767
Tax concession	**(7)**	(27)
Effect of different tax rates of subsidiaries	**2**	3
Income tax expense	**104**	428

At the end of the reporting period, the Group has estimated unused tax loss for subsidiaries incorporated in Hong Kong of approximately HK$10,498,000 (2019: HK$5,171,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit. The tax losses may be carried forward indefinitely.

At the end of the reporting period, the Group has estimated unused tax losses for subsidiaries incorporated in the PRC of approximately HK$154,000 (2019: HK$778,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams.

As at 31 March 2020, the Group's tax losses for subsidiaries incorporated in the PRC will expire in the following years:

	2020	2019
	HK$'000	*HK$'000*
In 2022	**20**	20
In 2021	**134**	134
In 2020	**–**	624
	154	778

8. LOSS FOR THE YEAR

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

	2020	2019
	HK$'000	*HK$'000*
Auditor's remuneration	**700**	710
Allowance for slow-moving inventories, net	**579**	273
Cost of homeware products	**32,619**	37,470
Depreciation on right-of-use assets	**324**	–
Depreciation on property, plant and equipment	**4,446**	2,433
Foreign exchange loss/(gain), net	**226**	(1,494)
Gain on disposals of right-of-use assets	**48**	–
Gain on disposals of property, plant and equipment	**2**	–
Operating lease charges in respect of:		
– Office premises	**2,131**	2,532
– Warehouse	**264**	67

9. EMPLOYEE BENEFITS EXPENSES

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

	2020	2019
	HK$'000	*HK$'000*
Salaries, bonuses and allowances	**6,039**	7,090
Retirement benefit scheme contributions	**342**	388
	6,381	7,478

10. DIVIDENDS

No dividends were paid, declared or proposed during the year ended 31 March 2020 and 2019.

11. RETIREMENT BENEFIT SCHEME

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

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

12. LOSS PER SHARE

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

	2020	2019
	HK$'000	*HK$'000*
Earnings		
Loss attributable to owners of the Company	**11,230**	7,024
Number of shares	***'000***	*'000*
Weighted average number of ordinary shares for the purpose of calculation of basic loss per share	**1,000,000**	1,000,000

The diluted loss per share is equal to the basic loss per share as there were no dilutive potential ordinary share in issue during the years ended 31 March 2020 and 2019.

13. RIGHT-OF-USE ASSETS

	Leased property	**Motor vehicles**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2019 *(note 3)*	–	414	414
Additions	1,853	480	2,333
Depreciation	(154)	(170)	(324)
Disposals	–	(352)	(352)
At 31 March 2020	1,699	372	2,071

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

For both years, the Group leases office premises for its administration and operations. Lease contract is entered into for fixed term of 3 years (2019: 3). Certain leases of motor vehicles were accounted for as finance leases during the year ended 31 March 2019 and carried an average interest rate of 5.44% per annum. 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.

14. TRADE RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**7,082**	11,676

The Group's credit terms generally range from 30 to 120 days. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

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

	2020	2019
	HK$'000	*HK$'000*
0 to 30 days	**2,506**	3,077
31 to 60 days	**154**	468
61 to 120 days	**4,422**	8,131
	7,082	11,676

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

As of 31 March 2020, trade receivables of approximately HK$317,000 (2019: HK$1,314,000) were past due but not impaired. These relate to a number of independent customers of whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2020	2019
	HK$'000	*HK$'000*
0 to 30 days	**317**	1,314

The Group applied simplified approach to provide the ECL prescribed by HKFRS 9.

15. TRADE AND OTHER PAYABLES, ACCRUALS AND CONTRACT LIABILITIES

	2020	2019
	HK$'000	*HK$'000*
Trade payables	**954**	914
Other payables and accruals		
Accrued staff costs	**589**	615
Accrued administrative and operating expenses	**1,327**	1,762
Others	**28**	9
	1,944	2,386
Contract liabilities	**703**	381
	3,601	3,681

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

	2020	2019
	HK$'000	*HK$'000*
0 to 90 days	**813**	898
91 to 180 days	**96**	3
Over 180 days	**45**	13
	954	914

The credit period ranges from 0 to 30 days.

