Ocean Star Technology Group Limited
海納星空科技集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8297)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2023 AND RESUMPTION OF TRADING

The board (the "**Board**") of directors (the "**Directors**") of Ocean Star Technology Group Limited (the "**Company**" and its subsidiaries, the "**Group**") is pleased to announce the audited consolidated financial results of the Group for the year ended 31 March 2023. This announcement, containing the full text of the annual report of the Group for the year ended 31 March 2023, complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM (the "**GEM**") of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**") in relation to information to accompany preliminary announcement of annual results.

RESUMPTION OF TRADING

Reference is made to the announcement of the Company dated 30 June 2023.

At the request of the Company, trading in the shares of the Company (the "**Shares**") on the Stock Exchange has been suspended with effect from 9:00 a.m. on 3 July 2023 pending the release of this annual results announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 17 July 2023.

By order of the Board
Ocean Star Technology Group Limited
Zheng Sihu
Chairman and Executive Director

Hong Kong, 14 July 2023

As at the date of this announcement, the executive Directors are Mr. Zheng Sihu, Mr. Tam Chak Chi and Mr. Xu Xue; and the independent non-executive Directors are Mr. Lai Kim Fung, Mr. Tang Yiu Kay and Mr. Tong Zhu.

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

This announcement will remain on the "Latest Company Information" page of the Stock Exchange website at www.hkexnews.hk for at least 7 days from the date of its publication and will also be published on the Company's website at www.bodibra.com.

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

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

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

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Tam Chak Chi
Mr. Xu Xue
Mr. Zheng Sihu *(Chairman)* (appointed on 13 July 2022)

Independent Non-Executive Directors

Mr. Tang Yiu Kay
Mr. Tong Zhu
Mr. Lai Kim Fung

BOARD COMMITTEES

Audit Committee

Mr. Tang Yiu Kay *(Chairman)*
Mr. Tong Zhu
Mr. Lai Kim Fung

Nomination Committee

Mr. Tam Chak Chi
Mr. Xu Xue
Mr. Tang Yiu Kay
Mr. Tong Zhu
Mr. Lai Kim Fung *(Chairman)*

Remuneration Committee

Mr. Tam Chak Chi
Mr. Xu Xue
Mr. Tang Yiu Kay
Mr. Tong Zhu
Mr. Lai Kim Fung *(Chairman)*

AUTHORISED REPRESENTATIVES

Mr. Tam Chak Chi
Mr. Xu Xue

COMPLIANCE OFFICER

Mr. Tam Chak Chi

COMPANY SECRETARY

Mr. Tam Chak Chi

REGISTERED OFFICE

Windward 3
Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

1/F., Lok Kui Industrial Building
6–8 Hung To Road, Kwun Tong
Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Ocorian Trust (Cayman) Limited
Windward 3
Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

PRINCIPAL BANKER

Hang Seng Bank Limited

AUDITOR

McMillan Woods (Hong Kong) CPA Limited

GEM STOCK CODE

8297

WEBSITE

www.bodibra.com

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "**Board**") of Ocean Star Technology Group Limited (the "**Company**"), I am pleased to announce the audited annual results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 March 2023 (the "**Year**").

Due to the resurgence of the 2019 coronavirus outbreak in Hong Kong in the first half of 2022, the local consumer market was again hit. Fortunately, the pandemic situation stabilized in the second half of the year. The PRC, Hong Kong and Macau gradually lifted the pandemic prevention measures and resumed customs clearance. Our daily lives return to normal, and I believe the worst moment has passed.

At the time of writing, although the U.S. Federal Reserve has indicated that it is suspending interest rate hikes, it has also indicated that it will not reduce interest rates in a short period of time. It is still uncertain whether the U.S. Federal Reserve will stop its quantitative tightening policy. In addition, there are still a lot of uncertainties in the international community, with geopolitical conflicts escalating and the war between Russia and Ukraine still unresolved, these events have exacerbated the ongoing global instability. It is expected that global business activities will remain weak in the second half of 2023. As Hong Kong is an externally oriented economy, its economic performance is largely influenced by the external economic environment. The business environment in the second half of 2023 is expected to remain challenging as consumer sentiment in Hong Kong remains weak, particularly in the sub-essential lingerie retail market.

