MOS HOUSE GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1653

2021

Annual Report

Contents

CORPORATE INFORMATION

DIRECTORS

Executive Directors:

Mr. Simon Tso (*Chairman and Chief Executive Officer*)
Ms. Tsui To Fei

Independent Non-executive Directors:

Mr. Ho Wing Tim
Mr. Ng Wang To
Ms. Law Chui Yuk

AUDIT COMMITTEE

Ms. Law Chui Yuk *(Chairlady)*
Mr. Ho Wing Tim
Mr. Ng Wang To

REMUNERATION COMMITTEE

Mr. Ng Wang To *(Chairman)*
Ms. Law Chui Yuk
Ms. Tsui To Fei

NOMINATION COMMITTEE

Mr. Simon Tso *(Chairman)*
Mr. Ho Wing Tim
Mr. Ng Wang To

CORPORATE GOVERNANCE COMMITTEE

Ms. Law Chui Yuk *(Chairlady)*
Mr. Ho Wing Tim
Mr. Ng Wang To

COMPANY SECRETARY

Mr. Chan Cheung, CPA

AUTHORISED REPRESENTATIVES

Mr. Simon Tso
Ms. Tsui To Fei

LEGAL ADVISER TO THE COMPANY AS TO HONG KONG LAW

Wong Heung Sum & Lawyers

AUDITOR

Mazars CPA Limited

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
Shanghai Commercial Bank Limited
China Construction Bank (Asia) Corporation Limited
DBS Bank (Hong Kong) Limited

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

50/F, China Online Centre
333 Lockhart Road
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

1653

COMPANY'S WEBSITE

www.rbmsgroup.com

On behalf of the board (the "Board") of directors (the "Directors") of MOS House Group Limited (the "Company", together with its subsidiaries, the "Group"), I am pleased to present to the shareholders of the Company (the "Shareholders") the audited consolidated results of the Group for the year ended 31 March 2021 together with the comparative figures for the previous financial year.

RESULTS

The Group recorded a total revenue of approximately HK$147 million and HK$145.4 million for the year ended 31 March 2021 and 31 March 2020 respectively. The slight increase in revenue was primarily due to an increase in project sales, partially offset by a decrease in retail sales.

The Group's net profit attributable to owners of the Company for the year ended 31 March 2021 was approximately HK$10.1 million as compared to a net loss of approximately HK$0.7 million for the year ended 31 March 2020. The turnaround from net loss to net profit is primarily due to the receipt of approximately HK$4.2 million government subsidies granted under the Anti-epidemic Fund of Hong Kong Government and the gain on rent concession (due to COVID-19) by approximately HK$5.9 million.

BUSINESS REVIEW

The Group is a retailer and supplier of overseas manufactured tiles and bathroom fixtures in Hong Kong. The retail shops in Hong Kong are operated for home improvement, remodelling and furnishing materials. In addition to sales through retail shops, the Group also supplies tile and bathroom fixture products on project basis for large-scale property development projects and residential and commercial property renovation projects in Hong Kong and Macau, and sell tiles and bathroom fixtures to distributors in the PRC.

The year under review was characterized by challenging market conditions as a result of the COVID-19 pandemic. During the first half of the year ended 31 March 2021, the Group faced various challenges especially the sluggish and uncertain retail market and the weak consumption sentiments. To address the situation, the Group took proactive measures to tighten operational expenses including cost control, rent reduction and closure of underperforming retail shops. As at 31 March 2021, the Group operated 16 retail shops (31 March 2020: 18 retail shops) in Hong Kong.

With the gradual easing of the pandemic situation in Hong Kong, the consumption sentiments picked up in the second half of the financial year. The Group experienced an increase of approximately 28.4% in its revenue during the six months ended 31 March 2021 compared to the same period last year.

In June 2020, the Company made an announcement in relation to change in part of unutilised listing proceeds of approximately HK$45 million originally planned for expansion of retail network and strategic acquisition, and reallocate approximately HK$30 million to HK$35 million for property investments in Hong Kong and the balance for general working capital of the Group. Since the announcement, the Group had closely monitored the economic conditions in the regions in which the Company had business and attempted to identify suitable acquisition properties in Hong Kong. In February 2021, the Group entered into an agreement to acquire the entire equity interest and shareholder's loan in a property holding company with the residential property and car parking space located in Ap Lei Chau, Hong Kong (the "Property"), at the consideration of HK$31 million. Upon completion of the acquisition of the Property, the Board expects that the Property can generate constant cash flow and provide sustainable and stable rental income for the Group in the long run, as well as to obtain more favourable terms of banking facilities.

CORPORATE STRATEGY AND FUTURE OUTLOOK

The Company will continue to operate its business in a prudent manner by monitoring the market conditions closely and focusing on effective cost control. To address fast-changing consumer behaviour, the Group has been focusing on expanding its product mix and enhancing the diversity of its product offerings.

With a rebound in China's retail market to be expected after the COVID-19 pandemic, the Group will continue to expand its distribution networks in China by enhancing its collaboration with its existing distributors and exploring more potential distribution networks in China.

While the future outlook is likely to continue to be challenging, the Group remains confident in its long-term development and ability to enhance shareholders' value based on our excellent management team with years of experience in managing the business.

APPRECIATION

I would like to take this opportunity to express my gratitude to all of our Shareholders, members of the Board, the senior management and staff of all levels for their dedication and efforts over the years. In addition, on behalf of the Board, I would also like to express our sincerest thanks to all our customers, suppliers, and business partners for their continuous support.

Simon Tso
Chairman and Executive Director

Hong Kong, 28 June 2021

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FINANCIAL REVIEW

Revenue

For the year ended 31 March 2021, the Group recorded a total revenue of approximately HK$147.0 million, representing an increase of approximately 1.1% as compared to approximately HK$145.4 million for the year ended 31 March 2020.

The Group's revenue was mainly derived from the sale of tile products (including porcelain, ceramic and mosaic tiles), which accounted for approximately 85.3% and 91.7% of the Group's total revenue for the years ended 31 March 2021 and 2020 respectively; and the remaining represented the sale of bathroom fixtures and other products.

In terms of sales channels, the Group's revenue was mainly derived from retail sales which accounted for approximately 70.0% and 79.6% of the Group's total revenue for the years ended 31 March 2021 and 2020 respectively.

Gross profit and product margin

The Group's gross profit (i.e. revenue minus cost of inventories sold) amounted to approximately HK$93.0 million for the year ended 31 March 2021, representing a decrease of approximately 10.7% from approximately HK$104.1 million for the year ended 31 March 2020, which was mainly due to the decrease in product margin of sales of some products. As a result, the overall product margin decreased from approximately 71.6% for the years ended 31 March 2020 to 63.3% for the year ended 31 March 2021.

Staff costs

Staff costs for the year ended 31 March 2021 was approximately HK$21.2 million, which was stable as compared to approximately HK$22.5 million for the year ended 31 March 2020.

Property related expenses/Depreciation on right-of-use assets

In respect of the rented premises, the Group recorded property related expenses of approximately HK$2.6 million (2020: HK$2.9 million), the depreciation on right-of-use assets of approximately HK$43.3 million (2020: HK$48.8 million) and the relevant interest expense on lease liabilities of approximately HK$3.7 million (2020: HK$5.2 million). The decrease in property related expenses were due to the closure of two retail shops during the year.

Other expenses

The Group recorded other expenses of approximately HK$17.6 million and HK$20.2 million for the years ended 31 March 2021 and 2020 respectively. The Group's other expenses for the year ended 31 March 2021 mainly consisted of audit fee of approximately HK$0.7 million (2020: HK$0.6 million), bank charges of approximately HK$1.8 million (2020: HK$2.1 million), products delivery expenses of approximately HK$9.2 million (2020: HK$10.6 million), utility and office expenses of approximately HK$1.7 million (2020: HK$2.6 million) and sundry items of approximately HK$4.2 million (2020: HK$4.3 million).

Profit attributable to owners of the Company

For the year ended 31 March 2021, the Group's profit attributable to owners of the Company was approximately HK$10.1 million, representing a substantial increase in profit of approximately HK$10.8 million from a loss of approximately HK$0.7 million for the year ended 31 March 2020. Such increase was mainly due to (i) increase in other income of approximately HK$9.7 million, including approximately HK$4.2 million in connection with government subsidies granted under the Anti-epidemic Fund and the gain on rent concession of the Group's shops by approximately HK$5.9 million; (ii) net decrease in lease-related expenses (including property related expenses, depreciation on right-of-use assets, and interest on lease liabilities) by approximately HK$7.4 million; (iii) decrease in staff cost and other expenses by an aggregate of approximately HK$3.9 million; and (iv) decrease in interest on bank and other borrowings of approximately HK$1.9 million which was partially offset by (v) decrease in the Group's gross profit by approximately HK$11.1 million; (vi) loss on written-off of fixed assets of approximately HK$0.9 million as a result of the closure of two retail shops during the year; and (vii) increase in tax expenses by approximately HK$1.5 million.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Capital structure

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

As at 31 March 2021, the Group's pledged bank deposit and bank and cash balances totalled approximately HK$25.6 million (2020: approximately HK$70.5 million), including approximately HK$25.2 million (2020: HK$70.1 million) denominated in Hong Kong dollars and approximately HK$0.4 million (2020: HK$0.4 million) denominated in Euro, US dollars and Renminbi. The decrease was mainly due to the repayment of certain bank borrowings during the year.

Indebtedness

As at 31 March 2021, the Group had bank borrowings of approximately HK$21.6 million, comprising approximately HK$20.3 million denominated in Hong Kong dollars and approximately HK$1.3 million denominated in Euro, which carried interest at Hong Kong Interbank Offered Rate ("HIBOR") plus 2% (2020: HIBOR plus 2.0% to 2.5%) or a spread below Prime Rate/Standard Bills Rate quoted by the banks per annum, and were secured by the deposit pledged to a bank of the Group.

As at 31 March 2021, the Group's gearing ratio was approximately 0.2 times, which is calculated based on total borrowings divided by total equity attributable to owners of the Company as at 31 March 2021. The Directors, taking into account the nature and scale of operations of the Group, considered that the gearing ratio as at 31 March 2021 was reasonable. The Directors, would keep monitoring the financial and liquidity position of the Group closely, and make appropriate financing strategy for the Group from time to time.

Foreign exchange exposure

The Group is exposed to the currency risk and fluctuations in foreign currency exchange rates, in particular, Euro, can increase or decrease the Group's profit margin and affect the results of its operations. In addition, fluctuations in exchange rates between HK$ and other currencies, primarily Euro, US$ and RMB, affect the translation of the Group's non-HK$ denominated assets and liabilities into HK$ when the Group prepares its financial statements and result in foreign exchange gains or losses which will affect its financial condition and results of operations.

For the years ended 31 March 2021 and 2020, the Group recorded net exchange losses of approximately HK$0.4 million and net exchange gains HK$0.4 million respectively. During both years, the Group had not used any financial instruments for hedging purposes. The Group currently does not have any foreign currency hedging policy. However, the Group's management closely monitors its exposure to foreign currency risk and will consider hedging significant foreign currency exposure should the need arise.

Securities in issue

On 11 June 2020, a total of 400,000,000 new shares of the Company were placed by a placing agent to not less than six independent placees at the price of HK$0.04 per share (the "Placing") which raised net proceeds of approximately HK$15.7 million. The net proceeds were utilised for general working capital of the Group. Details of the Placing were set out in the announcements dated 11 May 2020 and 11 June 2020.

On 11 June 2020, the Company allotted and issued 400,000,000 new shares to not less than six placees pursuant to the Placing.

After completion of the Placing, the number of shares in issue of the Company increased from 2,000,000,000 to 2,400,000,000.

Pursuant to an ordinary resolution passed at the Company's annual general meeting held on 2 September 2020, every ten issued and unissued ordinary shares of HK$0.01 each in the share capital of the Company were consolidated into one ordinary share of HK$0.1 in the share capital of the Company. The Share Consolidation became effective on 4 September 2020. Following completion of the Share Consolidation, the Company has an authorised share capital of HK$50 million divided into 500,000,000 consolidated shares with par value of HK$0.1 each, and an issued and paid-up capital of HK$24 million divided into 240,000,000 consolidated shares with par value of HK$0.1 each.

As at 31 March 2021, the total issued share capital of the Company was HK$24 million divided into 240,000,000 ordinary shares with par value of HK$0.1 each.

Significant investment held, material acquisition or disposal of subsidiaries and affiliated companies and plans for material investment or capital assets

On 3 February 2021, the Group entered into the sale and purchase agreement to acquire the entire equity interest and shareholder's loan in a property holding company with the residential property and car parking space located in Ap Lei Chau, Hong Kong, at a consideration of HK$31 million. The consideration was financed by proceeds from the listing under part of the Company's plan of using such proceeds on property investments in Hong Kong. The acquisition was completed on 21 June 2021. For further details, please refer to the circular of the Company dated 16 March 2021.

Except for the aforementioned transaction, there was no significant investment held, material acquisition or disposal of subsidiaries and affiliated companies and plans for material investment or capital assets during the year ended 31 March 2021.

Commitments

As at 31 March 2021, the Group had outstanding contracted capital commitments in respect of property, plant and equipment of approximately HK$0.3 million (2020: approximately HK$0.4 million).

Charge on assets

As at 31 March 2021, the Group pledged its bank deposit of approximately HK$15.0 million as securities for the Group's bank borrowings. Save as disclosed above, the Group did not have any charge over its assets.

Contingent liabilities

As at 31 March 2021, the Group and the Company did not have any significant contingent liabilities.

Employees and remuneration policies

The Group had approximately 71 employees as at 31 March 2021. The Group's staff cost, including Directors' emoluments, was approximately HK$21.2 million and HK$22.5 million for the years ended 31 March 2021 and 2020 respectively. The remuneration policy of the Group is based on merit, performance and individual competence.

The Directors and the senior management of the Group (the "Senior Management") receive compensation in the form of salaries and discretionary bonuses with reference to salaries paid by comparable companies, time commitment of each of the Directors and Senior Management and the performance of the Group. The Group regularly reviews and determines the remuneration and compensation package of the Directors and the Senior Management by reference to, among other things, the market level of salaries paid by comparable companies, the respective responsibilities of the Directors and the Senior Management and the performance of the Group.

The remuneration committee of the Board reviews and determines the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, the time devoted to the Group and the performance of the Group. The Directors may also receive options to be granted under the share option scheme adopted by the Company on 20 September 2018. During the year ended 31 March 2021, no share option was granted to the relevant participants pursuant to such scheme.

Dividend

The Directors do not recommend any payment of a final dividend for the year ended 31 March 2021 (2020: Nil).

Prospects

The Company will continue to operate its business in a prudent manner by monitoring the market conditions closely and focusing on effective cost control. To address fast-changing consumer behaviour, the Group has been focusing on expanding its product mix and enhancing the diversity of its product offerings.

With a rebound in China's retail market to be expected after the COVID-19 pandemic, the Group will continue to expand its distribution networks in China by enhancing its collaboration with its existing distributors and exploring more potential distribution networks in China.

While the future outlook is likely to continue to be challenging, the Group remains confident in its long-term development and ability to enhance shareholders' value based on our excellent management team with years of experience in managing the business.

USE OF PROCEEDS FROM THE LISTING

The shares of the Company were listed on the Stock Exchange on 19 October 2018 with net proceeds received from the listing in the amount of approximately HK$86.1 million.

As disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus, the Company intended to use the net proceeds for (i) progressive expansion of retail network in Hong Kong; (ii) meeting minimum purchase commitment under new exclusive distribution rights; (iii) strategic acquisition opportunities to strengthen the Group's market leadership and further enhance its competitiveness in the tile retailing industry; and (iv) general working capital purposes.

On 18 June 2020, the Company decided to change part of unutilised net proceeds of approximately HK$45 million originally planned for expansion of retail network in Hong Kong and strategic acquisition, and reallocate approximately HK$30 million to HK$35 million for property investments in Hong Kong and the balance for general working capital of the Group. The Board expects that property investments can generate constant cash flow and provide sustainable and stable rental income for the Group in the long run, as well as to strengthen the asset portfolio of the Group. Details of the change in use of proceeds were set out in the announcement dated 18 June 2020.

Details of the original planned use of proceeds, the revised allocation of proceeds on 18 June 2020, the utilised proceeds up to 31 March 2021 and the unutilised proceeds as at 31 March 2021 are set out as follows:

Use of Proceeds

	Planned use of proceeds as set out in the Prospectus HK$ million (Note 1)	**Revised allocation of proceeds on 18 June 2020** HK$ million	**Utilised proceeds as at 31 March 2021** HK$ million	**Unutilised proceeds as at 31 March 2021** HK$ million	**Expected timeline for utilising the remaining net proceeds from the Listing** HK$ million
Progressive expansion of retail network in Hong Kong	22.0	4.0	4.0	–	–
Meeting minimum purchase commitment under new exclusive distribution rights	36.5	36.5	32.4	4.1	Expected to be fully utilised by the end of 2021 *(Note 2)*
Strategic acquisition opportunities	27.0	–	–	–	–
Property investments in Hong Kong	–	35.0	–	35.0 *(Note 3)*	Expected to be fully utilised by the end of 2021
General working capital	0.6	10.6	10.6	–	–
	86.1	86.1	47.0	39.1	

Notes:

(1) The planned use as stated in the Prospectus are adjusted on a pro-rata basis based on the actual amount received by the Company.