16. LEASE LIABILITIES (2019: FINANCE LEASE PAYABLES)

	Minimum lease payments		Present value of minimum lease payments	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**746**	184	**697**	167
In the second to fifth years, inclusive	**1,420**	337	**1,377**	324
	2,166	521	**2,074**	491
Less: Future finance charges	**(92)**	(30)	**N/A**	N/A
Present value of lease obligations	**2,074**	491	**2,074**	491
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(697)**	(167)
Amount due for settlement after 12 months			**1,377**	324

It is the Group's policy to lease certain of its motor vehicles under finance leases. The lease term is 5 years. At 31 March 2020, the effective borrowing rate was 4.85% (2019: 5.44%). Interest rate is fixed at the contract date and thus expose the Group to fair value interest rate risk. Lease is on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. At the end of each lease term, the Group has the option to purchase the motor vehicle at a nominal price.

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

All lease liabilities (2019: finance lease payables) are denominated in HKD.

17. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	10,000,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	1,000,000,000	10,000

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital using a gearing ratio, which is the Group's total debts (comprising lease liabilities) over its total equity. The Group's policy is to keep the gearing ratio at a reasonable level. The Group's gearing ratios as at 31 March 2020 was 5.2% (2019: 1.0%). The increase in the gearing ratio of the Group is primarily from the increase in the balance of lease liabilites as at 31 March 2020.

The only externally imposed capital requirement for the Group is in order to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares. Based on the information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained sufficient public float as required by the GEM Listing Rules. As at 31 March 2020, 25% of the shares were in public hands.

18. RELATED PARTY TRANSACTIONS

(a) In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year:

	2020	2019
	HK$'000	*HK$'000*
Rental expense to Pansino Homeware (Shenzhen) Co., Ltd* (泛華家居用品（深圳）有限公司) ("**Pansino Shenzhen**") *(note 1)*	**1,527**	1,672
Sales of motor vehicle to Mr. She *(note 2)*	**400**	–

Note:

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

2. The sales proceeds of motor vehicle from Mr. She was based on the market value and resulting in a gain on disposal of HK$48,000 recorded.

* *For identification purpose only*

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

	2020	2019
	HK$'000	*HK$'000*
Short-term benefits	**2,854**	2,710

19. EVENTS AFTER THE REPORTING PERIOD

Since the novel coronavirus ("**COVID-19**") continues to spread throughout the world, the operations of certain suppliers and customers of the Group, in particular, the supply chain and customer orders had been impacted, but they had gradually restored their operations ever since. Hence, COVID-19 has not resulted in any material impact on the Group up to the date of this announcement. The degree of the COVID-19 impact may vary depending on the situation of the development of the epidemic and the implementation of preventive measures. Given the dynamic nature of these circumstances, the Group will continuously evaluate the COVID-19 impact (if any) on the revenue and financial results of the Group for the year 2021 and make timely disclosure of any important matters.

BUSINESS REVIEW AND PROSPECTS

The Group was principally engaged in the homeware export business with a small portion of E-Commerce business. During the Year under review, the Group recorded revenue of approximately HK$49.8 million (2019: approximately HK$58.9 million), representing a decrease of approximately 15.4% in 2020. This was mainly due to the declining consumption sentiment in our major markets — Europe and the United States under the continuing impact of Sino-US trade friction, Brexit uncertainties, and the outbreak of the pandemic.

Against the uncertainties and challenges of our operating environment, our management decided to suspend the establishment of the liaison offices in Europe and the United States; instead, we changed our focus to strengthening our brand development endeavours to develop a new brand in order to capture new sections of customers. By way of setting up our own e-commerce platform and various online channel and marketing efforts, our brand product — French home fragrance, had already been launched in the market in February 2020. Our marketing experts believe that brand establishment can make our products distinguishable and unique and also build up customer loyalty in order to increase our market share and maintain our sustainable growth.

The Novel Coronavirus ("**COVID-19**") has rapidly spread around the world since January 2020. There are series of precautionary and control measures, such as isolation and quarantine measures, that have been implemented globally which incurred certain impacts on the operations of our suppliers and customers. Although most of them have gradually restored their operations, and COVID-19 has not resulted in any material impact on the Group up to the date of this announcement, the Board will continue to closely monitor the development of and any possible disruption to the Group's business caused by the COVID-19 epidemic and evaluate its impact on the financial position and operating results of the Group.