During the Year, the Group's turnover was HK$44.7 million and gross profit was approximately HK$30.8 million with a gross profit margin of approximately 68.9%. Loss for the year amounted to approximately HK$34.7 million. The Board does not recommend the payment of a final dividend for the year ended 31 March 2023.

Looking ahead, it is expected that it will take some time for the consumer industry to fully recover. As a sub-essential product, the recovery of the lingerie business is expected to lag the overall market. The Group will be prudent in responding to the current market environment and will closely monitor the consumer market trend and adjust its lingerie business strategy in a timely manner. Leveraging on the Group's years of experience in the lingerie industry, the Group is committed to enhancing overall operational efficiency by closing less efficient stores, optimizing sales network coverage, continuing to enhance the quality of core products, optimizing product mix, strengthening marketing efforts and tightening control over costs and other operating expenses in order to enhance the competitiveness of the lingerie business and prepare for the recovery of the sub-essential lingerie retail market. In addition, the Group will keep on developing the business of social influencers agency service through an online platform.

The Group is planning to enter the great health industry by developing a health product and service system based on the theory of Chinese medicine, focusing on health management, chronic disease treatment, disease prevention, and anti-aging. The Group will build a moxibustion chain and an industrial chain to create a one-stop health management platform and the biomedical field. We hope to achieve diversification of the Group's business base, increase income source, enhance the Group's ability to withstand operating adversities and improve the long-term returns for the Group and its shareholders as a whole.

I would like to take this opportunity to express my sincere gratitude to the Board, the management team and colleagues for their dedication and contribution to the Group despite the challenging environment in recent years. I would also like to thank our shareholders and customers for their long-term trust and support. The road ahead is long and full of thorns and spikes, but the end is foreseeable and reachable. The Group will continue to work hard and forge ahead to create greater value for our shareholders and stakeholders in society.

Zheng Sihu
Chairman

14 July 2023

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is one of the leading retailers of lingerie with shaping functions in Hong Kong, with production facilities in the People's Republic of China (the "**PRC**") and Hong Kong. During the year ended 31 March 2023 and up to the date of this report, the Group is principally engaged in the designing, manufacturing and sales of core lingerie products under the core brand of "Bodibra" and sub-brands, namely "June", "ooobiki", "Bodicare" and "invisi". The Group principally offers a wide range of the Group's own branded lingerie that are designed with shaping functions which aim to achieve better body appearances, including bras and panties, body shaping underwear and chest support vests. The Group also (1) sells other products without shaping functions, which primarily include breast cream, panties, nude bras, swimwear, bras straps and pads, and waist bands; (2) provides beauty services; (3) provision of social influencers agency service through an online platform; and (4) money lending business .

During the year under review, due to the political, military and economic factors mentioned in the "Chairman's Statement" section, such uncertainties in the international social and economic environment directly affected the local consumer sentiment and the overall local retail consumer market.

In view of the weak retail consumer market, the Group optimized its lingerie stores network coverage and shut down 2 lingerie stores and a beauty service store in order to enhance the overall operational efficiency. In addition, the Group had changed from self-production of lingerie to OEM since around December 2022 to save production costs and improve the flexibility of supply of goods. In order to achieve diversification of the Group's business base and increase income source, the Group developed the business in provision of social influencers agency service and money lending business and each of them already recorded revenue during the Period.

FINANCIAL REVIEW

Revenue

For the year ended 31 March 2023, the Group's revenue principally derived from (1) sales of lingerie products of approximately HK$42.8 million, representing a decrease of approximately 6.1% as compared to previous financial year; (2) provision of beauty services of approximately HK$0.8 million, representing a decrease of approximately 20.9% as compared to previous financial year; (3) provision of social influencers agency services through an online platform through an online platform of approximately HK$0.1 million which is started in this Period; and (4) money lending business which generated interest income of approximately HK$1.0 million which is also started in this Period. The total revenue of the Group decreased from approximately HK$46.6 million for the year ended 31 March 2022 to approximately HK$44.7 million as a result of weak retail sales caused by the COVID-19 pandemic and weak consumer sentiment in Hong Kong.