(2) As at 30 September 2020, the amount of unutilised proceeds allocated to meeting minimum purchase commitment under new exclusive distribution rights was approximately HK$21.1 million. The Company expected to utilised as to HK$4 million, HK$8.8 million and HK$8.3 million during the years ending 31 March 2021, 2022 and 2023. In light of the gradual recovery of consumer spending in China with COVID-19 under control, the Group will focus on boosting the sales through the distributors in China. During the six months ended 31 March 2021, the Group had utilised approximately HK$17 million on new exclusive products to which we were granted exclusive distribution rights by certain suppliers. The remaining balance of approximately HK$4.1 million is expected to be fully utilised by the end of 2021.

(3) On 3 February 2021, the Group entered into the sale and purchase agreement to acquire the entire equity interest and shareholder's loan in a property holding company with the residential property and car parking space located in Ap Lei Chau, Hong Kong, at a consideration of HK$31 million. The consideration was financed by proceeds from the listing under part of the Company's plan of using such proceeds on property investments in Hong Kong. The acquisition was completed on 21 June 2021. For further details, please refer to the circular of the Company dated 16 March 2021.

EXECUTIVE DIRECTORS

Mr. Simon Tso (曹思豪), aged 48, was appointed as our Director on 25 September 2015 and re-designated as our executive Director on 17 December 2015. Mr. Tso is the founder, chairman and chief executive officer of our Group and a controlling shareholder of the Company. Mr. Tso is also the chairman of the nomination committee of the Company. He is responsible for the overall strategic planning, operations and management of our Group. Mr. Tso has over 20 years of experience in trading of tiles and building materials. Mr. Tso is a director of Pok Oi Hospital, a charitable organisation principally engaged in the provision of medical, social and educational services. He is also the president of Wanchai and Central & Western District Industries and Commerce Association, an industrial and commercial organisation. Mr. Tso obtained a bachelor's degree in engineering from the University of Manchester Institute of Science and Technology (which was merged with the Victoria University of Manchester, now known as the University of Manchester) in the United Kingdom in July 1997. He also received a master's degree in business administration from the University of Liverpool in United Kingdom in December 1998. Mr. Tso did not hold any other directorship in listed public companies in the last three years. Mr. Tso is the spouse of Ms. Tsui To Fei.

Ms. Tsui To Fei (徐道飛), aged 52, was appointed as our executive Director on 26 January 2018. Ms. Tsui joined our Group as the director of Regent Building Material Supplies Company Limited since June 2000. Ms. Tsui is also a member of the remuneration committee of the Company. She is primarily responsible for the overall strategic planning, operations and management of our Group. Ms. Tsui has also been a director of Asian Wealth Limited since June 2009 and Cyber Building Limited since July 2000, they are both investment holding companies, where Ms. Tsui has been responsible for making investment decisions. Prior to joining our Group, Ms. Tsui was involved in family textile business.

Ms. Tsui is the president of Rotary Club of Manhattan Hong Kong (2020–2021), honorary vice president of Hangzhou Residents Association, the vice president of Hong Kong Central and Western District Women Entrepreneurs Association Limited, the vice-chairlady of Hong Kong Tianjin Business and Professional Women Association and the honorary president of Hong Kong Island Women's Association. Ms. Tsui completed her college education in South Hills Academy in the United States in 1990. Ms. Tsui did not hold any other directorship in listed public companies in the last three years. Ms. Tsui is the spouse of Mr. Tso.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Wing Tim (何榮添), aged 62, was appointed as our independent non-executive Director on 20 September 2018. Mr. Ho is also a member of the audit committee, the nomination committee and the corporate governance committee of the Company. From 2001 to 2006, Mr. Ho served as a director and from 2001 to 2002, as a chief executive officer of Lai Fung Holdings Ltd (stock code: 1125), a company listed on the Main Board and is principally engaged in property development and investment where he was primarily responsible for leading its development and executing its business strategies. Mr. Ho was the chairman of Pok Oi Hospital from 2014 to 2015. He has been the permanent advisor of Pok Oi Hospital Board of Directors since 2015. Mr. Ho received the Medal of Honour from the Government of Hong Kong in 2015. Mr. Ho obtained a doctorate degree in business administration from the International American University in the United States in July 2013. Mr. Ho did not hold any other directorship in listed public companies in the last three years.

Mr. Ng Wang To (吳宏圖), aged 53, was appointed as our independent non-executive Director on 20 September 2018. Mr. Ng is also the chairman of the remuneration committee and a member of the audit committee, the nomination committee and the corporate governance committee of the Company. Mr. Ng has over 16 years of experience in fund management. Since April 2016, Mr. Ng has been a managing director of Well Link Asset Management Limited where he has been primarily responsible for its overall management. From June 2015 to March 2016, Mr. Ng served as a vice president of the fund management in securities and asset management department of AMTD Asset Management Limited where he was primarily in charge of the investment management of funds. From February to June 2015, Mr. Ng worked as a senior portfolio manager in Wing Lung Asset Management Limited, where he was primarily responsible for the management of fund. From October 2013 to January 2015, Mr. Ng worked at RHB OSK Asset Management Limited, an asset management company, with his last position as chief investment officer (marketing title) of the asset management department, where he was primarily in charge of the asset management business. From August 2006 to October 2013, Mr. Ng worked at Pacific Eagle Asset Management Limited with last position as an investment director, where he was responsible for the management of funds. From March 2003 to July 2006, Mr. Ng served as a deputy general manager of Allianz Global Investors Taiwan Ltd., a subsidiary of Allianz Global Investors AG, where he was in charge of the investment management department and was responsible for supervising the management of mutual funds. Mr. Ng did not hold any other directorship in listed public companies in the last three years.

Mr. Ng obtained a bachelor's degree in business administration from the Chinese University of Hong Kong in 1993. He is currently licensed by the SFC to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong) ("SFO") and is a responsible officer of Well Link Asset Management Limited.

Ms. Law Chui Yuk (羅翠玉), aged 52, was appointed as our independent non-executive Director on 20 September 2018. Ms. Law is also the chairlady of the audit committee and the corporate governance committee, and a member of the remuneration committee of the Company. Ms. Law has about 30 years of experience in accounting and financial management.

Ms. Law has been the Head of Corporate Finance and Performance Management with Chong Hing Bank Limited since November 2019.

From April 1998 to September 2017, Ms. Law joined Standard Chartered Bank with last position as the head of performance and analytics, commercial banking and transaction banking for Greater China and North Asia and Hong Kong where she was primarily responsible for the performance management for commercial banking and transaction banking businesses. From December 1995 to March 1998, Ms. Law served as a senior officer in finance division of the Hong Kong branch of China Construction Bank Corporation where she was primarily responsible for the financial accounting, management and statutory reporting, planning and budgetary control, system development, taxation and risk management. From March 1994 to December 1995, Ms. Law served in two private companies as an accountant and a management accountant where she was responsible for performing analytical review, rendering assistance to the enforcement of internal control, formulating financial reports and budgets. Ms. Law worked at Deloitte Touche Tohmatsu, an international accounting firm, from August 1991 to February 1994 with last position as a semi-senior auditor, during which she was primarily responsible for auditing. Ms. Law did not hold any other directorship in listed public companies in the last three years.

Ms. Law has been an associate of the HKICPA since April 1997, a fellow of the Association of Chartered Certified Accountants of the United Kingdom since March 2000. Ms. Law obtained a bachelor's degree in business administration from the University of Hong Kong in November 1991.

SENIOR MANAGEMENT

Mr. Chan Cheung (陳璋), aged 65, is the company secretary of our Group. Mr. Chan joined our Group in 29 November 2017 and he is responsible for the overall company secretarial matters of our Group. Mr. Chan has over 27 years of experience in banking, accounting, financial management and company secretarial matters. Prior to joining our Group, Mr. Chan was the company secretary of Richful Deyong International Business (China) Limited, a professional consulting service provider, from February 2017 to July 2017, where he was primarily responsible for company secretarial matters. From April 2009 to June 2016, Mr. Chan served as the chief financial officer and company secretary of Neo-Neon Holdings Limited (stock code: 1868), a company listed on the Main Board and principally engaged in the manufacturing and sales of LED decorative lighting, where he was primarily responsible for full spectrum of finance, taxation, general management and company secretarial works. From August 2007 to February 2009, Mr. Chan served as chief financial officer and company secretary of Sun East Technology (Holdings) Limited (now known as Sino ICT Holdings Limited) (stock code: 0365), a company listed on the Main Board and principally engaged in equipment manufacturing, finance lease and factoring, where he was primarily responsible for the company's finance and control, management information system, and statutory reporting. From October 2002 to March 2004, Mr. Chan was employed by Lung Kee Metal Limited and served as the group finance manager, a subsidiary of Lung Kee (Bermuda) Holdings Limited (stock code: 0255), a mould bases manufacturer primarily listed on the Main Board and secondarily listed on the Singapore Exchange Securities Trading Limited (Stock Code: L09), where he was primarily responsible for the overall financial and accounting functions and tax matters of the group. Mr. Chan served various positions relating to accounts, financial management and banking services in various companies where he was responsible for bond dealings, credit and marketing, preparing accounts and/or financial reporting from 1983 to 1990 and 1995 to 2002.

Mr. Chan has been a member of HKICPA since January 2001 and a member of The Association of Chartered Certified Accountants of the United Kingdom since November 2000. Mr. Chan obtained a bachelor's degree in social science from the Chinese University of Hong Kong in December 1983.

Mr. Tam Chi Wai (譚志偉), aged 54, is the financial controller of our Group. He joined our Group in April 2006 as the accounting manager. He is responsible for the overall accounting management of our Group. Prior to joining our Group, Mr. Tam was the assistant accountant of Techwise Electronics Limited, an electronics company, where he was primarily responsible for its accounting management from August 2005 to April 2006. He was the accountant and subsequently the assistant accounting manager of Mansfield Manufacturing Company Limited, a metal mould manufacturer, from January 2003 to July 2005 where he was primarily responsible for its internal audit control, the full set accounts of its subsidiary company and the corporate consolidation work. From March 1991 to September 2002, Mr. Tam served as an assistant manager of the accounting department of Epson Precision (Hong Kong) Limited, a wholesale distributor of computers, computer peripheral equipment and computer software and Epson Engineering (Shenzhen) Ltd, an office equipment manufacturing company, where he was primarily responsible for PRC accounting and taxation policy compliance and the accounting analysis. Mr. Tam obtained a bachelor's degree of science in applied computing in June 2003 and a bachelor's degree in business administration in June 2006 from the Open University of Hong Kong.

Ms. Lau Ka Man (劉嘉文), aged 43, is the logistic and administration manager of our Group since May 2011. She joined our Group in April 2006 as a shipping clerk. She is responsible for supervising the logistic operations and management of our Group. Prior to joining our Group, Ms. Lau was an export clerk of BAX Global Ltd, a logistics transportation and supply chain management company, where she was primarily responsible for export shipping management from June 2004 to April 2006. Ms. Lau was a marketing assistant of Andex Jewellery Limited, a jewellery export company, where she was primarily responsible for developing marketing strategies from October 1999 to May 2004. From August 1998 to June 1999, Ms. Lau served as a temporary accounts clerk of Update International Ltd., a supplier of passenger care and comfort items to airlines and travel related business, where she was primarily responsible for its accounting management and administration. Ms. Lau graduated from the L'Amoreaux Collegiate Institute in Canada in June 1998.

The Board is pleased to present the corporate governance report of the Company for the year ended 31 March 2021.

The Directors and the management of the Group recognise the importance of sound corporate governance to the long-term success and continuing development of the Group. Therefore, the Board is committed to upholding good corporate governance standards and procedures, so as to emphasis on accountability, independence, responsibility, fairness and transparency for the Group, and to protect the interests and create value for the Shareholders.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "Code") in Appendix 14 of the Listing Rules. Throughout the year, to the best knowledge of the Board and after the review of the Company's performance of its corporate governance practices, the Company has complied with all the applicable code provisions set out in the Code, save for the deviation from code provision A.2.1 as follows:

Under Code Provision A.2.1 of the Code, the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual.

During the year ended 31 March 2021, the Company has not separated the roles of chairman and chief executive officer of the Company. Mr. Tso is the chairman and also the chief executive officer of the Company and is responsible for overseeing the operations of the Group during the year. In view of the present composition of the Board, Mr. Tso's in-depth knowledge and experience in the industry in which the Group operates and his familiarity with the operations of the Group, the Company believes that it is in the best interest of the Group for Mr. Tso to assume both roles as the Chairman and the chief executive officer of the Company. The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

BOARD OF DIRECTORS

Roles and responsibilities

The Board assumes responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs in the best interest of the Company and its Shareholders at all times. The key responsibilities of the Board include formulation of the Group's overall strategies, setting management targets and supervision of the management's performance. Under the leadership of the executive Directors, the management of the Company are delegated with the authority and responsibility by the Board to operate the businesses and to carry out the day-to-day administration of the Group; whereas the independent non-executive Directors of the Company are responsible for ensuring a high standard of financial and management reporting to the Board and Shareholders as well as a balanced composition in the Board so that there is a strong independent element in the Board. In addition, the Board has also delegated various responsibilities to the board committees of the Company (the "Board Committees"). Further details of the Board Committees are set out in this annual report.

Composition of the Board

Up to the date of this annual report, the Board comprises five Directors, including two executive Directors and three independent non-executive Directors. In particular, the composition of the Board is set out as follow:

Executive Directors

Mr. Simon Tso *(Chairman and Chief Executive Officer)*
Ms. Tsui To Fei

Independent Non-executive Directors

Mr. Ho Wing Tim
Mr. Ng Wang To
Ms. Law Chui Yuk

Independent non-executive Directors

In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, the Board was consisted of three independent non-executive Directors during the year ended 31 March 2021. During the year ended 31 March 2021 and as at the date of this annual report, the number of independent non-executive Directors represents more than one-third of the Board. As such, there is a strong independent element in the Board to provide independent judgement. Amongst the independent non-executive Directors, Ms. Law Chui Yuk has the appropriate professional qualifications and accounting and related financial management expertise required under Rule 3.10(2) of the Listing Rules.

The Company has entered into a letter of appointment with each of the independent non-executive Directors for a term of three years, which may be terminated earlier by no less than three months' written notice served by either party on the other.

Specific enquiry has been made by the Company to each of the independent non-executive Directors to confirm their independence pursuant to Rule 3.13 of the Listing Rules. In this connection, the Company has received the positive annual confirmations from all of the three independent non-executive Directors. Based on the confirmations received and after annual assessment by the nomination committee of the Company at a meeting held on 29 June 2021, the Company considers all independent non-executive Directors to be independent under the Listing Rules.

Board diversity

The Board has adopted a board diversity policy in December 2018, which sets out its approach to achieve diversity in the Board by annual review and assessment as well as recommendation by the nomination committee of the Company on any new appointment, re-election or any succession plan of any Director to the Board, and to ensure that the Board has a balance of skills, experience and diversity which is appropriate to the needs of the Company's business. The selection of candidates for any new directorship will be based on a range of criteria, including but not limited to, gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. The appointment of Directors will continue to be made based on merit and potential contribution by the candidate to the Board and the Company. Each Director's respective biographical details is set out in the section "Biographical Details of Directors and Senior Management" of this annual report. The Board considers that each Director has the necessary skills and experience appropriate for discharging his/her duties as Director in the best interest of the Company and its Shareholders.

After annual assessment by the nomination committee of the Company at a meeting held on 29 June 2021, the Company considers that, all Directors demonstrated themselves in their respective fields of expertise to perform a check and balance function with diversity of skills, knowledge, varied background and experience required for running an effective Board.

Re-election of Directors

Pursuant to Article 84 of the articles of association of the Company (the “Articles”), one-third of the Directors for the time being (or if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Ms. Law Chui Yuk and Mr. Ng Wang To will retire from office as Directors at the forthcoming annual general meeting of the Company (the “AGM”), and being eligible, will offer themselves for re-election thereat.

Board and General Meetings

During the year ended 31 March 2021, twelve board meetings were held to approve, among others, the interim results of the Group for the six months ended 30 September 2020 and the placing of new shares under general mandate, etc. The AGM will be held on 30 September 2021 and is the third general meeting of the Company since the Listing Date.