Despite current economic headwinds, we will continue to consolidate and broaden our customer base, diversify our product categories and enhance our product quality through various feasible means. Our management is confident that the Group will remain competitive with its well-established foundation and bring fruitful returns for our shareholders in the near future.

FINANCIAL REVIEW

Revenue

The Group's revenue for the Year was approximately HK$49.8 million, representing a decrease of approximately 15.4% as compared to that of approximately HK$58.9 million in 2019. Such decrease in revenue was primarily due to the decrease in sales orders from two of the major customers during the Year.

Cost of Sales

The Group's cost of sales decreased by approximately 10.9% from approximately HK$41.4 million in 2019 to approximately HK$36.9 million for the Year, which was in line with the decrease in revenue.

Gross Profit

Gross profit decreased by approximately 26.9% to approximately HK$12.8 million for the Year as compared to that of approximately HK$17.5 million in 2019. The gross profit margin dropped from approximately 29.8% in 2019 to approximately 25.8% for the Year. It is mainly attributable to the combined effect of (i) decrease in sales orders with high profit margin from customers in homeware export business and (ii) sales promotion for the clearance of long outstanding inventories of the E-commerce business during the Year.

Selling and Distribution Expenses

During the Year, selling and distribution expenses decreased to approximately HK$8.9 million, representing a decrease of approximately 23.9%, from approximately HK$11.7 million in 2019. It is mainly attributable to the decrease in freight and transportation charges, advertising and promotion costs due to the Group's cost-cutting efforts during the Year.

Administrative and Other Operating Expenses

The Group's administrative and other operating expenses increased by approximately 4.6% from approximately HK$15.1 million in 2019 to approximately HK$15.8 million for the Year. Such increase was mainly due to the increase in salaries, allowances and other benefits and depreciation of property, plant and equipment.

Income Tax Expense

The Group's income tax expense was approximately HK$0.1 million, decreased by approximately 75.0% as compared to approximately HK$0.4 million in 2019. The decrease of income tax expense for the Year was mainly attributable to the decrease in gross profit causing the loss before tax for the Year.

Loss for the Year Attributable to Owners of the Company

The Group recorded loss for the Year attributable to owners of the Company of approximately HK$11.2 million, representing an increase of approximately 60.0% as compared to that of approximately HK$7.0 million in 2019. The loss was mainly attributable to the decrease of gross profit as a result of the intense competition in the market.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's policy is to regularly monitor its current and expected liquidity requirements and its relationship with its bankers to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

As at 31 March 2020, the Group had bank and cash balances of approximately HK$31.2 million (2019: approximately HK$31.3 million). As at 31 March 2020, the Group's indebtedness comprised lease liabilities of approximately HK$2.1 million (2019: finance lease payables approximately HK$0.5 million).

Gearing ratio is calculated as total debts divided by total equity as at the respective year. After the recognition of lease liabilities under the new Hong Kong Financial Reporting Standard ("**HKFRS**") HKFRS 16 Leases which was initially applied by the Group during the Year, the gearing ratio was approximately 5.2% as at 31 March 2020. Excluding the effect of HKFRS 16 Leases, the gearing ratio was approximately 1%, which remained stable as compared to that as at 31 March 2019.

As at 31 March 2020, the Group's total assets amounted to approximately HK$45.3 million (2019: approximately HK$55.0 million) and net assets amounted to approximately HK$39.6 million (2019: approximately HK$50.9 million). As at 31 March 2020, current ratio and quick ratio of the Group decreased to approximately 9.4 and 9.1 respectively, as compared to that of approximately 12.4 and 11.9 as at 31 March 2019 respectively.

CAPITAL STRUCTURE

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

As at 31 March 2020 and the date of this announcement, the issued share capital of the Company was HK$10,000,000 divided into 1,000,000,000 Shares of HK$0.01 each.