Cost of Sales and Gross Profit

The Group's cost of sales recorded approximately HK$13.9 million for the year ended 31 March 2023, representing an increase of approximately 14.9% compared with the cost of sales of approximately HK$12.1 million for the year ended 31 March 2022. The increase in cost of sales was primarily due to the increase in the depreciation of right-of-use assets and the purchases of raw materials.

The gross profit decreased by approximately 10.7% from approximately HK$34.5 million for the year ended 31 March 2022 to approximately HK$30.8 million for the year ended 31 March 2023.

Selling Expenses

The Group's selling expenses increased by approximately HK$0.7 million from approximately HK$22.9 million for the year ended 31 March 2022 to approximately HK$23.6 million for the year ended 31 March 2023, which was mainly due to the increase in staff costs, depreciation of right-of-use assets in relation to rental and related expenses of retail shops.

Administrative and Other Operating Expenses

The Group's administrative and other operating expenses increased by approximately HK$8.3 million from approximately HK$19.2 million for the year ended 31 March 2022 to approximately HK$27.5 million for the year ended 31 March 2023, which was primarily due to the increase in staff costs and depreciation of right-of-use assets.

Loss before Tax

As a result of the foregoing, the Group recorded a loss before tax of approximately HK$34.7 million for the year ended 31 March 2023 compared with a loss before tax of approximately HK$18.7 million for the year ended 31 March 2022, which was mainly due to (1) the decrease in sales volume; (2) the increase in staff cost and depreciation of right-of-use assets in relation to rental of retail shops; (3) the increase in allowance for inventories; and (4) the increase in fair value losses on financial assets at FVTPL.

Income Tax Expense

Income tax expense decreased to approximately HK$60,000 for the year ended 31 March 2023 (2022: HK$136,000).

Loss for the Year

As a result of the cumulative effect of the above factors, the Group had recorded a loss for the year of approximately HK$34.7 million for the year ended 31 March 2023, compared with a loss for the year of approximately HK$18.8 million for the year ended 31 March 2022.

DIVIDEND

The Board does not recommend the payment of dividend for the year ended 31 March 2023 (2022: Nil).

RESULTS OF FINANCIAL POSITION

The Group's total assets decreased by approximately HK$2.1 million to approximately HK$93.4 million as at 31 March 2023 (2022: approximately HK$95.5 million).

The Group's total liabilities decreased by approximately HK$8.7 million to approximately HK$80.2 million as at 31 March 2023 (2022: approximately HK$88.9 million).

The equity of the Company increased by approximately HK$6.6 million to approximately HK$13.2 million as at 31 March 2023 (2022: approximately HK$6.6 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2023, the Group had net current liabilities of approximately HK$11.2 million (31 March 2022: approximately HK$15.1 million). The Group had cash and bank balances of approximately HK$25.6 million as at 31 March 2023 (31 March 2022: approximately HK$21.9 million).

CAPITAL STRUCTURE

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

As at 31 March 2023, the Company's issued share capital was HK$10,100,000 of HK$0.01 each and the number of its issued ordinary shares was 1,010,000,000.

Details of changes in the Company's share capital for the year ended 31 March 2023 are set out in note 35 to the consolidated financial statements.

GEARING RATIO

Gearing ratio is calculated based on the total debts divided by total equity at the respective reporting date. As at 31 March 2023, the Group's gearing ratio was 70% (31 March 2022: 77%).

SIGNIFICANT INVESTMENTS/MATERIAL ACQUISITIONS AND DISPOSALS

There was no significant investment held by the Company or material acquisition and disposal made by the Company during the year.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group currently has no plans for material investments or capital assets.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2023, the Group had 73 full-time employees (31 March 2022: 110 full-time employees). The total staff cost amounted to approximately HK$26.9 million (2022: HK$23.3 million). Remuneration packages offered to the Group's employees are consistent with the prevailing market terms and are reviewed on a regular basis. Discretionary bonuses may be awarded to employees taking into consideration the Group's performance and that of the individual employee.