The attendance of the respective Directors at the Board meetings are set out below:

	Attendance/ Number of meetings during the year ended 31 March 2021
Executive Directors	
Mr. Simon Tso *(Chairman and Chief Executive Officer)*	12/12
Ms. Tsui To Fei	11/12
Independent Non-executive Directors	
Mr. Ho Wing Tim	10/12
Mr. Ng Wang To	12/12
Ms. Law Chui Yuk	11/12

The Directors can attend meetings in person or through other means of electronic communication in accordance with the Articles. All minutes of the Board meetings were recorded in sufficient detail the matters considered by the Board and the decisions reached.

To facilitate the decision-making process, the Directors are free to have access to the management for enquiries and to obtain further information when required. The Directors can also seek independent professional advice in appropriate circumstances, at the Company’s expense in discharging their duties to the Company. All Directors have unrestricted access to the company secretary who is responsible for ensuring that the Board/committee procedures are complied with, and for advising the Board/committees on compliance matters.

Directors’ and Officers’ liability

The Company has arranged appropriate insurance cover in respect of possible legal action against its Directors and senior officers.

Relationships among Board Members and Senior Management

Saved as disclosed in the section headed "Biographical Details of Directors and Senior Management" of this annual report, there is no financial, business, family or other material or relevant relationship among members of the Board and the Senior Management.

Code of Conduct for Securities Transactions by Directors

The Company has adopted the required standard of dealings set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by Directors in respect of the Shares (the "Code of Conduct"). The Company has made specific enquiry to all Directors, and all Directors have confirmed that they have fully complied with the required standard of dealings set out in the Code of Conduct during the year ended 31 March 2021.

Directors' Continuing Professional Development Programme

The Group acknowledges the importance of adequate and ample continuing professional development for the Directors to ensure their contributions to the Board remains informed and relevant. In this regard, the Group has always encouraged its Directors to attend relevant training courses to receive the latest news and knowledge regarding the roles, functions and duties of a listed company director.

For the year ended 31 March 2021, the Company had provided and all Directors had attended one training course regarding directors' responsibilities. The Company will, if necessary, provide timely and regular trainings to the Directors to ensure that they keep abreast with the current requirements under the Listing Rules.

Board Committees

The Board has established a number of functional committees in compliance with the relevant Listing Rules and to assist the Board to discharge its duties. Currently, four committees have been established:

1. The Audit Committee was established on 20 September 2018 with its terms of reference in compliance with Rule 3.21 of the Listing Rules, and Code Provision C.3.3 of the Code;

2. The Remuneration Committee was established on 20 September 2018 with its terms of reference in compliance with Rule 3.25 of the Listing Rules and Code Provision B.1 of the Code;

3. The Nomination Committee was established on 20 September 2018 with its terms of reference in compliance with Code Provision A.5 of the Code; and

4. The Corporate Governance Committee was established on 20 September 2018 with its terms of reference in compliance with the Code.

The functions and responsibilities of these committees have been set out in the relevant terms of reference which are not less stringent than that stated in the Code. The relevant terms of reference of each of the Audit Committee, Remuneration Committee, Nomination Committee and Corporate Governance Committee can be found on the Company's website (www.rbmsgroup.com) and the website of the Stock Exchange. All committees have been provided with sufficient resources and support from the Group to discharge their duties.

Audit Committee

The Audit Committee comprises three members, namely Ms. Law Chui Yuk, Mr. Ho Wing Tim and Mr. Ng Wang To, all of whom are independent non-executive Directors and is chaired by Ms. Law Chui Yuk who has the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

With reference to the terms of reference of the Audit Committee, the primary responsibilities of the Audit Committee are, among others:

1. to make recommendations to the Board on the appointment, re-appointment and removal of the Company's external auditors, and approve the remuneration and terms of engagement of the Company's external auditors;

2. to review and monitor the Company's external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

3. to monitor the integrity of the Company's financial statements and annual report and accounts, half-year report and review significant financial reporting judgments contained in them;

4. to discuss with the Company's external auditors questions and doubts arising in the audit of annual accounts;

5. to review the statement about the Company's internal control system (if any) as included in the Company's annual report prior to submission for the Board's approval;

6. to review the Company's financial reporting, financial controls, internal control and risk management systems;

7. to discuss the internal control system with the Company's management to ensure that management has performed its duty to have an effective internal control system;

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

9. to review the financial and accounting policies and practices of the Group;

10. to review the external auditor's management letter, any material queries raised by the auditor to the management in respect of accounting records, financial accounts or systems of control and management's response;

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

12. to review the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

During the year ended 31 March 2021, the Audit Committee held four meetings. The attendance of the members of the Audit Committee is summarised below:

	Attendance/ Number of meetings during the year ended 31 March 2021
Ms. Law Chui Yuk *(Chairlady)*	3/3
Mr. Ho Wing Tim	3/3
Mr. Ng Wang To	3/3

During the year ended 31 March 2021, the Audit Committee had reviewed the Group's interim results for the six months ended 30 September 2020 and the results for the nine months period ended 31 December 2020, and discussed internal controls, risk management and financial reporting matters. The Audit Committee had also reviewed the audited annual results for the year ended 31 March 2021 contained in this annual report, and confirmed that this annual report complies with the applicable accounting standards, the Listing Rules, and other applicable legal requirements and that adequate disclosures have been made. The Audit Committee has recommended to the Board that Mazars CPA Limited ("Mazars") be nominated for re-appointment as the Company's auditor at the AGM. The Board is of the view that the Audit Committee has properly discharged its duties and responsibilities during the year ended 31 March 2021 and up to the date of this annual report.

Remuneration Committee

The Remuneration Committee comprises three members, namely Mr. Ng Wang To (Chairman), Ms. Law Chui Yuk and Ms. Tsui To Fei. Mr. Ng Wang To and Ms. Law Chui Yuk are independent non-executive Directors and Ms. Tsui To Fei is an executive Director.

With reference to the terms of reference of the Remuneration Committee, the primary responsibilities of the Remuneration Committee include, among others:

1. to consult the chairman of the Board and/or chief executive about their remuneration proposals for other executive Directors;

2. to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

3. to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

4. to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management;

5. to make recommendations to the Board on the remuneration of non-executive Directors;

6. to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company and its subsidiaries;

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

8. to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

9. to ensure that no Director or any of his/her close associates is involved in deciding his/her own remuneration.

During the year ended 31 March 2021, the Remuneration Committee held one meeting. The attendance of the members of the Remuneration Committee is summarised below:

	Attendance/ Number of meetings during the year ended 31 March 2021
Mr. Ng Wang To *(Chairman)*	1/1
Ms. Law Chui Yuk	1/1
Ms. Tsui To Fei	1/1

During the year ended 31 March 2021 and up to the date of this annual report, the Remuneration Committee reviewed and made recommendations on the remuneration package of the Senior Management and Directors. The Board is of the view that the Remuneration Committee had properly discharged its duties and responsibilities during the year ended 31 March 2021 and up to the date of this annual report.

Nomination Committee

The Nomination Committee comprises three members, namely Mr. Simon Tso (Chairman), Mr. Ho Wing Tim and Mr. Ng Wang To. Mr. Ho Wing Tim and Mr. Ng Wang To are independent non-executive Directors and Mr. Simon Tso is an executive Director, the Chairman of the Board and the chief executive officer of the Company.

With reference to the terms of reference of the Nomination Committee, the primary responsibilities of the Nomination Committee include, among others:

1. to review the structure, size, composition and diversity (including the skills, knowledge and experience) of the Board and make recommendations on proposed changes, if any, to the Board to complement the Company's corporate strategy;

2. to review the Company's board diversity policy and the progress on achieving the objectives set for implementing the said policy;

3. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

4. to assess the independence of independent non-executive Directors; and

5. to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive.

During the year ended 31 March 2021, the Nomination Committee held one meeting. The attendance of the members of the Nomination Committee is summarised below:

	Attendance/ Number of meetings during the year ended 31 March 2021
Mr. Simon Tso *(Chairman)*	1/1
Mr. Ho Wing Tim	1/1
Mr. Ng Wang To	1/1

During the year ended 31 March 2021 and up to the date of this annual report, the Nomination Committee reviewed and assessed (i) the structure, size and composition (including the skills, knowledge and experience) of the Board, (ii) the performance of each of the Directors and (iii) the independence of all independent non-executive Directors. The Board is of the view that the Nomination Committee had properly discharged its duties and responsibilities during the year ended 31 March 2021 and up to the date of this annual report.

Corporate Governance Committee

The Corporate Governance Committee comprises three members, namely Ms. Law Chui Yuk (Chairlady), Mr. Ho Wing Tim and Mr. Ng Wang To. Ms. Law Chui Yuk, Mr. Ho Wing Tim and Mr. Ng Wang To are independent non-executive Directors.

With reference to the terms of reference of the Corporate Governance Committee, its primary duties are, among others (i) to develop and review the Group's policies and practices on corporate governance and make recommendations to the Board; (ii) to review and monitor the training and continuous professional development of the Directors and senior management; (iii) to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements; (iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and (v) to review the Company's compliance with the Code and disclosure in the corporate governance report.

During the year ended 31 March 2021, the Corporate Governance Committee held one meeting. The attendance of the members of the Corporate Governance Committee is summarised below:

	Attendance/ Number of meetings during the year ended 31 March 2021
Ms. Law Chui Yuk *(Chairlady)*	1/1
Mr. Ho Wing Tim	1/1
Mr. Ng Wang To	1/1

During the year ended 31 March 2021 and up to the date of this annual report, the Corporate Governance Committee (i) reviewed and monitored the Group's policies and practices on corporate governance and compliance with legal and regulatory requirements; (ii) reviewed and monitored the training and continuous professional development of the Directors and senior management; (iii) reviewed and monitored the code of conduct and compliance manual applicable to employees and Directors; and (iv) reviewed the Company's compliance with the Code and disclosure in the corporate governance report. The Board is of the view that the Corporate Governance Committee had properly discharged its duties and responsibilities during the year ended 31 March 2021 and up to the date of this annual report.

DIVIDEND POLICY

A dividend policy has been adopted by the Board in December 2018. Please refer to the paragraph headed "Dividend Policy" in the section "Management Discussion and Analysis" of this annual report for details of the Company's dividend policy.

AUDITOR'S REMUNERATION

During the year ended 31 March 2021, the Group engaged Mazars as the Group's external auditor. The Company's consolidated financial statements for the year ended 31 March 2021 have been audited by Mazars. The remuneration paid or payable to Mazars for the years ended 31 March 2021 and 2020 respectively is set out as follows:

Services rendered

	Fees payable for the year ended 31 March	
	2021 (HK$'000)	2020 (HK$'000)
Statutory audit services	680	630
Tax compliance services	71	70

COMPANY SECRETARY

Mr. Chan Cheung ("Mr. Chan") is the company secretary of the Company. Please refer to the section headed "Biographical details of Directors and Senior Management" of this annual report for his biographical information.

Mr. Chan has confirmed that he took not less than 15 hours of relevant professional training during the year ended 31 March 2021 in compliance with rule 3.29 of the Listing Rules.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board is responsible for reviewing the effectiveness of the risk management and internal control systems of the Group. The scope of the review is determined and recommended by the Audit Committee and approved by the Board annually. The review covers:

1. all material controls, including but not limited to financial, operational and compliance controls;

2. risks management functions; and

3. the adequacy of resources, qualifications and experience of staff in connection with the accounting and financial reporting function of the Group and their training programmes and relevant budget.

During the year ended 31 March 2021, the Audit Committee assessed once the risk management and internal control environment of the Group and reviewed once the internal control procedural manual of the Group and considers that the Group's risk management and internal control systems effective and adequate. The systems are designed in consideration of the nature of business and the organisation structure. Further, the systems are designed to manage rather than eliminate the risk of failure in operational system and to provide reasonable, but not absolute, assurance against material misstatement or loss. The system is designed further to safeguard the Group's assets, maintain appropriate accounting records and financial reporting, achieve efficiency of operations and ensure compliance with the Listing Rules and all other applicable laws and regulations.

During the year ended 31 March 2021, the Group has engaged external independent professionals to review its risk management and internal control systems and further enhance its risk management and internal control systems as appropriate.

There is currently no internal audit function within the Group. The Board has reviewed the need for an internal audit function and is of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit functions for the Group as the need arises. Nevertheless, the Board will continue to review the need for an internal audit function annually.

In order to enhance the Group's system of handling inside information and to ensure timely and accurate disclosure of such information pursuant to the relevant provisions under the SFO and the Listing Rules, the Group has also adopted and implemented an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of disclosure requirements in relation to the Group, which include:

- all Directors, employees or any services providers, who are in possession of possible inside information, covenant to keep such information remains confidential until it is authorized for publication;

- confidentiality clause is included when the Group is at a stage of preliminary negotiation with any party;

- the dissemination of inside information is timely, efficiently and consistently made when it is the subject of decision of the Board;

- notification of blackout period or prohibition period to deal in securities of the Company to all Directors and employees who are in possession of inside information; and

- the Group continually keeps all Directors and employees updated of the latest and new amendments on legal disclosure requirements of inside information.

DIRECTORS' AND AUDITOR'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge and understand their responsibility for preparing the consolidated financial statements and to ensure that the consolidated financial statements of the Group are prepared in a manner which reflects the true and fair view of the state of affairs, results and cash flows of the Group and are in compliance with the relevant accounting standards and principles, applicable laws and disclosure provisions required of the Listing Rules. The Directors are of the view that the consolidated financial statements of the Group for each financial year have been prepared on this basis.

To the best knowledge of the Directors, there is no uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

Statement of the Company's external auditor's responsibilities in respect of the consolidated financial statements is set out in the Independent Auditor's Report of this annual report.

COMMUNICATIONS WITH SHAREHOLDERS

The AGM is a forum in which the Board and the Shareholders communicate directly and exchange views concerning the affairs and overall performance of the Group and its future developments, etc. At the AGM, the Directors (including independent non-executive Directors) are available to attend to questions raised by the Shareholders. The external auditor of the Company is also invited to be present at the AGM to address to queries of the Shareholders concerning the audit procedures and the auditors' report.

The AGM will be held on 30 September 2021, the notice of which shall be sent to the Shareholders at least 20 clear business days prior to the AGM.

SHAREHOLDERS' RIGHTS

Convening of Extraordinary General Meeting on Requisition by Shareholders

Pursuant to Article 58 of the Articles, the Board may, whenever it thinks fit, convene an extraordinary general meeting ("EGM"). EGMs shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. If, within 21 days of such deposit, the Board fails to proceed to convene such meeting, all reasonable expenses incurred by the requisition(s) as a result of the failure of the Board shall be reimbursed to the requisition(s) by the Company.

Procedures for Shareholders' Nomination of Directors

Pursuant to Article 85 of the Articles, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office of the Company. The period for lodgment of the notices required under the Article will commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

Procedures for directing shareholders' enquiries to the Board

Shareholders may direct their enquiries concerning their shareholdings to the Company's share registrars. Shareholders may also make a request for the Company's information to the extent that such information has been made publicly available by the Company. All written enquiries or requests may be forwarded to the Company's head office or by fax at (852) 2572 3778.

The addresses of the Company's head office and the Company's share registrars can be found in the section "Corporate Information" of this annual report.

INVESTOR RELATIONS

To ensure transparent and comprehensive disclosures to investors, the Group delivers information of the Group to the public through various channels, including general meeting, public announcement and financial reports. The investors are also able to access the latest news and information of the Group via the Company's website (www.rbmsgroup.com).

In order to maintain good and effective communication, the Company together with the Board extend their invitation to all Shareholders and encourage them to attend the AGM and all future general meetings.

The Shareholders may also forward their enquiries and suggestions in writing to the Company to the following address:

Address: 50/F, China Online Centre
333 Lockhart Road
Wanchai
Hong Kong

AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

The constitutional documents of the Company are available on the websites of the Company and the Stock Exchange. During the year ended 31 March 2021, there had been no change in the constitutional documents of the Company.

The Board is pleased to present the annual report together with the audited consolidated financial statements (the "Financial Statements") of the Company for the year ended 31 March 2021 (the "Year").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in Note 37 to the Financial Statements of this annual report. During the Year, the Group was principally engaged in the retailing and supplying of overseas manufactured tiles in Hong Kong and Macau.

An analysis of the Group's results for the Year by segments is set out in Note 7 to the Financial Statements of this annual report.

BUSINESS REVIEW

The business review of the Group for the Year, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the business of the Group, is set out in the section headed "Management Discussion and Analysis" on pages 5 to 11 of this annual report. These discussion and analysis form part of this Report of the Directors.

RESULTS AND APPROPRIATIONS

The Group's results for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 43 of this annual report.

DIVIDEND

The Directors do not recommend any payment of dividend for the Year.

SUMMARY OF FINANCIAL INFORMATION

The summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 98 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group are set out in Note 14 to the Financial Statements of this annual report.

SHARE CAPITAL

The Company's issued share capital as at 31 March 2021 was 240,000,000 ordinary shares of HK$0.1 each.

Details of movements of the share capital of the Company during the Year are set out in Note 27 to the Financial Statements of this annual report.