USE OF PROCEEDS FROM THE SHARE OFFER

The Company listed its Shares on the GEM of the Stock Exchange on 16 October 2017 (the "**Listing Date**") and issued a total of 250,000,000 Shares by way of public offer and placing at a price of HK$0.22 each. The net proceeds from the Listing, after deducting the listing expenses of approximately HK$23.7 million, amounted to approximately HK$31.3 million, which is slightly lower than the estimated net proceeds of approximately HK$32.0 million. The difference of approximately HK$0.7 million has been adjusted in the same manner and in the same proportion to the use of proceeds as disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

An analysis of the amount utilised of net proceeds up to 31 March 2020 is set out below:

	Estimated use of proceeds *HK$ million*	Adjusted use of proceeds *HK$ million*	Utilised up to 31 March 2019 *HK$ million*	Reallocation[i] *HK$ million*	Utilised during the Year *HK$ million*	Unutilised as at 31 March 2020 *HK$ million*	Expected timeline for utilising the remaining proceeds[ii]	Comparison between business objectives with actual business progress up to 31 March 2020
Broaden the existing customer base, increase market share in the existing target markets and expand into new markets	13.5	13.2	5.9	(7.3)	–	–	–	(a)
Enhance design and development capabilities	4.8	4.7	0.7	–	0.5	3.5	From 1 April 2020 to 31 March 2021	(b)
Enhance our quality assurance capabilities	4.8	4.7	4.1	–	0.5	0.1	From 1 April 2020 to 31 March 2021	(c)
Enhance brand recognition and awareness and promote corporate reputation	6.4	6.3	4.2	7.3	1.0	8.4	From 1 April 2020 to 31 March 2022	(d)
General working capital	2.5	2.4	1.8	–	0.6	–	–	
Total	32.0	31.3	16.7	0	2.6	12		

(i) On 19 March 2020, the Group reallocated the unutilised net proceeds in an amount of approximately HK$7.3 million for establishing one liaison office in each of Europe and the US, acquiring office equipment to operate the liaison offices and recruitment and retaining certain staff to enhance the Company's brand recognition and awareness. For further details, please refer to the announcement of the Company dated 19 March 2020.

(ii) The expected timeline for utilising the remaining proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on current and future development of market conditions.

(a) In accordance with the implementation activities as set out in the Prospectus under the section headed "Future Plans and Use of Proceeds", the proceeds as allocated for 1) the refurbishment of the existing office premises and showroom in the PRC; 2) acquisition of office equipment and preparation for display of products for the office premises and showroom in the PRC; and 3) recruitment of an administrative staff member for the operation of the office premises and showroom in the PRC, a project manager and an administrative staff member for the US liaison office (as our US liaison office has not yet been established, they are supporting our export business) have been fully utilised up to the Year.

(b) The Company applied the proceeds in 1) conducting certain external training courses for designers and quality control staff; and 2) recruitment of two designers and two product engineers up to the Year, which were consistent with the implementation activities set out in the Prospectus. The Company has not yet utilised the proceeds in upgrading the existing design software and purchasing new design software as planned in the amount of approximately HK$2.4 million. The Company is exploring the appropriate design software for our business.

(c) The proceeds as allocated for 1) establishment of a quality control laboratory; 2) acquisition of product testing equipment; 3) conducting of trainings for quality control staff; and 4) recruitment of a quality control staff member have been fully utilised up to the Year, which were consistent with the implementation activities set out in the Prospectus. The Company recruited two quality control staff members as planned. The unutilised proceeds will be for the salaries of one of the quality control staff.

(d) Up to the Year, the Company applied the proceeds in the following activities, which were consistent with the implementation activities set out in the Prospectus and the reallocation and change in use of proceeds announcement of the Company dated 19 March 2020: 1) participating in exhibitions, namely, ASD Market Week in Las Vegas (August 2018), Maison and Objet in Paris (September 2018) and Ambiente Fair in Frankfurt (February 2019 and 2020); 2) advertising on different media; 3) setting up our own e-commerce system; 4) recruitment of additional three sales and marketing staff members and three staff members for the e-commerce platform; 5) maintenance of the corporate website; 6) the acquisition of motor vehicle; 7) providing service fee to the strategic business and brand consultant to develop the products under the Company's brand name; 8) having established and maintained the e-commerce platform for trading the products with the Company's brand name and 9) advertising fee for the promotion of the products with Company's brand name. The unutilised proceeds will be mainly for participating in exhibitions and the development of the products with the Company's name.