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

(i) Employees of the Group in Hong Kong

In compliance with the Hong Kong Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong), employees of the Group in Hong Kong are required to participate in the Mandatory Provident Fund scheme of the Group (the "**MPF Scheme**"). The MPF Scheme is a defined contribution plan administered by an independent corporate trustee. Under the MPF Scheme, each of the Group and the employees are required to make contributions to the MPF Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions made to the MPF Scheme vest immediately.

(ii) Employees of the Group in Macau

The Group participates social benefit scheme which is Social Security Benefits under the Social Security Fund of Government of the Macau SAR (the "**Macau Scheme**"). The Macau Scheme is the first tier of the two-tier social security system under the Macau SAR Law No. 4/2010 (Social Security System) effective on 1 January 2011. The current social security coverage covers all residents in Macau SAR to allow them to receive basic old-age security. As stipulated in the Executive Order of Macau SAR with effect from 1 January 2017, the contribution amounts for the long-term employee are MOP90 per month (employer's contribution: MOP60, employee's contribution: MOP30). In accordance with the provisions of Macau SAR Law No. 4/2010, the employer can deduct the employee's portion of contributions from his/her wages.

(iii) Employees of the Group in the PRC

Pursuant to the relevant labour rules and regulations in the PRC, employees of the Group in the PRC participated in the central pension scheme (the "**PRC Scheme**"), which is a defined contribution plan administered by the PRC government, whereby the Group is required to make contributions to the PRC Scheme based on certain percentages of the eligible employees' salaries. The local government authorities are responsible for the entire pension obligations payable to the retired employees. Contributions made to the PRC Scheme vest immediately.

The Group's contributions under the abovementioned defined contribution plans in Hong Kong, Macau and the PRC are expensed as incurred and not reduced by contributions forfeited by those employees who leave the defined contribution plans prior to vesting fully in the contributions.

FOREIGN CURRENCY EXPOSURE

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars, Macau Pataca and Renminbi, being in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy. Management monitors foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arises. As at 31 March 2023, the Directors considered the Group's foreign exchange risk remained minimal.

CAPITAL COMMITMENTS

As at 31 March 2023, the Group did not have any significant capital commitments.

CONTINGENT LIABILITIES

As at 31 March 2023, the Group did not have any significant contingent liabilities.

PLEDGE OF ASSETS

As at 31 March 2023, the Group did not have any other mortgage or charge over its assets, except for the pledged bank deposits to secure business credit card of the Group.

PROSPECTS

During the financial year under review, the Group started the business in provision of social influencers agency service through an online platform. The Group sees that the development of global online social platforms is becoming more vigorous and people are more rely on digital social platforms, thus consider to explore the future business opportunities of this social influencers agency service.

The provision of social influencers agency service starts in January 2023 and already recorded revenue since that month. It is hoped that this new business can be developed as one of the principal businesses of the Group in order to achieve diversification of the Group's business base and increase income source.

During the Period, the Company also started to generate revenue from the provision of money lending business which is started in this period. It is hoped that this new business can help the Group to achieve diversification of the Group's business base and increase income source.

USE OF PROCEEDS FROM PLACING OF NEW SHARES UNDER GENERAL MANDATE

Placing completed on 30 April 2021 (the "Placing 1")

Reference is made to the announcements issued by the Company on 15 April 2021 and 30 April 2021 in relation to the placing of new shares under the general mandate.

On 15 April 2021, the Group and a placing agent entered into a placing agreement pursuant to which the Company has conditionally agreed to place through the placing agent, on a best effort basis, up to 48,000,000 placing shares at the placing price of HK$0.86 per placing shares to not less than six placees who and whose beneficial owners shall be independent third parties.

The Placing 1 was completed on 30 April 2021 with gross and net proceeds of approximately HK$41.28 million (equivalent to approximately HK$0.86 per placing shares) and HK$40.80 million (equivalent to approximately HK$0.85 per placing share) as set out in the Company's announcements dated 15 April 2021 and 30 April 2021. The Company intended to use the proceeds for (i) future development of the existing business of the Group and (ii) general working capital of the Group.