PRE-EMPTIVE RIGHTS

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

CHARITABLE DONATIONS

No charitable donation was made by the Group during the year ended 31 March 2021 (2020: HK$115,000).

RESERVES

Details of the movements in the reserves of the Company and the Group during the Year are set out in Note 36 to the Financial Statements and the consolidated statement of changes in equity of this annual report, respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2021, the Company's reserves available for distribution as calculated in accordance with the Articles and the Companies Law Cap. 22 of Cayman Islands, was approximately HK$55.8 million inclusive of share premium and accumulated losses.

MAJOR CUSTOMERS AND SUPPLIERS

The major customers of the Group include some of the major project customers in Hong Kong and distributors in the PRC. Many of the Group's five largest customers and suppliers have established long term business relationship with the Group. The Directors believe that such long-term relationships represent confidence and trust from business partners and acknowledgement of the Group's ability.

The Group recognises the importance of maintaining good relationships with customers and suppliers to achieve its long-term business growth and development. Accordingly, the Group has kept good communications and shared business updates with business partners when appropriate.

For each of the years ended 31 March 2021 and 2020, the Group's five largest customers in aggregate accounted for less than 29.6% of the Group's total revenue of the respective years.

For the year ended 31 March 2021, the Group's five largest suppliers in aggregate accounted for approximately 29.1% (2020: approximately 43.2%) of the Group's total purchases. The largest supplier accounted for approximately 9.3% (2020: approximately 13.7%) of the Group's total purchases.

To the best of the knowledge of the Directors, none of the Directors, their close associates nor any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in these major customers and suppliers.

DIRECTORS

The Directors during the year ended 31 March 2021 and up to the date of this annual report were as follows:

Executive Directors:

Mr. Simon Tso
Ms. Tsui To Fei

Independent non-executive Directors:

Mr. Ho Wing Tim
Mr. Ng Wang To
Ms. Law Chui Yuk

Mr. Ng Wang To and Ms. Law Chui Yuk shall retire by rotation at the forthcoming AGM, and each of them, being eligible, would offer themselves for re-election thereat.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and members of the senior management of the Company are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 12 to 14 in this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of our executive Directors has entered into a service contract with our Company for a term of three years, which may be terminated by not less than three months' notice in writing served by either party on the other. Each of our independent non-executive Directors has entered into a letter of appointment with our Company for a term of three years, which may be terminated by not less than three months' notice in writing served by either party on the other. None of the Directors has entered into a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save for the related party transactions disclosed in Note 30 to the Financial Statements of this annual report, no transactions, arrangements or contract of significance to which the Company or any of its subsidiaries, holding company or fellow subsidiaries was a party and in which a Director had a material interests directly or indirectly subsisting at 31 March 2021 or at any time during the Year.

MANAGEMENT CONTRACTS

No management contracts concerning the whole or any substantial part of the business of the Company were entered into or existed during the Year.

CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACT OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transaction" below, there was no contract of significance between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries for the Year.

REMUNERATION OF THE DIRECTORS, SENIOR MANAGEMENT AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors and the five highest paid individuals in the Group are set out in Note 8 to the Financial Statements of this annual report.

The emoluments paid or payable to the Senior Management of the Group who are not Directors were within the following bands:

	Year ended 31 March	
	2021	**2020**
	Number of individuals	Number of individuals
Nil to HK$1,000,000	2	2
HK$1,000,001 to HK$1,500,000	1	1

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, the Directors, managing Directors, alternate Directors, auditors, secretary and other officers for the time being of the Company shall be indemnified and secured harmless out of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or about the execution of their duty in their offices or in relation thereto.

The Company has taken out and maintained directors' liability insurance which provides appropriate cover for the Directors and directors of the subsidiaries of the Group.

EMOLUMENT POLICY

The Remuneration Committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and the Senior Management, having regard to the Group's operating results, individual performance and comparable market practices. The remuneration of the Directors and the Senior Management are determined with reference to the economic situation, the market conditions, the responsibilities and duties assumed by each Director and each member of the Senior Management as well as their individual performance.

The Company has adopted a share option scheme as incentive to the Directors and eligible employees, details of which are set out in the section headed "Share Option Scheme" below.

PENSION SCHEMES

Details of the Group's pension schemes for the Year are set out in Note 29 to the Financial Statements of this annual report.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

For the year ended 31 March 2021 and up to the date of this report, each of the Directors, the controlling shareholders of the Company and their respective close associates (as defined in the Listing Rules) has confirmed that none of them had any business or interest in any company 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 the Group.

NON-COMPETITION UNDERTAKING

In order to protect the Group's interest in its business activities, the Controlling Shareholders (collectively, the "Covenantors") entered into the Deed of Non-Competition on 20 September 2018. Under the terms of the Deed of Non-Competition, each of the Covenantors, among others, has irrevocably and unconditionally undertaken to the Company (for itself and for the benefit of each of its subsidiaries for the time being) that with effect from the date of listing of the Company on the Stock Exchange and for so long as he/it remains as a Controlling Shareholder of the Company or during the period when the Shares remain listed on the Stock Exchange, except for transactions contemplated under agreements (if any) entered or to be entered into with the Group, that he/it will not, and will procure his/its associates (other than the Group) not to compete directly or indirectly with the businesses of the Group.

Each of the Covenantors further undertakes that if he/it or his/its close associates other than any member of the Group is offered or becomes aware of any business opportunity which may compete with any business opportunity of the Group, he/it shall procure that his/its close associates to promptly notify the Group in writing with such required information to enable the Group to evaluate the merits of the relevant business opportunity and the Group shall have a right of first refusal to take up such opportunity. The parties shall then negotiate in good faith with respect to a collaboration for such new business.

The Group shall, within 30 days after receipt of the written notice (or such longer period if the Group is required to complete any approval procedures as set out under the Listing Rules from time to time), notify the Covenantor(s) whether the Group will exercise the right of first refusal. The Group shall only exercise the right of first refusal upon the approval of all independent non-executive Directors who do not have any interest in such opportunity. The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the right of first refusal.

Details of the Deed of Non-Competition have been set out in the section headed "Relationship with the Controlling Shareholders" of the Prospectus. The Company has received a written confirmation from each of the Covenantors in respect of its/his compliance with the terms of the Deed of Non-Competition during the Year and up to the date of this annual report.

All the independent non-executive Directors are delegated with the authority to review the Deed of Non-Competition. The independent non-executive Directors had reviewed the status of compliance and the confirmation provided by the Controlling Shareholders, and on the basis of such confirmation are of the view that the Controlling Shareholders have complied with the Deed of Non-Competition and the non-competition undertakings have been enforced by the Company in accordance with its terms.

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

Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities during the Year.

The Company did not redeem any of its listed securities during the Year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Apart from the sections headed "Disclosure of Interests" and "Share Option Scheme" below, at no time during the Year were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective associates nor was the Company and any of its subsidiaries a party to any arrangement to enable the Directors or their respective associates to acquire such rights in any other body corporate.

EQUITY-LINKED AGREEMENT

Save as disclosed in the section headed "Share Option Scheme" below, no equity-linked agreements were entered into during the Year or subsisted at the end of the Year.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is devoted to promoting and maintaining the environmental and social sustainable development of the regions where it operates. As a responsible enterprise, the Group strives to comply with all the relevant laws and regulations in terms of the environmentally friendliness, health and safety, adopts effective measures, conserves energy and reduces waste. A separate report on environmental, social and governance matters will be published within three months after the Year.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group recognises the importance of compliance with legal and regulatory requirements and the risk of non-compliance with such requirements. The Group conducts on-going reviews of newly enacted/revised laws and regulations affecting its operations. The Company is not aware of any non-compliance in any material respect with the relevant laws and regulations that have a significant impact on the business and operation of the Group during the Year.

RELATIONSHIP WITH EMPLOYEES, SUPPLIERS, CUSTOMERS AND OTHER KEY STAKEHOLDERS

The Group understands that the success of the Group's business depends on the support from its key stakeholders, including employees, customers, suppliers, banks, regulators and shareholders. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

AUDIT COMMITTEE

The Audit Committee together with the management have reviewed the accounting standards and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters in connection with the preparation of the audited consolidated financial statements of the Group for the Year.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that, the Company has maintained the prescribed public float under the Listing Rules as at the latest practicable date prior to the issue of this annual report.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

AUDITOR

The Financial Statements for the Year have been audited by Mazars, who will retire, and being eligible, offers itself for re-appointment at the forthcoming AGM. A resolution for its re-appointment as auditor of the Company will be proposed at the forthcoming AGM.

SHARE OPTION SCHEME

The Company has adopted a share option scheme on 20 September 2018 (the "Share Option Scheme"). The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

The primary purpose of the Share Option Scheme is to provide incentives to Directors, employees, and any advisers, consultants, agents, suppliers, customers, distributors and such other persons who in the sole opinion of the Board will contribute or have contributed to the Group (the "Eligible Participants"), the Eligible Participants may, at the discretion of the Board, be granted options (the "Options") to subscribe for shares in the Company at a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of the offer of grant, which must be a trading day, (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares on the date of grant of the option.

Without prior approval from the Shareholders, the total number of shares in respect of which options may be granted under the Share Option Scheme and any other share option scheme of the Company shall not in aggregate exceed 10% of the Shares of the Company as at the date of the listing of the Company's shares on the Stock Exchange (i.e. 24,000,000 Shares, which represents 10% of the Shares as at 31 March 2021). The number of Shares in respect of which Options may be granted to any individual in any one year is not permitted to exceed 1% of the Shares of the Company in issue at any point in time.

Pursuant to the Share Option Scheme, HK$1 is payable by the grantee to the Company on acceptance of the Option on or before the relevant acceptance date set out in the offer letter.

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the Option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an Option may be exercised will be determined by the Board in its absolute discretion, save that no Option may be exercised more than 10 years after it has been granted. No Option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption (i.e. 20 September 2018).

No Options have been granted since the adoption of the Share Option Scheme and there was no share Option outstanding as at 31 March 2021.

DISCLOSURE OF INTERESTS

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

As at 31 March 2021, the interests and short positions of the Directors and the chief executive of the Company and their associates in the Shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

Long Position in the Shares

Name of Director	Capacity/Nature	Number of Shares held	Percentage of the issued share capital of the Company
Mr. Simon Tso	Beneficiary of a trust	150,000,000[(1)]	62.5%
	Interest of controlled corporation	820,000[(2)]	0.34%
Ms. Tsui To Fei	Interest of a spouse	150,000,000[(3)]	62.5%
	Interest of controlled corporation	820,000[(2)]	0.34%

Notes:

1. RB Power Limited ("RB Power") is wholly owned by RB Management Holding Limited ("RB Management"), the holding vehicle incorporated in the BVI used by TMF (Cayman) Ltd., the trustee of a discretionary trust established by Mr. Tso (as the settlor) with Mr. Tso as one of the beneficiaries (the "Family Trust"). By virtue of the SFO, Mr. Tso is deemed to be interested in the Shares held by RB Power.

2. The shares are held by Cyber Building Limited, a company owned as to 50/50 by Mr. Tso and Ms. Tsui. By virtue of the SFO, both Mr. Tso and Ms. Tsui are deemed to be interested in the shares held by Cyber Building Limited.

3. Ms. Tsui is the spouse of Mr. Tso. Under Part XV of the SFO, Ms. Tsui is deemed to be interested in the same number of Shares in which Mr. Tso is interested.

Save as disclosed above, as at 31 March 2021, none of the Directors or chief executive of the Company nor their associates had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations, which had to be notified to the Company and the Stock Exchange under the SFO or pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

As at 31 March 2021, the interest and short positions of the persons (other than the Directors or chief executive of the Company) in the Shares and underlying Shares of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long Position in the Shares

Name of Shareholder	Capacity/Nature	Number of Shares held	Percentage of the issued share capital of the Company
TMF (Cayman) Ltd.	Trustee of a trust	150,000,000 *(Note)*	62.5%
RB Management	Interest of a controlled corporation	150,000,000 *(Note)*	62.5%
RB Power	Beneficial owner	150,000,000 *(Note)*	62.5%

Note: RB Power (Mr. Tso being its sole director) is wholly owned by RB Management, the holding vehicle incorporated in the BVI used by TMF (Cayman) Ltd., the trustee of the Family Trust, which is a discretionary trust established by Mr. Tso (as the settlor) with Mr. Tso and Mr. Tso's family members as beneficiaries. By virtue of the SFO, each of TMF (Cayman) Ltd. and RB Management is deemed to be interested in the Shares held by RB Power.

Save as disclosed above, as at 31 March 2021, the Directors were not aware of any corporation which/person (other than a Director or the chief executive of the Company) who had interest or short position in the Shares or underlying Shares which were recorded in the register required to be kept under Section 336 of the SFO.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Other than the related party transactions disclosed in Note 30 to the Financial Statements, no transactions, arrangements, contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which a Director or his/her connected entity had a material interest, whether directly or indirectly, were entered into or subsisted at the end of the Year or at any time during the Year.

Details of the significant related party transactions undertaken in the ordinary course of business are provided under Note 30 to the Financial Statements of this annual report. The related party transactions which constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules are summarised below.

On 20 September 2018, the Company entered into a master tenancy agreement (the "Master Tenancy Agreement") with Mr. Tso and Ms. Tsui, pursuant to which Mr. Tso and Ms. Tsui agreed to, through Cyber Building Limited, Fortune Goldman Limited, Happy Gear Limited and Denmark Investments Limited (together referred to as the "Landlords"), lease six premises, being a warehouse and five retail shops, to the Group. The lease terms of the premises under the Master Tenancy Agreement are all from 20 September 2018 to 31 March 2021.

Mr. Tso is an executive Director and a Controlling Shareholder of the Company. Ms. Tsui is an executive Director and the spouse of Mr. Tso. Cyber Building Limited is owned as to 50% by Mr. Tso and 50% by Ms. Tsui. Fortune Goldman Limited, Happy Gear Limited and Denmark Investments Limited are indirectly wholly owned by Mr. Tso. As such, the Landlords are associates of Mr. Tso and Ms. Tsui and hence connected persons of the Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the Master Tenancy Agreement with the Landlords constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. For details of the relationships between the Landlords and Mr. Tso/Ms. Tsui, please refer to the section headed "Connected Transactions" in the Prospectus.

As disclosed in the Prospectus, the annual caps set for the year ended 31 March 2021 under the Master Tenancy Agreements regarding the rental payments (in aggregate) to Cyber Building Limited, Fortune Goldman Limited, Happy Gear Limited and Denmark Investments Limited were HK$6,360,000, HK$4,920,000, HK$2,520,000 and HK$ 3,360,000, respectively. For the year ended 31 March 2021, rental payments to Cyber Building Limited, Fortune Goldman Limited, Happy Gear Limited and Denmark Investments Limited amounted to approximately HK$6,360,000, HK$4,920,000, HK$2,520,000 and HK$3,360,000 respectively, which did not exceed the respective applicable annual caps for the year ended 31 March 2021.

The Company applied for, and the Stock Exchange granted a waiver from strict compliance with the announcement, circular and independent Shareholders' approval requirements of the Listing Rules in relation to the Master Tenancy Agreement. The Company complied with all other relevant requirements under Chapter 14A of the Listing Rules.

On 3 February 2021, the Company entered into a sale and purchase agreement for the acquisition of the entire equity interest and shareholder's loan in Mason Holdings Limited at the total Consideration of HK$31,000,000 (the "Acquisition").

As the vendors are connected persons of the Company, the Acquisition constituted a connected transaction for the Company under Chapter 14A of the Listing Rules and was approved by independent shareholders at the extraordinary general meeting held on 31 March 2021 and Completion took place on 21 June 2021.

ANNUAL REVIEW OF THE CONTINUING CONNECTED TRANSACTIONS UNDER THE LISTING RULES

The Directors (including the independent non-executive Directors) have reviewed the continuing connected transactions and confirmed that they have been entered into on normal commercial terms in the ordinary and usual course of business of the Group, and in accordance with the relevant agreements governing the continuing connected transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The auditor of the Company had reviewed the continuing connected transactions and confirmed, inter alia, that the continuing connected transactions have been entered into in accordance with the relevant agreements governing the continuing connected transactions and the continuing connected transactions have not exceeded the annual caps disclosed in the Prospectus.

2021 ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming AGM will be held at the head office of the Company at 50/F, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong, on 30 September 2021 at 11:00 a.m..

For determining the entitlement to attend and vote at the forthcoming AGM, the register of members of the Company will be closed from 25 September 2021 to 30 September 2021 (both days inclusive) during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the forthcoming AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 28 September 2021. All persons who are registered holders of the Shares on 30 September 2021, the record date of the AGM, will be entitled to attend and vote at the AGM.

EVENTS AFTER THE REPORTING PERIOD

On 3 February 2021, the Company entered into a sale and purchase agreement for the acquisition of the entire equity interest and shareholder's loan in Mason Holdings Limited at the total Consideration of HK$31,000,000 (the "Acquisition"). The Acquisition constituted a disclosable and connected transaction of the Company and was approved by the Company's independent shareholders at the extraordinary general meeting convened on 31 March 2021. Completion took place on 21 June 2021. The major asset of the Company is a residential property and a carparking space.