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

The remaining unused net proceeds as at 31 March 2020 were placed as bank balances with licensed bank in Hong Kong and will be applied in the manner consistent with the proposed allocations.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2020, the Group had a total of 31 full-time employees (including three executive Directors) (2019: 34 employees), and the total employee benefit expenses and Directors' emoluments paid to the executive Directors for the Year amounted to approximately HK$8.5 million (2019: approximately HK$9.3 million). The Group determines the remuneration of its employees based on, among other factors, each employee's qualifications, experience and past performance.

The Group recognises the importance of having good relationship with our employees, and believes our working environment and employee development opportunities have contributed to good employee relations and employee retention. The Group recruits our employees based on a number of factors such as their work experience, educational background and our needs. The remuneration committee will regularly review and make recommendations to the Board on the overall remuneration policy, compensation package and structure for our Directors and senior management.

FOREIGN CURRENCY EXPOSURE

The Group is exposed to currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong Dollars ("**HKD**"), Renminbi, British Pound and United States Dollars ("**USD**"). The Group's sales and purchases are primarily denominated and settled in USD. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities but would monitor the foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

TREASURY POLICIES

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

SHARE OPTION SCHEME

The Company's share option scheme (the "**Share Option Scheme**") was adopted pursuant to a resolution of the then shareholders of the Company on 22 September 2017 to enable the Company to grant options to eligible participants as incentives and rewards for their contribution to the Group. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. As at 31 March 2020 and up to the date of this announcement, no option has been granted or agreed to be granted, lapsed, exercised or cancelled and there were no outstanding share options under the Share Option Scheme.

PLEDGE OF ASSETS

The finance lease obligation as at 31 March 2020 was secured against a motor vehicle with carrying amount of approximately HK$0.4 million (2019: approximately HK$0.5 million).

OPERATING LEASE COMMITMENTS

As at 31 March 2020, the Group had no operating lease commitment as leases, as the Group adopted HKFRS 16 Leases with effect from 1 April 2019. As at 31 March 2019, the Group had operating lease commitment as a lessee amounted to approximately HK$2.3 million.

CAPITAL COMMITMENT

As at 31 March 2020 and 2019, the Group did not have any capital commitment.

CONTINGENT LIABILITIES

As at 31 March 2020 and 2019, the Group did not have any contingent liabilities.

MATERIAL ACQUISITIONS OR DISPOSAL

During the year ended 31 March 2020, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

DIVIDENDS

The Board takes into account, among other factors, the Group's overall results of operation, financial position and capital requirements in considering the declaration of dividends. The Board does not recommend a payment of final dividend for the Year (2019: Nil).

CORPORATE GOVERNANCE PRACTICES

Pursuant to code provision A.2.1 of the Corporate Governance Code ("**CG Code**") and Corporate Governance Report in Appendix 15 to the GEM Listing Rules, the role of chairman and the chief executive should be segregated and should not be performed by the same individual. However, we do not have a separate chairman and chief executive and Mr. She currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority under the present arrangement will not be impaired and this structure enables the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive of the Company when it is appropriate and suitable, by taking into account the circumstances of the Group as a whole.

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

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors during the Year.

COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors or the controlling shareholders (as defined in the GEM Listing Rules) of the Company nor any of their respective associates (as defined in the GEM Listing Rules) that competed or might compete, either directly or indirectly, with the business of the Group and any other conflicts of interest which any such person had or might have with the Group during the Year.

The Company has adopted, among others, the following measures to manage the conflict of interests arising from competing business and to safeguard the interests of the shareholders: (i) the Company will disclose decisions on matters reviewed by the INEDs relating to compliance and enforcement of the deed of non-competition dated 22 September 2017 entered into by the controlling shareholders in favour of the Company in terms of competing interests ("**Non-competition Undertaking**") in this announcement; and (ii) the controlling shareholders will make an annual declaration on compliance with their Non-competition Undertaking in this announcement.

The Board would like to clarify that there were no conflicts of interests between the controlling shareholders and the Group arising from competing business for the year ended 31 March 2020. As such, the controlling shareholders confirmed that they have complied with their undertaking under the Non-competition Undertaking.