Use of net proceeds from the Placing 1	Planned use of proceeds as described in the announcement dated 15 April 2021 *HK$'million*	Actual use of net proceeds up to 31 March 2023 *HK$'million*	Unused total net proceeds as at 31 March 2023 *HK$'million*
Future development of the existing business	30.00	30.00	–
Working capital	10.88	10.88	–
Total	40.88	40.88	–

Placing completed on 28 March 2022 (the "Placing 2")

Reference is made to the announcements issued by the Company on 1 March 2022 and 28 March 2022 in relation to the placing of new shares under the general mandate.

On 1 March 2022, the Group and a placing agent entered into a placing agreement pursuant to which the Company has conditionally agreed to place through the placing agent, on a best effort basis, up to 102,000,000 placing shares at the placing price of HK$0.130 per placing shares to not less than six placees who and whose beneficial owners shall be independent third parties.

The Placing 2 was completed on 28 March 2022 with gross and net proceeds of approximately HK$13.26 million (equivalent to approximately HK$0.130 per placing shares) and HK$13.05 million (equivalent to approximately HK$0.128 per placing share) as set out in the Company's announcements dated 1 March 2022 and 28 March 2022. The Company intended to use the proceeds for general working capital of the Group.

Use of net proceeds from the Placing 2	**Planned use of proceeds as described in the announcement dated 1 March 2022** *HK$'million*	**Actual use of net proceeds up to 31 March 2023** *HK$'million*	**Unused total net proceeds as at 31 March 2023** *HK$'million*
Working capital	13.05	13.05	–

Rights issue and use of proceeds

On 17 June 2022, the Company announced the rights issue (the "**Right Issue**"). On 19 August 2022, the Company completed the Rights Issue and issued 270,000,000 Rights Shares. The net proceeds from the Rights Issue after deducting the expenses involved were approximately HK$26.0 million. Details were set out in the Company's announcements dated 17 June 2022 and 19 August 2022 and the Company's prospectus dated 29 July 2022. The Company intended to use the net proceeds for (i) financing the expansion of the Group's business and (ii) general working capital of the Group.

Use of net proceeds from the Rights Issue	**Planned use of proceed as described in the announcement dated 19 August 2022** *HK$'million*	**Actual use of net proceeds up to 31 March 2023** *HK$'million*	**Unused total net proceeds as at 31 March 2023** *HK$'million*
Expansion of the Group's business	20.8	14.6	6.2
Working capital	5.2	5.2	–
	26.0	19.8	6.2

Placing completed on 20 March 2023 (the "Placing 3")

Reference is made to the announcements issued by the Company on 23 February 2023 and 20 March 2023 in relation to the placing of new shares under the general mandate.

On 23 February 2023, the Group and a placing agent entered into a placing agreement pursuant to which the Company has conditionally agreed to place through the placing agent, on a best effort basis, up to 120,000,000 placing shares at the placing price of HK$0.15 per placing shares to not less than six placees who and whose beneficial owners shall be independent third parties.

The Placing 3 was completed on 20 March 2023. An aggregate of 110,000,000 placing shares have been successfully placed to not less than six placees with gross and net proceeds of approximately HK$16.5 million (equivalent to approximately HK$0.150 per placing share) and HK$16.2 million (equivalent to approximately HK$0.1473 per placing share) as set out in the Company's announcement dated 20 March 2023. The Company intended to use the proceeds for (i) expansion of the Group's business and (ii) general working capital of the Group.

Use of net proceeds from the Placing 3	Planned use of proceeds as described in the announcement dated 20 March 2023	Actual use of net proceeds up to 31 March 2023	Unused total net proceeds as at 31 March 2023
	HK$'million	*HK$'million*	*HK$'million*
Expansion of the Group's business	9.0	–	9.0
Working capital	7.2	0.7	6.5
	16.2	0.7	15.5

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Tam Chak Chi ("Mr. Tam"), aged 46, was appointed as an executive Director in December 2018. Mr. Tam is a member of each of the remuneration committee and nomination committee of the Board. He is also the company secretary and compliance officer of the Company.

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

Mr. Xu Xue ("Mr. Xu"), aged 50, was appointed as an executive Director in May 2020. Mr. Xu is a member of each of the remuneration committee and nomination committee of the Board.

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

Mr. Zheng Sihu ("Mr. Zheng"), aged 38, was appointed as an executive Director in July 2022. Mr. Zheng is also the Chairman of the Board.