Save as disclosed above, the Board is not aware of any important event requiring disclosure that has been taken place subsequent to 31 March 2021 and up to the date of this annual report.

On behalf of the Board
Simon Tso
Chairman and Chief Executive Officer

Hong Kong, 28 June 2021

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TO THE SHAREHOLDERS OF MOS House Group Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of MOS House Group Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 43 to 97, which comprise the consolidated statement of financial position as at 31 March 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2021, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional 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 the matter was addressed in our audit
Impairment assessment of trade receivables	
Refer to notes 2, 4, 18 and 33 to the consolidated financial statements	
As at 31 March 2021, the Group's net trade receivables amounting to approximately HK$45,235,000. Loss allowances for expected credit losses ("ECL") amounting to approximately HK$4,913,000 has been provided on these trade receivables. Management of the Group estimates the amount of lifetime ECL on (i) trade receivables from customers located in the People's Republic of China ("PRC Distributors"), trade receivables with aggregated significant outstanding balances exceeding HK$1,000,000 and credit-impaired trade receivables individually; and (ii) remaining trade receivables based on a provision matrix through grouping of various debtors that have similar loss patterns, after considering the past due status of respective trade receivables. Estimated loss rates are based on internal credit rating which reflect credit risk characteristics with reference to historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. Significant degree of management judgement was involved in evaluating the ECL of the Group's trade receivables as at 31 March 2021. As the amount is significant, we determine the ECL assessment as a key audit matter.	Our key procedures in relation to the impairment assessment of trade receivables included: • Understanding key controls on how the management estimates the loss allowances for trade receivables; • Understanding and assessing the appropriateness of management's methodology for identifying internal credit rating of trade receivables which reflect the credit risk characteristics; • Evaluating the reasonableness of the credit loss allowances on individually impaired trade receivables on a sample basis at 31 March 2021, with reference to internal credit rating assigned based on historical observed default rate of the debtors and forward-looking information; • Testing the accuracy of trade receivables past due ageing analysis as at 31 March 2021, on a sample basis, by comparing individual items in the analysis with the relevant sales invoices; • Evaluating management's basis and judgement in determining credit loss allowances on trade receivables as at 31 March 2021, including their identification of credit-impaired trade receivables, the reasonableness of management's grouping of the remaining trade receivables into different categories in the provision matrix, and the basis of estimated loss rates applied in each category in the provision matrix (with reference to historical observed default rate and forward-looking information); and • Testing subsequent settlements of trade receivables, on a sample basis, by inspecting supporting documents in relation to cash receipt from trade debtors subsequent to the end of the current reporting period.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How the matter was addressed in our audit
Provision for inventories *Refer to notes 2, 4 and 17 to the consolidated financial statements* As at 31 March 2021, inventories were stated at HK$62,971,000, comprising cost of approximately HK$77,147,000 less provision of approximately HK$14,176,000. Significant management judgement was required to assess whether the carrying amount of these inventories was higher than the net realisable value. Judgements were also required in identifying the slow-moving and obsolete inventories as they were based on forecasted inventory sales. As the amount is significant, we determine the recoverability assessment of inventories as a key audit matter.	Our key procedures in relation to management's assessment of provision for inventories included: • Understanding management's process of identifying the slow-moving and obsolete inventories and calculating the provisions; • Assessing the provisions by comparing the ageing analysis of inventories and the subsequent sale of inventories; and • Testing inventories to assess if they are stated at the lower of cost or net realisable value by comparing the actual subsequent sales value to the carrying value of inventories on a sample basis.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the 2021 annual report of the Company but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company 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 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion 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.

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.

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

(Continued)

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

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

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

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

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 28 June 2021

The engagement director on the audit resulting in this independent auditor's report is:
Eunice Y M Kwok
Practising Certificate number: P04604

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 MARCH 2021

	Notes	**2021 HK$'000**	2020 HK$'000
Revenue	*5*	**147,013**	145,369
Other income	*6*	**11,871**	2,211
Other gains and losses	*6*	**(1,222)**	419
Net reversal of (provision for) impairment losses on trade receivables	*33*	**678**	(1,355)
Cost of inventories sold		**(54,005)**	(41,220)
Staff costs	*10*	**(21,233)**	(22,502)
Depreciation	*10*	**(44,617)**	(50,346)
Property related expenses		**(2,553)**	(2,871)
Other expenses	*10*	**(17,597)**	(20,238)
Finance costs	*9*	**(6,810)**	(10,272)
Profit (Loss) before taxation	*10*	**11,525**	(805)
Income tax (expense) credit	*11*	**(1,471)**	73
Profit (Loss) and total comprehensive income (loss) for the year		**10,054**	(732)
Profit (Loss) and total comprehensive income (loss) for the year attributable to:			
Owners of the Company		**10,054**	(655)
Non-controlling interests		**–**	(77)
		10,054	(732)
Earnings (Loss) per share	*13*	**HK cents**	HK cents (Adjusted)
Basic		**4.33**	(0.33)
Diluted		**4.33**	(0.33)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment	*14*	**2,798**	3,392
Right-of-use assets	*15*	**49,448**	84,948
Deferred tax assets	*16*	**2,278**	3,020
Deposits and prepayments	*19*	**4,894**	8,216
Financial assets at fair value through profit or loss ("FVPL")	*20*	**6,636**	6,455
		66,054	106,031
Current assets			
Inventories	*17*	**62,971**	79,014
Trade receivables	*18*	**45,235**	48,188
Deposits, prepayments and other receivables	*19*	**39,917**	10,026
Tax recoverable		**4**	2,370
Pledged bank deposit	*22*	**15,000**	65,000
Bank balances and cash	*22*	**10,552**	5,500
		173,679	210,098
Current liabilities			
Trade payables	*23*	**13,377**	17,827
Other payables and accrued charges	*24*	**6,411**	7,437
Contract liabilities	*25*	**8,455**	7,024
Lease liabilities — current portion	*15*	**42,165**	49,224
Amount due to a director	*21*	**19,410**	2,858
Tax payable		**2,053**	1,340
Bank and other borrowings	*26*	**21,572**	99,327
		113,443	185,037
Net current assets		**60,236**	25,061
Total assets less current liabilities		**126,290**	131,092
Non-current liabilities			
Lease liabilities — non-current portion	*15*	**13,314**	43,852
NET ASSETS		**112,976**	87,240
Capital and reserves			
Share capital	*27*	**24,000**	20,000
Reserves		**88,976**	67,240
TOTAL EQUITY		**112,976**	87,240

These consolidated financial statements on pages 43 to 97 were approved and authorised for issue by the Board of Directors on 28 June 2021 and are signed on its behalf by:

Mr. Simon Tso
Director

Ms. Tsui To Fei
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 MARCH 2021

	Attributable to owners of the Company							
	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2019	20,000	62,655	17	5,229	67,901	87,901	171	88,072
Loss and total comprehensive loss for the year	–	–	–	(655)	(655)	(655)	(77)	(732)
Transactions with owners:								
Changes in ownership interests in a subsidiary that do not result in a loss of control	–	–	–	(6)	(6)	(6)	(94)	(100)
At 31 March 2020 and 1 April 2020	20,000	62,655	17	4,568	67,240	87,240	–	87,240
Profit and total comprehensive income for the year	**–**	**–**	**–**	**10,054**	**10,054**	**10,054**	**–**	**10,054**
Transaction with owners:								
Shares issued upon placing *(Note 27)*	**4,000**	**11,682**	**–**	**–**	**11,682**	**15,682**	**–**	**15,682**
At 31 March 2021	**24,000**	**74,337**	**17**	**14,622**	**88,976**	**112,976**	**–**	**112,976**

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 MARCH 2021

	Notes	2021 HK$'000	2020 HK$'000
OPERATING ACTIVITIES			
Profit (Loss) before taxation		**11,525**	(805)
Depreciation		**44,617**	50,346
Loss on written-off of property, plant and equipment		**859**	–
Net (reversal of) provision for impairment losses on trade receivables		**(678)**	1,355
Interest income		**(1,137)**	(1,741)
Interest expenses		**6,810**	10,272
Gain on disposal of right-of-use assets		**(234)**	–
Gain on rent concession		**(5,865)**	–
Fair value gain on financial assets at FVPL		**(244)**	(446)
Changes in working capital			
Decrease(Increase) in inventories		**16,043**	(3,742)
Decrease(Increase) in trade receivables		**3,631**	(2,986)
Increase in deposits, prepayments and other receivables		**(26,113)**	(3,670)
Decrease in trade payables		**(4,450)**	(1,359)
(Decrease) Increase in other payables and accrued charges		**(963)**	1,809
Increase (Decrease) in contract liabilities		**1,431**	(952)
Net cash generated from operations		**45,232**	48,081
Income tax refunded (paid)		**2,350**	(1,758)
Net cash from operating activities		**47,582**	46,323
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		**(1,614)**	(429)
Bank interest received		**547**	1,076
Repayments from a director		**–**	1,337
Net cash (used in) from investing activities		**(1,067)**	1,984
FINANCING ACTIVITIES			
Purchase of non-controlling interests of a subsidiary		**–**	(100)
Net proceeds from issue of new shares		**15,682**	–
Interest paid		**(6,810)**	(10,272)
Advance from a director		**16,552**	2,858
New bank and other borrowings raised		**73,143**	30,000
Repayment of bank and other borrowings		**(140,963)**	(70,830)
Principal portion of lease payments		**(39,132)**	(34,692)
Net cash used in financing activities	*31*	**(81,528)**	(83,036)
Net decrease in cash and cash equivalents		**(35,013)**	(34,729)
Cash and cash equivalents at beginning of the reporting period		**60,497**	95,226
Cash and cash equivalents at end of the reporting period	*22*	**25,484**	60,497

1. GENERAL

MOS House Group Limited (the "Company") is incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Law, and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The addresses of the Company's registered office and the principal place of business are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and 50/F, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong, respectively.

Its immediate holding company is RB Power Limited ("RB Power") and its ultimate holding company is RB Management Holding Limited (the "Trust Company"), both of which are incorporated in the British Virgin Islands ("BVI"). They are controlled by Mr. Simon Tso ("Mr. Tso"), an executive director of the Company.

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

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the functional currency of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

All amounts have been rounded to the nearest thousand, unless otherwise indicated.

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2020 consolidated financial statements except for the adoption of the following new/revised HKFRSs that are relevant to the Group and effective from the current year.

In addition, the Group has early adopted amendments to HKFRS 16 Covid-19-Related Rent Concession Beyond 30 June 2021 in current year.

Except for amendments to HKFRS 16, the adoption of the new/revised HKFRSs does not have any significant impact on the consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Adoption of new/revised HKFRSs

Amendments to HKASs 1 and 8: Definition of Material

The amendments clarify the definition of material and align the definition used across HKFRSs.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKFRS 3: Definition of a Business

The amendments, among others, revise the definition of a business and include new guidance to evaluate whether an acquired process is substantive.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKFRS 16: Covid-19-Related Rent Concessions Beyond 30 June 2021

The amendments exempt lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allow lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before 30 June 2022. The amendments do not affect lessors.

These amendments shall be applied for annual periods beginning on or after 1 April 2021 with earlier application permitted. The Group has elected to early adopt the amendments in the current year and use the practical expedient not to assess whether rent concessions that occur as a direct consequence of the COVID-19 pandemic and meet specified conditions are lease modifications. The Group applied it consistently to all lease contracts with similar characteristics and in similar circumstances.

The adoption of the amendments has resulted in a gain on rent concession of approximately HK$5,865,000 recognised in profit or loss in the current year.

A summary of the principal accounting policies adopted by the Group is set out below.

Basis of measurement

The measurement basis used in the preparation of these consolidated financial statements is historical cost, except for the payments for life insurance policies which are measured at fair value as explained in the accounting policy as set out below.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Company using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Non-controlling interests are presented, separately from owners of the Company, in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, are measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis.

Allocation of total comprehensive income

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to the owners of the Company and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in ownership interest

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the parent had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when control is lost.

Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position which is presented within these notes, investments in subsidiaries are stated at cost less accumulated impairment losses. The carrying amount of the investments is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

Leasehold improvements	Shorter of 5 years or the lease term
Furniture and equipment	20%
Computer equipment	20%
Motor vehicles	33 1/3%

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

Financial instruments

Financial assets

Recognition and derecognition

Financial assets are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises the financial asset to the extent of its continuing involvement and an associated liability for the amounts it may have to pay.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and measurement

Financial assets (except for trade receivables without a significant financing component) are initially recognised at their fair value plus, in the case of financial assets not carried at FVPL, transaction costs that are directly attributable to the acquisition of the financial assets. Such trade receivables are initially measured at their transaction price.

On initial recognition, a financial asset is classified as (i) measured at amortised cost; (ii) debt investment measured at fair value through other comprehensive income ("FVOCI"); (iii) equity investment measured at FVOCI; or (iv) measured at FVPL.

The classification of financial assets at initial recognition depends on the Company's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing them, in which case all affected financial assets are reclassified on the first day of the first annual reporting period following the change in the business model (the "reclassification date").

1) Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

(i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

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

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses arising from impairment, derecognition or through the amortisation process are recognised in profit or loss.

The Group's financial assets at amortised cost include trade and other receivables, refundable rental deposits, pledged bank deposit and bank balances and cash.

2) Financial assets at FVPL

These investments include financial assets that are not measured at amortised cost or FVOCI, including financial assets held for trading, financial assets designated upon initial recognition as at FVPL, financial assets resulting from a contingent consideration arrangement in a business combination to which HKFRS 3 applies and financial assets that are otherwise required to be measured at FVPL. They are carried at fair value, with any resultant gain and loss recognised in profit or loss, which includes any dividend or interest earned on the financial assets.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

2) Financial assets at FVPL *(Continued)*

A financial asset is classified as held for trading if it is:

(i) acquired principally for the purpose of selling it in the near term;

(ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking on initial recognition; or

(iii) a derivative that is not a financial guarantee contract or not a designated and effective hedging instrument.

Financial assets are designated at initial recognition as at FVPL only if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on different bases.

The Group's financial assets mandatorily measured at FVPL include payments for life insurance policies.

Financial liabilities

Recognition and derecognition

Financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

Financial liabilities are initially recognised at their fair value plus, in the case of financial liabilities not carried at FVPL, transaction costs that are directly attributable to the issue of the financial liabilities.

The Group's financial liabilities include trade and other payables, bank and other borrowings and lease liabilities. All financial liabilities, except for financial liabilities at FVPL, are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer of the contract to make specified payments to reimburse the holder of the contract for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contract is initially recognised as deferred income within trade and other payables at fair value (being the transaction price, unless the fair value can otherwise be reliably estimated).

Subsequently, the financial guarantee is measured at the higher of (i) the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with HKFRS 15 and (ii) the amount of the loss allowance determined in accordance with the expected credit loss ("ECL") model under HKFRS 9, unless the financial guarantee is measured at FVPL or arises from a transfer of a financial asset.

Impairment of financial assets and other items under HKFRS 9

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date 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 represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. 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 reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for the customers located in the People's Republic of China ("PRC Distributors") and trade receivables with aggregated outstanding balances exceeding HK$1,000,000, while the remaining trade receivables have been assessed collectively using a provision matrix grouped with past due status.

For all other instruments, the Group measures the loss allowance equal to 12-month ECL. However, when there has been a significant increase in credit risk since initial recognition, 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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets and other items under HKFRS 9 *(Continued)*

Assessment of 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 as at the reporting date 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;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default; ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets and other items under HKFRS 9 *(Continued)*

Assessment of significant increase in credit risk *(Continued)*

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the Group considers the changes in the risk that the specified debtor will default on the contract.

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

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower.

(b) a breach of contract, such as a default or past due event.

(c) 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.

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

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, e.g. 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 two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice when appropriate. Any recoveries made are recognised in profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets and other items under HKFRS 9 *(Continued)*

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected loss is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following bases:

- Nature of financial instruments (i.e. the Group's trade and other receivables are each assessed as a separate group);
- 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.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with HKFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

Except for financial guarantee contracts, the Group recognises an impairment reversal 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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Cash equivalents

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts. For classification in the statement of financial position, cash equivalents represent assets similar in nature to cash and which are not restricted as to use.

Revenue recognition

Revenue from contracts with customers within HKFRS 15

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 and 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.

Sale of tiles and bathroom fixtures is recognised at a point in time at which the customer obtains the control of the promised asset, which generally coincides with the time when the product is delivered to customer and title is passed.