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

INTEREST OF COMPLIANCE ADVISER

As notified by Titan Financial Services Limited ("**Titan**"), the Company's compliance adviser, save for the compliance adviser agreement entered into between the Company and Titan dated 31 May 2019 in connection with the compliance adviser, none of Titan or its directors, employees or associates (as defined in the GEM Listing Rules) had any interest in the Group as at 31 March 2020, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

CONTINUING CONNECTED TRANSACTION

On 16 June 2017, B&C Industries HK, an indirect wholly-owned subsidiary of the Company, as the tenant, entered into a tenancy agreement (the "**2017 Tenancy Agreement**") with Pansino Homeware (Shenzhen) Co., Ltd* (泛華家居用品（深圳）有限公司) ("**Pansino Shenzhen**"), as the landlord, for the lease of the property situated at Units 01 to 11, 23/F., Oriental Plaza, Luohu, Shenzhen, the PRC with a gross floor area of 1,060 square metres (the "**Premises**") for a rent of approximately HK$0.1 million per month (inclusive of applicable land use fee, property tax arising from the lease of the Premises, management fee, utilities fees, sanitation fee and central air-conditioning fee) for a term of 32 months, commencing from 1 August 2017 and expiring on 31 March 2020. Pansino Shenzhen is indirectly wholly-owned by Mr. She Leung Choi, a controlling shareholder and executive Director of the Company.

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

Details of the abovementioned transactions are disclosed as related party transactions under item (a) in respect of rental expenses to a related company of note 18 to the consolidated financial statements. On 12 March 2020, B&C Industries HK and Pansino Shenzhen entered into a tenancy agreement (the "**2020 Tenancy Agreement**") commencing from 1 April 2020 and expiring on 31 March 2021. Except for the rental period, the rest of the terms in the 2020 Tenancy Agreement are the same as the terms in the 2017 Tenancy Agreement.

The transactions under the 2017 Tenancy Agreement and 2020 Tenancy Agreement constitute de minimis continuing connected transactions of the Company under Rule 20.74(1)(c) of the GEM Listing Rules. Accordingly, the 2017 Tenancy Agreement, 2020

* *For identification purpose only*

Tenancy Agreement and the transactions thereunder are exempted from the reporting, announcement, annual review, circular and the independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Save for the aforesaid transactions, the other related party transactions shown in note 18 to the consolidated financial statements do not constitute connected transactions or continuing connected transactions under the GEM Listing Rules.

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

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

SUBSEQUENT EVENTS

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2020 and up to the date of this announcement. In light of the ongoing COVID-19 epidemic, the Group will continue to work closely with our suppliers and customers to evaluate the impact on the financial position and operating results of the Group.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and paragraph C.3.3 and C.3.7 of the CG Code as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the audit committee are, among other things, to make recommendations to the Board on the appointment, reappointment and removal of external auditors, review the financial statements and provide material advice in respect of financial reporting, oversee the financial reporting process, internal control, risk management systems and audit process, and perform other duties and responsibilities assigned by the Board.

The audit committee comprises Mr. Ho Kim Ching, Mr. Chan Ching Sum Sam and Ms. Fan Pui Shan, all being INEDs. The chairman of the audit committee is Mr. Ho Kim Ching, who holds the appropriate professional qualification as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules.

The Audit Committee has reviewed the consolidated financial statements of the Group for the Year and this announcement and is of the view that such statements and announcement have been prepared in compliance with the applicable accounting standards, the GEM Listing Rules and that adequate disclosure has been made.

By order of the Board
Satu Holdings Limited
She Leung Choi
Chairman

Hong Kong, 18 June 2020

As at the date of this announcement, the executive Directors are Mr. She Leung Choi, Ms. Chan Lai Yin and Mr. She Leung Ngai Alex; and the independent non-executive Directors are Mr. Ho Kim Ching, Mr. Chan Ching Sum Sam and Ms. Fan Pui Shan.

This announcement will remain on the "Latest Listed Company Information" page of the GEM website at www.hkgem.com for a minimum period of 7 days from the date of its publication. This announcement will also be published on the Company's website at www.bnc.cc.