Mr. Zheng holds a bachelor degree in Accounting from Wuhan University of Technology. Mr. Zheng has over 10 years of experience in sales and marketing for different market segments including medical sector and financial sector. He has extensive experience in corporate management and overall strategic planning.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tang Yiu Kay ("Mr. Tang"), aged 41, was appointed as an independent non-executive Director in June 2021. Mr. Tang is the chairman of the audit committee and a member of each of the remuneration committee and nomination committee of the Board.

Mr. Tang holds a master degree in financial services and society and a bachelor degree in financial management and accounting. Mr. Tang is currently a practicing member of Hong Kong Institute of Certified Public Accountants and has over 15 years of solid experiences in tax issues, internal control, auditing, financial accounting and business management. Mr. Tang is currently a director of Good Chance CPA Limited. He is primarily responsible for providing consultancy services on tax and audit issues to clients in Hong Kong. Mr. Tang also has professional expertise and extensive experience in financial management and accounting in listed companies in Hong Kong. Mr. Tang has been appointed as an independent non-executive director and chairman of each of the audit committee, the remuneration committee and the nomination committee of China Properties Investment Holdings Limited (Stock Code: 736) with effect from 3 June 2021. On the basis of the information available from the previous announcements made by Bay Area Gold Group Limited (Stock Code:1194) ("**Bay Area Gold**"), since 26 August 2021, Mr. Tang has been appointed as an independent non-executive director and chairman of the audit committee of Bar Area Gold. All power of directors ceased upon the granting of the order to be wound up by the High Court of Hong Kong against Bar Area Gold on 31 August 2022. Please refer to the announcements of Bay Area Gold dated 1 September 2022 and 20 January 2023.

Mr. Tong Zhu ("Mr. Tong"), aged 63, was appointed as an independent non-executive Director in September 2021. Mr. Tong is a member of each of the audit committee remuneration committee and nomination committee of the Board.

Mr. Tong graduated at University of Electronic Science and Technology in People's Republic of China with a bachelor degree in business management. He was assessed as an economist by Personnel Department of Guangdong Province (廣東省人事廳) in 2000. He had over 30 years financial and project management experience and work experience in companies listed in Shenzhen and Hong Kong.

Mr. Lai Kim Fung ("Mr. Lai"), aged 56, was appointed as an independent non-executive Director, chairman of each of the remuneration committee and the nomination committee, and a member of the audit committee in January 2022.

Mr. Lai holds a postgraduate certificate in Professional Accounting from City University of Hong Kong and master of business administration from University of Exeter in the United Kingdom. Mr. Lai, previously worked in various international banks and investment banks, has over 28 years of professional experience with commercial and investment banking, corporate finance, treasury, merger and acquisition and investment management focusing on the Great China. Mr. Lai also worked for China Tourism Group Co., Ltd., a state-owned enterprise of the People's Republic of China, and its subsidiaries for 19 years. He served as the vice president of CTS Investment Inc. USA, and was one of the founding members of China Travel Service Financial Holdings Co., Ltd..

Mr. Lai is currently the chairman of Industry Development Committee of Hong Kong Society of Artificial Intelligence and Robotics, a member of the Hangzhou's Political Consultative Conference and the founding member of China Mergers and Acquisitions Association (Hong Kong) Limited. He is also an independent non-executive director of the China Aviation Flying Shark Global Credit Fund, a fund under AVIC Capital International Holding Co., Ltd..

Mr. Lai also has positions in listed companies, he is currently an independent director of Metalpha Technology Holding Limited (previously known as Dragon Victory International Limited) (NASDAQ: LYL), the shares of which are listed on The Nasdaq Capital Market. He was an executive director and a chief executive officer of the DTXS Silk Road Investment Holdings Company Limited (stock code: 620), the shares of which are listed on the main board of the Stock Exchange, since 7 August 2017 and re-designated to be an executive director and a co-chief executive officer on 16 June 2020 until 31 August 2020. On the basis of the information available from the previous announcements made by Goldstone Investment Group Limited (stock code: 901) ("**Goldstone**") and as informed by Mr. Lai, since 1 September 2020, he was an independent non-executive director of Goldstone until immediately before the order to be wound up by the High Court of Hong Kong ("**Winding-up Order**") was granted against Goldstone on 18 May 2023. Please refer to the announcement of Goldstone dated 25 May 2023.