Contract assets and contract liabilities

If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the contract is presented as a contract asset, excluding any amounts presented as a receivable. Conversely, if a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the contract is presented as a contract liability when the payment is made or the payment is due (whichever is earlier). A receivable is the Group's right to consideration that is unconditional or only the passage of time is required before payment of that consideration is due.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Contract assets and contract liabilities *(Continued)*

For a single contract or a single set of related contracts, either a net contract asset or a net contract liability is presented. Contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

For the business of trading tiles, it is common for the Group to receive from the customer the whole or some of the contractual payments before the products are delivered (i.e. the timing of revenue recognition for such transactions). The Group recognises a contract liability until it is recognised as revenue. During that period, any significant financing components, if applicable, will be included in the contract liability and will be expensed as accrued unless the interest expense is eligible for capitalisation.

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in the currency of Hong Kong dollars, which is also the Company's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Foreign exchange gains and losses resulting from the retranslation of non-monetary items carried at fair value are recognised in profit or loss except for those arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the gains or losses are also recognised directly in equity.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets

At the end of the 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 those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of tangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell 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.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) 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 a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately to profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

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

Government grants

Government grants are recognised at their fair value when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the years necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Leases

The Group assesses whether a contract is, or contains, a lease at inception of the contract. 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.

The Group applies the recognition exemption to short-term leases and low-value asset leases. Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The Group accounts for each lease component within a lease contract as a lease separately. 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.

Amounts payable by the Group that do not give rise to a separate component are considered to be part of the total consideration that is allocated to the separately identified components of the contract.

The Group recognises a right-of-use asset and a lease liability at the commencement date of the lease.

The right-of-use asset is initially measured at cost, which comprises:

(a) the amount of the initial measurement of the lease liability;

(b) any lease payments made at or before the commencement date, less any lease incentives received;

(c) any initial direct costs incurred by the Group; and

(d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, 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, unless those costs are incurred to produce inventories.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Depreciation is provided on a straight-line basis over the shorter of the lease term and the estimated useful lives of the right-of-use asset (unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option in which case depreciation is provided over the estimated useful life of the underlying asset) as follows:

Office premises	2 years
Retail shops	2 to 3 years
Warehouses	2 to 3 years

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the contract.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset, if any, during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;

(b) variable lease payments that depend on an index or a rate;

(c) amounts expected to be payable under residual value guarantees;

(d) exercise price of a purchase option if the Group is reasonably certain to exercise that option; and

(e) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, or where it is not readily determinable, the incremental borrowing rate of the lessee.

Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The lease liability is remeasured using a revised discount rate when there are changes to the lease payments arising from a change in the lease term or the reassessment of whether the Group will be reasonably certain to exercise a purchase option.

The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the remeasurement in profit or loss.

A lease modification is accounted for as a separate lease if:

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

(b) the consideration for the lease 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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

When a lease modification is not accounted for as a separate lease, at the effective date of the lease modification,

(a) the Group allocates the consideration in the modified contract on the basis of relative stand-alone price as described above.

(b) the Group determines the lease term of the modified contract.

(c) the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate over the revised lease term.

(d) for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognising any gain or loss relating to the partial or full termination of the lease in profit or loss.

(e) for all other lease modifications, the Group accounts for the remeasurement of the lease liability by making a corresponding adjustment to the right-of-use asset.

The Group has applied the practical expedient provided in Amendments to HKFRS 16: COVID-19-Related Rent Concessions Beyond 30 June 2021 and does not assess whether eligible rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modification. The Group accounts for any change in lease payments resulting from the rent concession the same way it would have accounted for the change applying HKFRS 16 as if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

(a) 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;

(b) any reduction in lease payments affects only payments originally due on or before 30 June 2022; and

(c) there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient consistently to all eligible rent concessions with similar characteristics and in similar circumstances.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Employee benefits

Short-term employee benefits

Salaries, annual bonuses, paid annual leave, and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

Defined contribution plans

The obligations for contributions to defined contribution retirement scheme are recognised as an expense in profit or loss as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund.

Long service payments

The Group's net obligation in respect of long service payments under the Employment Ordinance is the amounts of future benefit that employees have earned in return for their services in the current and prior periods. The obligation is calculated using the projected unit credit method and discounted to its present value and after deducting the fair value of any related assets, including those retirement scheme benefits.

Taxation

Taxation represents the sum of the income tax expense currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation 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.

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 recognised 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 assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rate (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.

Current and deferred tax are recognised in profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Related parties

A related party is a person or entity that is related to the Group.

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group.

(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 holding company, subsidiary and fellow subsidiary is related to the others).
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) both entities are joint ventures of the same third party.
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. 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 holding company of the entity).
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

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

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

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

(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

2. PRINCIPAL 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 chief operating decision maker for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individual 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 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.

3. FUTURE CHANGES IN HKFRSs

At the date of authorisation of these consolidated financial statements, the HKICPA has issued the following new/revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

Amendments to HKAS 39, HKFRSs 4, 7, 9 and 16	Interest Rate Benchmark Reform — Phase 2 [1]
Amendments to HKAS 16	Proceeds before Intended Use [2]
Amendments to HKAS 37	Cost of Fulfilling a Contract [2]
Amendments to HKFRS 3	Reference to the Conceptual Framework [2]
Annual Improvements to HKFRSs	2018–2020 Cycle [2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current [3]
Amendments to HKAS 1	Disclosure of Accounting Policies [3]
Amendments to HKAS 8	Definition of Accounting Estimates [3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction [3]
HKFRS 17	Insurance Contracts [3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [4]

[1] Effective for annual periods beginning on or after 1 January 2021
[2] Effective for annual periods beginning on or after 1 January 2022
[3] Effective for annual periods beginning on or after 1 January 2023
[4] The effective date to be determined

The directors do not anticipate that the adoption of the new/revised HKFRSs in future periods will have any material impact on the Company's consolidated financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

Key sources of estimation uncertainty

Provision of ECL for trade receivables

The management of the Group measures lifetime ECL of the trade receivables based on (i) trade receivables from PRC Distributors, trade receivables with aggregated significant balances exceeding HK$1,000,000 and credit-impaired trade receivables that are assessed individually; and (ii) remaining trade receivables that are based on provision matrix through grouping of various debtors that have similar loss patterns, after considering the past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. The assessment of credit risk of trade receivables involves high degree of estimation uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise accordingly in future periods.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling expenses necessary to make the sale. These estimates are based on the current market condition and the historical experience of selling products of similar nature. Management of the Group reassesses the estimations on a product-by-product basis at the end of the reporting period and makes allowances when necessary.

Discount rates for calculating lease liabilities as lessee

The Group uses the lessee's incremental borrowing rates to discount future lease payments since interest rates implicit in the leases are not readily determinable. In determining the discount rates for its leases, the Group refers to a rate that is readily observable as the starting point and then applies judgement and adjusts such observable rate to determine the incremental borrowing rate.

Critical judgements made in applying accounting policies

Lease term of contracts with extension options — as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised. The Group has lease contracts that include extension options. The Group applies judgement and considers all relevant factors that create an economic incentive for it to exercise the extension in evaluating whether it is reasonably certain whether or not to exercise the options to extend the lease. After the commencement date, the Group reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within its control and affects its ability to exercise the extension option.

5. REVENUE

	2021 HK$'000	2020 HK$'000
Types of products:		
Porcelain tiles	**120,329**	130,097
Ceramic tiles	**3,932**	1,863
Mosaic tiles	**1,113**	1,325
Bathroom fixtures and others	**21,639**	12,084
	147,013	145,369
Sales channel:		
Retail	**102,977**	115,722
Other	**44,036**	29,647
	147,013	145,369

The above revenue from contracts with customers within HKFRS 15 is recognised at a point in time and at fixed price.

The amount of revenue recognised for the year ended 31 March 2021 that was included in the contract liabilities at the beginning of the year is approximately HK$4,527,000 (2020: HK$7,771,000).

6. OTHER INCOME/OTHER GAINS AND LOSSES

	2021 HK$'000	2020 HK$'000
Other income		
Compensation income	**167**	22
Bank interest income	**547**	1,076
Fair value gain on financial assets at FVPL	**244**	446
Gain on disposal of right-of-use assets	**234**	–
Gain on rent concession	**5,865**	–
Government subsidies *(Note)*	**4,224**	–
Interest income on rental deposits	**590**	665
Others	**–**	2
	11,871	2,211
Other gains and losses		
Net exchange (loss) gain	**(363)**	419
Loss on written-off of property, plant and equipment	**(859)**	–
	(1,222)	419

Note: During the year, the Group recognised government subsidies of HK$2,864,000 (2020: Nil) and HK$1,360,000 (2020: Nil) in respect of the Employment Support Scheme and Retail Sector Subsidy Scheme respectively under the Anti-epidemic Fund of the Hong Kong SAR Government.

7. SEGMENT INFORMATION

For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the chief executive of the Group) reviews the overall results and financial position of the Group as a whole prepared based on the same accounting policies as set out in note 2. Since the Group has only one single operating segment (i.e. trading of tiles and bathroom fixtures), no further analysis of this single segment is presented.

Geographical information

The Group's operations are principally located in Hong Kong and Macau. The following table provides an analysis of the Group's revenue from external customers by geographical market in which the transactions are located:

	2021 HK$'000	2020 HK$'000
Hong Kong	**131,803**	128,920
Macau	**15,210**	16,449
	147,013	145,369

The following is an analysis of the carrying amounts of non-current assets (excluding financial instruments and deferred tax assets) in which the assets are located:

	2021 HK$'000	2020 HK$'000
Hong Kong	**52,246**	88,340

Information about major customers

No individual customer was accounted for 10% or more of the Group's total revenue during both years.

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(A) Directors' and chief executive's emoluments

The aggregate amounts of remuneration received and receivable by the Company's directors disclosed pursuant to the Listing Rules and the disclosure requirements of the Hong Kong Companies Ordinance are as follows:

	Year ended 31 March 2021						
	Executive directors		Non-executive directors	Independent non-executive directors			
	Mr. Tso HK$'000	Ms. Tsui To Fei HK$'000	Mr. Sincere Wong *(resigned on 1 April 2020)* HK$'000	Mr. Ho Wing Tim HK$'000	Mr. Ng Wang To HK$'000	Ms. Law Chui Yuk HK$'000	Total HK$'000
Fees *(Note a)*	–	–	–	180	180	180	540
Other emoluments:							
Salaries and other benefits *(Note a)*	2,916	816	–	–	–	–	3,732
Retirement benefits scheme contributions	18	18	–	–	–	–	36
Total emoluments	2,934	834	–	180	180	180	4,308

	Year ended 31 March 2020							
	Executive directors		Non-executive directors		Independent non-executive directors			
	Mr. Tso HK$'000	Ms. Tsui To Fei HK$'000	Mr. Leung Wai Chuen *(retired on 30 August 2019)* HK$'000	Mr. Sincere Wong *(resigned on 1 April 2020)* HK$'000	Mr. Ho Wing Tim HK$'000	Mr. Ng Wang To HK$'000	Ms. Law Chui Yuk HK$'000	Total HK$'000
Fees *(Note a)*	–	–	125	240	240	240	240	1,085
Other emoluments:								
Salaries and other benefits *(Note a)*	2,916	816	–	–	–	–	–	3,732
Retirement benefits scheme contributions	18	18	–	–	–	–	–	36
Total emoluments	2,934	834	125	240	240	240	240	4,853

Notes:

a. The emoluments of executive directors stated above were for their services in connection with management of the affairs of the Company and its subsidiaries. The emoluments of non-executive directors and independent non-executive directors stated above were for their services in connection with their roles as directors of the Company.

b. Mr. Tso acts as the chairman and chief executive of the Group.

No remuneration was paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as a compensation for loss of office. None of the directors of the Company has waived any remuneration during both years.

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(B) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two *(2020: two)* were directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining three *(2020: three)* highest paid employees who were neither a director nor chief executive of the Company are as follows:

	2021 HK$'000	2020 HK$'000
Salaries and other benefits	**2,146**	2,220
Discretionary bonus	**224**	258
Retirement benefits scheme contributions	**54**	54
	2,424	2,532

The emoluments of these highest-paid non-director employees were within the following bands:

	2021 Number of employees	2020 Number of employees
Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**1**	1
	3	3

No emoluments were paid by the Group to the five highest-paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for both years.

9. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest on bank borrowings	**1,355**	5,042
Interest on other borrowings	**1,750**	–
Interest on lease liabilities	**3,705**	5,230
	6,810	10,272

10. PROFIT (LOSS) BEFORE TAXATION

This is stated after charging:

		2021 HK$'000	2020 HK$'000
a.	**Employee benefits expenses (including directors' emoluments)**		
	Salaries and other benefits	**20,507**	21,738
	Retirement benefits scheme contributions	**726**	764
		21,233	22,502
b.	**Other expenses**		
	Auditor's remuneration	**680**	630
	Bank charges	**1,783**	2,073
	Product delivery expenses	**9,177**	10,585
	Utility and office expenses	**1,746**	2,635
	Sundry items	**4,211**	4,315
		17,597	20,238
c.	**Other items**		
	Depreciation:		
	— Property, plant and equipment	**1,349**	1,532
	— Right-of-use assets	**43,268**	48,814
		44,617	50,346

11. INCOME TAX EXPENSE (CREDIT)

Under the two-tiered profits tax rates regime introduced in 2018, the profits tax rate for the first HK$2,000,000 assessable profits arising from Hong Kong of qualifying entities will be taxed at 8.25%, and assessable profits arising from Hong Kong above HK$2,000,000 will continue be taxed at the rate of 16.5%. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates are taxed at a flat rate of 16.5%.

Macau Corporate Income Tax has been provided at the rate of 12% *(2020: 12%)* on the estimated assessable profits of the Macau subsidiary during the year.

11. INCOME TAX EXPENSE (CREDIT) *(Continued)*

	2021 HK$'000	2020 HK$'000
Current tax		
Hong Kong Profits Tax		
Under provision in prior years	**16**	35
Macau Corporate Income Tax		
Current year	**713**	1,340
	729	1,375
Deferred taxation		
Charge (Credit) for the year *(Note 16)*	**742**	(1,448)
	1,471	(73)

Reconciliation of income tax expense (credit)

	2021 HK$'000	2020 HK$'000
Profit (Loss) before taxation	**11,525**	(805)
Income tax at domestic income tax rate of 16.5% *(2020: 16.5%)*	**1,902**	(133)
Effect of different tax rates of subsidiaries operating in other jurisdiction	**(276)**	(509)
Non-deductible expenses	**732**	699
Tax exempt revenue	**(803)**	(74)
Under provision in prior years	**16**	35
Others	**(100)**	(91)
Tax expense (credit) for the year	**1,471**	(73)

12. DIVIDEND

The Board of Directors does not recommend the payment of a final dividend for the years ended 31 March 2021 and 2020.

13. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share is based on profit (loss) attributable to the owners of the Company and the weighted average number of ordinary shares in issue during the year.

No adjustment has been made to the basic earnings (loss) per share amounts presented for the years ended 31 March 2021 and 2020 as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2021 and 2020.

The calculations of basic and diluted earnings (loss) per share are based on:

	2021	2020
	HK$'000	HK$'000
Profit (Loss) for the year attributable to owners of the Company, for the purpose of basic and diluted earnings (loss) per share	**10,054**	(655)

	No. of shares	
	2021	2020
		(Adjusted)
Issued ordinary shares at 1 April	**2,000,000,000**	2,000,000,000
Effect of shares issued	**322,191,781**	–
Effect of share consolidation *(Note 27)*	**(2,089,972,603)**	(1,800,000,000)
Weighted average number of ordinary shares in issue during the year, for the purpose of basic and diluted earnings (loss) per share	**232,219,178**	200,000,000

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Reconciliation of carrying amount — year ended 31 March 2020					
At 1 April 2019	3,613	694	188	–	4,495
Additions	327	68	34	–	429
Depreciation	(1,202)	(272)	(58)	–	(1,532)
At 31 March 2020	2,738	490	164	–	3,392
Reconciliation of carrying amount — year ended 31 March 2021					
At 1 April 2020	2,738	490	164	–	3,392
Additions	1,252	55	307	–	1,614
Written off	(841)	(17)	(1)	–	(859)
Depreciation	(1,060)	(210)	(79)	–	(1,349)
At 31 March 2021	**2,089**	**318**	**391**	**–**	**2,798**
At 31 March 2020					
Cost	11,577	4,690	1,552	4,427	22,246
Accumulated depreciation	(8,839)	(4,200)	(1,388)	(4,427)	(18,854)
	2,738	490	164	–	3,392
At 31 March 2021					
Cost	10,316	4,677	1,858	4,427	21,278
Accumulated depreciation	(8,227)	(4,359)	(1,467)	(4,427)	(18,480)
	2,089	**318**	**391**	**–**	**2,798**

15. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

	Right-of-use assets				
	Office premises HK$'000	Retail shops HK$'000	Warehouses HK$'000	Total HK$'000	Lease liabilities HK$'000
Reconciliation of carrying amount — year ended 31 March 2020					
As beginning of the reporting period — upon adoption of HKFRS 16	1,051	90,445	1,334	92,830	(88,192)
New leases	–	9,159	–	9,159	(8,722)
Depreciation	(2,120)	(42,964)	(3,730)	(48,814)	–
Lease modification	6,414	12,429	14,379	33,222	(32,303)
Reassessment of lease liabilities	–	(1,449)	–	(1,449)	1,449
Imputed interest expenses on lease liabilities	–	–	–	–	(5,230)
Lease payments	–	–	–	–	39,922
At end of the reporting period	**5,345**	**67,620**	**11,983**	**84,948**	**(93,076)**
Reconciliation of carrying amount — year ended 31 March 2021					
As beginning of the reporting period	5,345	67,620	11,983	84,948	(93,076)
New leases	–	4,532	1,261	5,793	(5,781)
Depreciation	(2,138)	(36,963)	(4,167)	(43,268)	–
Disposals	–	(6,764)	–	(6,764)	6,998
Lease modification	–	8,739	–	8,739	(8,617)
Imputed interest expenses on lease liabilities	–	–	–	–	(3,705)
Gain on rent concession	–	–	–	–	5,865
Lease payments	–	–	–	–	42,837
At end of the reporting period	**3,207**	**37,164**	**9,077**	**49,448**	**(55,479)**
At 31 March 2020					
Current portion	–	–	–	–	(49,224)
Non-current portion	5,345	67,620	11,983	84,948	(43,852)
Net carrying amount	5,345	67,620	11,983	84,948	(93,076)
At 31 March 2021					
Current portion	–	–	–	–	(42,165)
Non-current portion	3,207	37,164	9,077	49,448	(13,314)
Net carrying amount	**3,207**	**37,164**	**9,077**	**49,448**	**(55,479)**

15. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES *(Continued)*

Analysis of lease liabilities:

	2021 HK$'000	2020 HK$'000
Related companies		
Cyber Building Limited ("Cyber Building")	**10,095**	16,901
Fortune Goldman Limited ("Fortune Goldman")	**3,255**	8,244
Happy Gear Limited ("Happy Gear")	**1,652**	3,803
Denmark Investments Limited ("Denmark Investments")	**2,202**	5,910
	17,204	34,858
Third parties	**38,275**	58,218
	55,479	93,076

Mr. Tso is the director and controlling shareholder of Cyber Building, Fortune Goldman, Happy Gear and Denmark Investments.

The Group leases office premises, warehouses and various retail shops for its daily operations with lease terms ranging from two to three years. The interest expenses on lease liabilities are set out in note 9 to the consolidated financial statements.

Restrictions or covenants

The Group is required to keep those properties in a good state of repair and return the properties in their original condition at the end of the lease.

The Group has recognised the following amounts for the year:

	2021 HK$'000	2020 HK$'000
Total cash outflow for leases	**42,837**	39,922

Extension and termination options

The lease contracts of warehouse and certain retail shops contain an extension option. These options aim to provide flexibility to the Group in managing the leased assets. The extension option in the lease of the warehouse is normally exercised while the extension option in the leases of retail shops may or may not be exercised because the Group could replace the shops without significant cost or business disruption. The Group seldom exercises options that were not included in the lease liabilities. During the year ended 31 March 2021, about 16% (2020: 15%) of lease contracts contain an extension option. The undiscounted potential future lease payments not included in lease liabilities amounted to HK$14,112,000 (2020: HK$14,112,000).

During the year ended 31 March 2021, lessors of several retail stores of the Group provided COVID-19-related rent concessions to the Group with aggregate amount of approximately HK$5,865,000 (2020: Nil).

16. DEFERRED TAX ASSETS

The following are the major deferred tax assets recognised and movements thereon during the year:

	Tax losses HK$'000	Depreciation allowance HK$'000	ECL provision HK$'000	Total HK$'000
At 1 April 2019	–	874	698	1,572
Credited to profit or loss	1,148	134	166	1,448
At 31 March 2020 and 1 April 2020	1,148	1,008	864	3,020
(Charged) Credited to profit or loss	(733)	138	(147)	(742)
At 31 March 2021	**415**	**1,146**	**717**	**2,278**

17. INVENTORIES

	2021 HK$'000	2020 HK$'000
Finished goods	**62,971**	79,014

The cost of inventories recognised as an expense during the year was HK$54,005,000 (2020: HK$41,220,000).

18. TRADE RECEIVABLES

	2021 HK$'000	2020 HK$'000
Total gross carrying amount	**50,148**	53,779
Less: Allowance for credit losses	**(4,913)**	(5,591)
	45,235	48,188

Generally, the Group did not grant any credit period to its retail customers. Credit period ranging from 30 to 180 days is granted to customers with bulk purchases, including PRC Distributors.

The following is an ageing analysis of trade receivables, net of allowance for credit losses, presented based on the invoice date at the end of the reporting period.

	2021 HK$'000	2020 HK$'000
0–90 days	**14,032**	17,037
91–180 days	**11,135**	821
181–365 days	**425**	512
Over 365 days	**19,643**	29,818
	45,235	48,188

18. TRADE RECEIVABLES *(Continued)*

Included in the Group's trade receivables balance as at 31 March 2021 are debtors with aggregate carrying amounts of HK$32,775,000 (2020: HK$38,827,000) which are past due as at the reporting date. Out of the past due balances, HK$24,235,000 (2020: HK$35,676,000) have been past due 90 days or more and are not considered as in default. With reference to the historical records, past experience and also available reasonable and supportive forward-looking information, the management of the Group does not consider these trade receivables as credit-impaired. These customers have good business relationship with the Group and their recurring overdue balances have satisfactory settlement history.

Details of impairment assessment of trade receivables are set out in note 33.

19. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Notes	**2021** **HK$'000**	2020 HK$'000
Rental and utility deposits	*(a)*	**8,844**	10,197
Prepayments and others	*(b)*	**34,270**	5,613
Other receivables and deposits		**1,697**	2,432
		44,811	18,242
Analysed as:			
Non-current		**4,894**	8,216
Current		**39,917**	10,026
		44,811	18,242

Note:

(a) There were rental deposits paid to Cyber Building of HK$1,440,000 (2020: HK$1,440,000), Fortune Goldman of HK$420,000 (2020: HK$420,000), Happy Gear of HK$505,000 (2020: HK$505,000) and Denmark Investments of HK$560,000 (2020: HK$560,000) as at 31 March 2021.

(b) The balance comprised deposits made to suppliers of tiles of HK$12,125,000 (2020: HK$ 4,954,000).

The Group also arranged prepayment to a supplier, an independent third party, of HK$21,413,000 (2020: Nil) for the purchase of bathroom fixtures. All of the bathroom fixtures were delivered subsequent to the end of the reporting period.

Details of impairment assessment of financial assets included in other receivables and deposits as at 31 March 2021 and 2020 are set out in note 33.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	2021 HK$'000	2020 HK$'000
Payments for life insurance policies			
— First life insurance policy (the "First Policy")	*(a)*	**2,272**	2,197
— Second life insurance policy (the "Second Policy")	*(b)*	**4,364**	4,258
		6,636	6,455

(a) In 2012, the Group entered into a life insurance policy with an insurance company to insure a director of the Company. Under this policy, the Group is the beneficiary and policy holder and the total insured sum is United States Dollar ("USD") 1,000,000 (equivalent to HK$7,800,000). The Group paid a single premium of USD250,000 (equivalent to HK$1,950,000) at inception. The Group can, at any time, withdraw cash based on the account value of the policy ("Account Value") at the date of withdrawal, which is determined by the gross premium paid plus accumulated guaranteed interest earned and minus any charges made in accordance with the terms and conditions of the policy. If withdrawal is made during the 1st to 15th policy year, a specified amount of surrender charge would be deducted from the Account Value. This insurance company will pay the Group a guaranteed interest rate at 4.2% per annum for the first year and a variable return per annum afterwards (with minimum guaranteed interest rate of 3% per annum) during the effective period of the policy.

(b) In 2012, the Group also entered into a life insurance policy with another insurance company to insure the same director of the Company. Under this policy, the Group is the beneficiary and policy holder and the total insured sum is USD2,507,610 (equivalent to HK$19,559,000). The Group paid a single premium of USD500,000 (equivalent to HK$3,900,000) at inception. The Group can, at any time, withdraw cash based on the Account Value at the date of withdrawal, which is determined by the gross premium paid plus accumulated guaranteed interest earned and minus any charges made in accordance with the terms and conditions of the policy. If withdrawal is made during the 1st to 18th policy year, a specified amount of surrender charge would be deducted from the Account Value. This insurance company will pay the Group a guaranteed interest rate at 4.25% per annum for the first year and a variable return per annum afterwards (with minimum guaranteed interest rate of 2.5% per annum) during the effective period of the policy.

As represented by the directors of the Company, the Group will not terminate the policies nor withdraw cash prior to the 15th policy year for the First Policy and the 18th policy year for the Second Policy and the expected life of the policies remained unchanged from the initial recognition. The balance of the payments for life insurance policies is denominated in USD, being a currency other than the functional currency of the relevant subsidiary.

The fair value of the payments for life insurance policies is determined by reference to the surrender cash value of the life insurance policies at the end of the reporting period, together with the guaranteed interest as mentioned above.

21. AMOUNT DUE TO A DIRECTOR

The amount due is non-trade nature, unsecured, interest-free and repayable on demand.

22. CASH AND CASH EQUIVALENTS

	2021 HK$'000	2020 HK$'000
Bank balances and cash	**10,552**	5,500
Pledged bank deposit with maturity of three months or less	**15,000**	65,000
Bank overdrafts *(Note 26)*	**(68)**	(10,003)
As stated in the consolidated statement of cash flows	**25,484**	60,497

Cash at bank earns interest at floating rates based on daily bank deposit rates. The pledged bank deposit of HK$15,000,000 (2020: HK$65,000,000) is pledged to a bank to secure banking facilities granted to the Group. It is made with maturity of three months or less, and earns interest at the prevailing short-term deposit rates.

Details of impairment assessment of bank balances as at 31 March 2021 and 2020 are set out in note 33.

23. TRADE PAYABLES

	2021 HK$'000	2020 HK$'000
Trade payables	**13,377**	17,827

The credit period on purchases of goods is 90 to 180 days. The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting periods:

	2021 HK$'000	2020 HK$'000
0–30 days	**4,647**	6,894
31–60 days	**428**	501
61–90 days	**710**	896
91–120 days	**3,219**	140
121–180 days	**3,187**	3,478
Over 180 days	**1,186**	5,918
	13,377	17,827

24. OTHER PAYABLES AND ACCRUED CHARGES

	2021 HK$'000	2020 HK$'000
Accrued charges	**3,961**	2,912
Salaries payable	**1,393**	1,555
Other payables	**1,057**	2,970
	6,411	7,437

25. CONTRACT LIABILITIES

The movements (excluding those arising from increases and decreases both occurred within the same year) of contract liabilities from contracts with customers within HKFRS 15 during the year are as follows:

	2021 HK$'000	2020 HK$'000
At beginning of the reporting period	**7,024**	7,976
Recognised as revenue	**(4,527)**	(7,771)
Receipt of advances or recognition of receivables	**5,958**	6,819
At end of the reporting period	**8,455**	7,024

When the Group receives a deposit before the delivery of goods, 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.

At 31 March 2021 and 2020, no contract liabilities were expected to be settled after more than 12 months.

26. BANK AND OTHER BORROWINGS

	Note	2021 HK$'000	2020 HK$'000
Secured and guaranteed:			
Bank loans		**21,504**	54,076
Bank overdrafts	*22*	**68**	10,003
Trust receipt loans		**–**	3,862
	(a)	**21,572**	67,941
Unsecured and guaranteed:			
Bank loan	*(b)*	**–**	1,386
Total bank borrowings		**21,572**	69,327
Unsecured and unguaranteed:			
Other borrowing	*(c)*	**–**	30,000
Total bank and other borrowings		**21,572**	99,327

Note:

(a) These bank borrowings carry interest at Hong Kong Interbank Offered Rate ("HIBOR") plus 2.0% (2020: HIBOR plus 2.0% to 2.5%) or a spread below Prime Rate/Standard Bills Rate quoted by the banks per annum and the effective interest rate is from 2.12% to 3.25% (2020: 2.29% to 5.25%) per annum as at 31 March 2021.

As at 31 March 2021, bank loans of HK$21,504,000 and bank overdrafts of HK$68,000 were secured by bank deposit of HK$15,000,000.

As at 31 March 2020, bank loans of HK$54,076,000, trust receipt loans of HK$3,862,000 and bank overdrafts of HK$10,003,000 were secured by bank deposit of HK$65,000,000, and payments for life insurance policies with carrying amount of HK$4,258,000.

(b) As at 31 March 2020, the bank borrowing of HK$1,386,000 was guaranteed by a group entity. The amount was repaid during the year.

(c) As at 31 March 2020, other borrowing from an independent third party holding a money lenders licence of HK$30,000,000 was unsecured and interest-bearing at 2.5% per month. The amount was repaid during the year.

27. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 April 2019 and 2020	5,000,000,000	50,000
Share consolidation *(Note (ii))*	(4,500,000,000)	–
At 31 March 2021	**500,000,000**	**50,000**
Issued and fully paid:		
At 1 April 2019 and 2020	2,000,000,000	20,000
Shares placing *(Note (i))*	400,000,000	4,000
Share consolidation *(Note (ii))*	(2,160,000,000)	–
At 31 March 2021	**240,000,000**	**24,000**

Notes:

(i) On 11 May 2020, the Company and a placing agent entered into a placing agreement. Pursuant to the placing agreement, the Company allotted and issued 400,000,000 new shares with par value HK$0.01 each in the share capital of the Company on 11 June 2020 to not less than six independent investors at a price of HK$0.04 per share. The new shares rank pari passu with existing shares in all respects. The proceeds were utilised as working capital of the Group.

(ii) Pursuant to the ordinary resolution passed by the Company's shareholders at the annual general meeting held on 2 September 2020, every ten (10) issued and unissued ordinary shares with par value of HK$0.01 each were consolidated into one (1) consolidated ordinary share with par value of HK$0.1 (the "Share Consolidation"). The Share Consolidation became effective on 4 September 2020.

28. CAPITAL COMMITMENTS

	2021 HK$'000	2020 HK$'000
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the consolidated financial statements	**321**	354

29. RETIREMENT BENEFITS SCHEME

The Mandatory Provident Fund Scheme ("MPF Scheme") of the Group is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years. The cap of contribution amount is HK$1,500 per employee per month.

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

At 31 March 2021 and 2020, there were no significant forfeited contributions which arose upon employees leaving the schemes before they were fully vested in the contributions and which were available to reduce the contributions payable by the Group in the future.

The retirement benefits scheme contributions made by the Group amounted to HK$726,000 (2020: HK$764,000) during the year ended 31 March 2021.

30. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year:

Name of related company	Nature of transactions	2021 HK$'000	2020 HK$'000
Cyber Building	Lease payments	**6,360**	6,360
Denmark Investments	Lease payments	**3,360**	3,360
Happy Gear	Lease payments	**2,520**	2,520
Fortune Goldman	Lease payments	**4,920**	4,920
		17,160	17,160

During the years ended 31 March 2021 and 2020, Mr. Tso provided several guarantees to guarantee the payment and due performance of the group entities to the landlords.

Compensation of key management personnel

The key management personnel of the Group are the directors of the Company, and their remunerations are disclosed in note 8 to these consolidated financial statements.

31. OTHER CASH FLOW INFORMATION

(a) 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.

	Amount due to a director HK$'000	Lease liabilities HK$'000	Bank loans, trust receipt loans and other borrowings HK$'000	Total HK$'000
At 1 April 2019	–	–	130,154	130,154
Upon adoption of HKFRS 16	–	88,192	–	88,192
Net cash flows	2,858	(34,692)	(40,830)	(72,664)
New leases	–	8,722	–	8,722
Lease modification	–	32,303	–	32,303
Reassessment of lease liabilities	–	(1,449)	–	(1,449)
At 31 March 2020 and 1 April 2020	2,858	93,076	89,324	185,258
Net cash flows	16,552	(39,132)	(67,820)	(90,400)
Gain on rent concession	–	(5,865)	–	(5,865)
New leases	–	14,398	–	14,398
Termination of leases	–	(6,998)	–	(6,998)
At 31 March 2021	**19,410**	**55,479**	**21,504**	**96,393**

(b) Major non-cash transaction

During the year ended 31 March 2021, the Group acquired assets by means of lease arrangement in respect of assets with a total capital value at the inception of the leases of HK$14,398,000 (2020: HK$42,381,000).

32. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt balance and equity balance. Equity balance consists of equity attributable to owners of the Company, comprising share capital and reserves including retained profits.

The management of the Group reviews the capital structure on an on-going annual basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the payment of dividends, issue of new share and repurchase of share as well as the issue of new debt.

33. FINANCIAL INSTRUMENTS

(A) Categories of financial instruments

	2021 HK$'000	2020 HK$'000
Financial assets		
Finance assets at FVPL	**6,636**	6,455
Financial assets at amortised cost	**80,420**	131,317
Financial liabilities		
Amortised cost	**114,856**	218,970

(B) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, deposits and other receivables, pledged bank deposit, bank balances and cash, trade payables, balances with director and related companies, other payables and accrued charges and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

33. FINANCIAL INSTRUMENTS *(Continued)*

(B) Financial risk management objectives and policies *(Continued)*

(i) Market risk

Currency risk

The Group has foreign currency transactions, which exposes it to foreign currency risk. Approximately 94% (2020: 78%) of the purchases are denominated in the currencies other than the functional currency of the relevant group entities during the year.

At the end of the reporting period, the carrying amounts of foreign currency denominated monetary assets and monetary liabilities recognised in the consolidated financial statements are as follows:

	Euro ("EUR") HK$'000	USD HK$'000	Renminbi ("RMB") HK$'000
As at 31 March 2021			
Bank balances and cash	**174**	**162**	**81**
Trade payables	**12,618**	**–**	**120**
Bank borrowings	**1,289**	**–**	**–**
As at 31 March 2020			
Bank balances and cash	203	166	81
Trade payables	11,017	–	169
Bank borrowings	3,862	–	–

Sensitivity analysis

The Group's exposure to exchange rate fluctuations in USD and RMB is considered insignificant.

At the end of the reporting period, if EUR had been 10% (2020: 10%) strengthened/weakened against HKD while all other variables were held constant, the Group's net profit for the year would be decreased/increased by HK$1,373,000 (2020: net loss would be increased/decreased by HK$1,468,000). The sensitivity rate used of 10% represents management's assessment of the reasonably possible change in foreign exchange rates.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent currency risk as the year-end exposure does not reflect the exposure during the year.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to the Group's bank balances, payments for life insurance policies and variable-rate bank borrowings.

The Group currently does not have interest rate risk hedging policy. However, the management of the Group closely monitors its exposure to future cash flow interest rate risk as a result of changes in market interest rate and will consider hedging changes in market interest rates should the need arise.

33. FINANCIAL INSTRUMENTS *(Continued)*

(B) Financial risk management objectives and policies *(Continued)*

(i) Market risk *(Continued)*

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rate risk on bank borrowings. The sensitivity analysis is prepared assuming the bank borrowings outstanding at the end of the reporting period were outstanding for the whole period. No sensitivity analysis is provided on bank balances and payments for life insurance policies as the management of the Group considers that the interest rate fluctuation on bank balances and payments for life insurance policies is minimal and the impact from the exposure to interest rate risk sensitivity is considered insignificant.

At the end of the reporting period, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's net profit would be decreased or increased by approximately HK$108,000 (2020: net loss would be increased or decreased by approximately HK$337,000).

In the opinion of the management of the Group, the sensitivity analysis is unrepresentative of the interest rate risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

(ii) Credit risk and impairment assessment

Trade receivables from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines the credit limits granted to the customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

The Group trades with a large number of individual customers. During both years, the Group has concentration of credit risk with exposure limited to certain customers. Approximately 28% (2020: 75%) of the Group's trade receivables as at 31 March 2021 are from the PRC Distributors. These customers are within the same industry of the Group. The management of the Group closely monitors the subsequent settlement of the customers. Other than disclosed above, the Group does not have significant credit risk exposure to any single individual customer.

In addition, the Group performs impairment assessment (i) under ECL model individually for trade receivables from the PRC Distributors, trade receivables with aggregated outstanding balances exceeding HK$1,000,000 and credit-impaired trade receivables and (ii) using provision matrix on the remaining trade receivables with reference to the Group's historical observed default rates, as adjusted for forward-looking information and the past due status of the trade receivables.

33. FINANCIAL INSTRUMENTS *(Continued)*

(B) Financial risk management objectives and policies *(Continued)*

(ii) Credit risk and impairment assessment *(Continued)*

Other receivables and deposits

The management of the Group makes periodic collective assessment as well as individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable, supportive and forward-looking information that is available. The management of the Group believes that there is no material credit risk inherent in the Group's outstanding balance of other receivables and deposits. ECL on other receivables and deposits is insignificant at 31 March 2021 and 2020 as the exposure is insignificant.

Pledged bank deposit and bank balances

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

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets/other item
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL (non credit-impaired)	12-month ECL
Medium risk	Debtor frequently repays after due dates but usually settle within 90 days after due date	Lifetime ECL (non credit-impaired)	12-month ECL or Lifetime ECL (non credit-impaired)
High risk	Debtor frequently repays after 90 days after due date	Lifetime ECL (non credit-impaired)	Lifetime ECL (non credit-impaired)
Doubtful	There have been significant increase in credit risk since initial recognition through information developed internally or external resources other than ageing analysis	Lifetime ECL (non credit-impaired)	Lifetime ECL (non credit-impaired)
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL (credit-impaired)	Lifetime ECL (credit-impaired)
Write-off	There is evidence indicating the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery or trade receivables are over two years past due	Amount is written-off	Amount is written-off

33. FINANCIAL INSTRUMENTS *(Continued)*

(B) Financial risk management objectives and policies *(Continued)*

(ii) Credit risk and impairment assessment *(Continued)*

The tables below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

	Note	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amounts	
					2021 HK$'000	2020 HK$'000
Financial assets at amortised cost						
Trade receivables (PRC Distributors and debtors with aggregated outstanding balances exceed HK$1,000,000)	*18*	N/A	Medium risk	Lifetime ECL	**27,257**	11,514
			High risk *(Note i)*	Lifetime ECL	**19,708**	36,577
Trade receivables (credit-impaired)	*18*	N/A	Loss	Lifetime ECL Credit-impaired	**273**	273
Trade receivables (other customers)	*18*	N/A	*(Note i)*	Lifetime ECL (provision matrix)	**2,910**	5,415
Other receivables and deposits	*19*	N/A	*(Note ii)*	12-month ECL	**10,540**	12,629
Pledged bank deposit	*22*	A1	N/A	12-month ECL	**15,000**	65,000
Bank balances	*22*	Baa2 to A1	N/A	12-month ECL	**10,552**	5,500

33. FINANCIAL INSTRUMENTS *(Continued)*

(B) Financial risk management objectives and policies *(Continued)*

(ii) Credit risk and impairment assessment *(Continued)*

Note:

(i) For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for trade receivables from the PRC Distributors and trade receivables with aggregated outstanding balances over HK$1,000,000 which are assessed individually or credit-impaired, the Group determines the ECL of trade receivables from other customers by using a provision matrix through grouping of various debtors that have similar loss patterns, after considering the past due status of respective trade receivables.

The estimated loss rates on trade receivables are estimated based on historical credit loss of the debtors and study of other corporates' default and recovery data from international credit-rating agencies including Moody's, and are adjusted for forward-looking information (for example, the current and forecasted economic growth rates in the Hong Kong, which reflect the general economic conditions of the industry in which the debtors operate).

As part of the Group's credit risk management, the Group uses debtors' past due ageing to assess the impairment for its other customers in relation to its operation because these other customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables from other customers which are assessed based on a provision matrix as at 31 March 2021 and 2020 within lifetime ECL (non credit-impaired).

Gross carrying amount

	2021		2020	
	Average loss rate %	**Amount HK$'000**	Average loss rate %	Amount HK$'000
Non past due and				
1–30 days past due	**0.05**	**17**	0.05	2,959
31–90 days past due	**2.09**	**43**	2.06	8
Over 90 days past due	**14.87**	**2,850**	13.11	2,448
		2,910		5,415

During the year ended 31 March 2021, the Group reversed impairment allowance of HK$60,000 (2020: HK$424,000) for trade receivables based on the provision matrix and HK$618,000 (2020: impairment allowance of HK$1,779,000 was provided) for trade receivables which are assessed individually.

33. FINANCIAL INSTRUMENTS *(Continued)*

(B) Financial risk management objectives and policies *(Continued)*

(ii) Credit risk and impairment assessment *(Continued)*

Note: (Continued)

(ii) For the purpose of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

	Past due HK$'000	Not past due/ no fixed repayment term HK$'000	Total HK$'000
At 31 March 2021			
Rental and utility deposits	**–**	**8,844**	**8,844**
Other receivables and deposits	**–**	**1,697**	**1,697**
At 31 March 2020			
Rental and utility deposits	–	10,197	10,197
Other receivables and deposits	–	2,432	2,432

Based on the assessment of the management, the ECL on the above balances is insignificant.

(iii) External credit rating is from international credit-rating agency, Moody's.

The following tables show reconciliation of loss allowances that has been recognised for trade receivables which is measured under lifetime ECL:

	Lifetime ECL (non credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 1 April 2020	**5,318**	**273**	**5,591**
New financial assets originated	**1,600**	**–**	**1,600**
Increase in loss allowance	**271**	**–**	**271**
Reversal upon recovery	**(2,549)**	**–**	**(2,549)**
At 31 March 2021	**4,640**	**273**	**4,913**
As at 1 April 2019	3,980	256	4,236
New financial assets originated	1,338	17	1,355
At 31 March 2020	5,318	273	5,591

33. FINANCIAL INSTRUMENTS *(Continued)*

(B) Financial risk management objectives and policies *(Continued)*

(iii) Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigates the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Effective interest rate	On demand	1–3 months	3 months to 1 year	1 to 2 years	2–5 years	Total undiscounted cash flow	Total carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 March 2021								
Trade payables	**N/A**	**–**	**8,302**	**5,075**	**–**	**–**	**13,377**	**13,377**
Other payables and accrued charges	**N/A**	**–**	**5,018**	**–**	**–**	**–**	**5,018**	**5,018**
Amount due to a director	**N/A**	**19,410**	**–**	**–**	**–**	**–**	**19,410**	**19,410**
Bank overdrafts	**N/A**	**68**	**–**	**–**	**–**	**–**	**68**	**68**
Bank and other borrowings	**4.83**	**5,251**	**3,134**	**13,483**	**–**	**–**	**21,868**	**21,504**
Lease liabilities	**5.85**	**2,541**	**11,535**	**27,841**	**14,206**	**1,920**	**58,043**	**55,479**
		27,270	**27,989**	**46,399**	**14,206**	**1,920**	**117,784**	**114,856**
As at 31 March 2020								
Trade payables	N/A	–	12,387	5,440	–	–	17,827	17,827
Other payables and accrued charges	N/A	–	5,882	–	–	–	5,882	5,882
Amount due to a director	N/A	2,858	–	–	–	–	2,858	2.858
Bank overdrafts	N/A	10,003	–	–	–	–	10,003	10,003
Bank and other borrowings	12.34	40,096	33,152	17,254	–	–	90,502	89,324
Lease liabilities	5.85	6,487	16,729	38,027	31,117	5,889	98,249	93,076
		59,444	68,150	60,721	31,117	5,889	225,321	218,970

The amounts included above for variable interest instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(C) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The management of the Group estimates the fair value of its financial assets and financial liabilities measured at amortised cost using discounted cash flows analysis. The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in these consolidated financial statements approximate their fair values.

34. FAIR VALUE MEASUREMENTS

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in the consolidated financial statements on a recurring basis across the three levels of the fair value hierarchy defined in HKFRS 13 "Fair Value Measurement" with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 (lowest level): unobservable inputs for the asset or liability.

a) Assets and liabilities measured at fair value

	2021 Level 3 HK$'000	2020 Level 3 HK$'000
Assets measured at fair value		
Financial assets at FVPL		
— Unlisted investments — payments for life insurance policies	**6,636**	6,455

During the years ended 31 March 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

	2021 HK$'000	2020 HK$'000
Total unrealised gain included in profit or loss	**244**	446

The fair value of the payments for life insurance policies is determined by reference to the surrender cash value, which is primarily based on the performance of the underlying investment portfolio, reported by the insurance company on a regular basis.

b) Assets and liabilities with fair value disclosure, but not measured at fair value

All other financial assets and liabilities including trade receivables, deposits, other receivables and prepayments, amounts due from related companies, pledged bank deposits, bank balances and cash, trade payables, other payables and accrued charges, amount due to a director, bank and other borrowings and lease liabilities are carried at amounts not materially different from their fair values as at 31 March 2021 and 2020.

35. EVENTS AFTER REPORTING PERIOD

In addition to the events disclosed elsewhere in these consolidated financial statements, the Group had the following subsequent event:

Acquisition of a subsidiary

On 3 February 2021, China Bless Limited ("China Bless"), a wholly-owned subsidiary of the Group, entered into a sale and purchase agreement with the vendors (being an executive director and a parent of an executive director) to acquire the entire equity interest in Mason Holdings Limited ("Mason"), a property holding company, at a consideration of HK$31,000,000. The acquisition was completed on 21 June 2021. Upon completion of the transaction, Mason has become a wholly-owned subsidiary of the Group.

In the opinion of the directors, this acquisition did not constitute business combination as defined in HKFRS 3 (Revised) "Business Combinations". Therefore, the acquisition will be accounted for as acquisition of assets during the year ending 31 March 2022.

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	**2021** **HK$'000**	2020 HK$'000
Non-current assets			
Investment in a subsidiary		**–**	–
Current assets			
Deposits, prepayments and other receivables		**242**	242
Amount due from a subsidiary		**79,829**	98,579
Bank balances and cash		**770**	249
		80,841	99,070
Current liabilities			
Other payables and accrued charges		**1,018**	2,257
Other borrowing		**–**	30,000
		1,018	32,257
NET ASSETS		**79,823**	66,813
Capital and reserves			
Share capital	*27*	**24,000**	20,000
Reserves	*36(a)*	**55,823**	46,813
TOTAL EQUITY		**79,823**	66,813

This statement of financial position was approved and authorised for issue by the Board of Directors on 28 June 2021 and is signed on its behalf by:

Mr. Simon Tso
Director

Ms. Tsui To Fei
Director

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

(a) Movement of the reserves

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2019	62,655	(11,676)	50,979
Loss and total comprehensive loss for the year	–	(4,166)	(4,166)
At 31 March 2020 and 1 April 2020	62,655	(15,842)	46,813
Loss and total comprehensive loss for the year	–	(2,672)	(2,672)
Transactions with owners:			
Proceeds from placing of new shares	12,000	–	12,000
Issue expenses of placing of new shares	(318)	–	(318)
	11,682	–	11,682
At 31 March 2021	**74,337**	**(18,514)**	**55,823**

37. PARTICULARS OF SUBSIDIARIES

The Company has direct and indirect equity interests in the following subsidiaries as at 31 March 2021 and 2020:

Name of subsidiary	Place and date of incorporation	Place of operation	Issued and fully paid share capital	Equity interest attributable to the Company as at 31 March 2021	2020	Principal activities
Directly held:						
RBMS Holdings Limited	BVI 5 October 2015	Hong Kong	HK$1 Ordinary shares	**100%**	100%	Investment holding
China Bless Limited	BVI 8 December 2020	Hong Kong	US$1 Ordinary shares	**100%**	N/A	Inactive
Indirectly held:						
Fortune Rich Limited	Hong Kong 10 July 2009	Hong Kong	HK$1 Ordinary shares	**100%**	100%	Leasing of properties for group companies
Petracer's China Limited	Hong Kong 10 November 2014	Hong Kong	HK$10,000 Ordinary shares	**100%**	100%	Trading of tiles
Regent Building Material Supplies Company Limited	Hong Kong 11 March 1998	Hong Kong	HK$400 Ordinary shares	**100%**	100%	Trading of tiles
Regent Building Limited	Hong Kong 22 February 2010	Hong Kong	HK$10,000 Ordinary shares	**100%**	100%	Leasing of properties for group companies
Jun Da Hui Limited	Macau 7 November 2019	Macau	Macau Pataca 25,000 Ordinary shares	**100%**	100%	Trading of tiles

All the companies comprising the Group have adopted 31 March as their financial year-end date.

None of the subsidiaries had issued any debt securities at 31 March 2021 and 2020 or at any time during both years.

FINANCIAL SUMMARY

YEAR ENDED 31 MARCH 2021

RESULTS

	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000
Revenue	**147,013**	145,369	166,694	190,839	183,444
Profit (Loss) before taxation	**11,525**	(805)	8,882	22,644	37,644
Taxation	**(1,471)**	73	(3,083)	(5,538)	(6,972)
Profit (Loss) for the year	**10,054**	(732)	5,799	17,106	30,672
Attributable to:					
Owners of the Company	**10,054**	(655)	5,824	17,077	30,637
Non-controlling interests	**–**	(77)	(25)	29	35
	10,054	(732)	5,799	17,106	30,672

ASSETS, LIABILITIES AND EQUITY

	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000
Total assets	**239,733**	316,129	259,466	309,269	270,259
Total liabilities	**(126,757)**	(228,889)	(171,394)	(199,111)	(177,207)
Net assets	**112,976**	87,240	88,072	110,158	93,052
Equity attributable to owners of the Company	**112,976**	87,240	87,901	109,962	92,885
Non-controlling interests	**–**	–	171	196	167
Total equity	**112,976**	87,240	88,072	110,158	93,052