SENIOR MANAGEMENT

Mr. Fok Wai Hung ("Mr. Fok"), aged 45, is the financial controller of the Group. Mr. Fok is responsible for the overall financial management and reporting and the corporate secretarial matters of the Group. He joined the Group in December 2014 as finance manager of My Heart Bodibra Limited (formerly known as My Heart Lingerie Limited), an indirect wholly-owned subsidiary of the Company. Mr. Fok has over 14 years of experience in auditing, accounting and financial management. Mr. Fok is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE REPORT

INTRODUCTION

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

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the principles of, and complied with, the applicable code provisions of the Corporate Governance Code (the "**CG Code**") as contained in Appendix 15 to the GEM Listing Rules during the year ended 31 March 2023 (the "**Period**"), except for the deviations as specified below. The Board will keep reviewing and updating such practices from time to time to ensure compliance with legal and commercial standards.

Under Code Provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company has not appointed chief executive officer and chairman since 27 October 2017 and 6 February 2018 respectively. On 13 July 2022, the Company appointed an executive director, Mr. Zheng Sihu, to perform the role of the chairman but the office of the chief executive is vacated. The role and functions of chief executive officer have been performed by all the executive Directors collectively. The Board will keep reviewing its current structure from time to time and will appoint chief executive officer if the Board considers appropriate and necessary.

Under Code Provision C.1.6 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and to gain and develop a balanced understanding of the views of shareholders. During the Period, Mr. Xu Xue and Mr. Zheng Sihu, the executive Director, and Mr. Tong Zhu, the independent non-executive Director, did not attend the annual general meeting of the Company held on 26 August 2022 due to other prior business engagements.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors (the "**Code of Conduct**") on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Required Standard Dealings**"). The Company had also made specific enquiry of the Directors and to the best knowledge and the information available to the Board, each of them was in compliance with the Code of Conduct and Required Standard Dealings during the Period. Further, the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors during the Period.

BOARD OF DIRECTORS

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

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

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

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

Executive Directors:
Mr. Tam Chak Chi *(Compliance officer)*
Mr. Xu Xue
Mr. Zheng Sihu (appointed on 13 July 2022)

Independent non-executive Directors:
Mr. Tong Zhu
Mr. Lai Kim Fung
Mr. Tang Yiu Kay

Biographical details of the Directors are set out in the section of "Directors and Senior Management" on pages 13 to 15 of this annual report.

Directors' Training and Continuing Professional Development

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

In compliance with the code provision C.1.4 of the CG Code, all Directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. During the Period, all Directors have participated in continuous professional development in the following manner:

Directors	Attended seminar in relation to directors' responsibilities and the GEM Listing Rules	Reading materials relating to GEM Listing Rules update
Executive Directors		
Tam Chak Chi		✓
Xu Xue		✓
Zheng Sihu (appointed on 13 July 2022)		✓
Independent non-executive Directors		
Tang Yiu Kay		✓
Tong Zhu		✓
Lai Kim Fung		✓

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

Directors' Attendance at Board Meeting and General Meeting

The Board is responsible for the management of the Company. During the Period, the Board had scheduled regular meeting and additional Board meetings were held as and when necessary. During the Period, the Board had held 19 Board meetings and an annual general meeting of the Company, which was held on 26 August 2022, with the attendance of the external auditor to answer questions. The attendance of each Director is set out as follows:

	Number of Meetings Attended/ Eligible to Attend for the Period	
Name of Directors	Board meeting	Annual general meeting
Executive Directors		
Tam Chak Chi	19/19	1/1
Xu Xue	19/19	0/1
Zheng Sihu (appointed on 13 July 2022)	14/14	0/1
Independent non-executive Directors		
Tang Yiu Kay	19/19	1/1
Tong Zhu	19/19	0/1
Lai Kim Fung	19/19	1/1

Independent non-executive Directors

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 5.09 of the GEM Listing Rules and considers that all three independent non-executive Directors as at the date of this report, namely, Mr. Tang Yiu Kay, Mr. Tong Zhu and Mr. Lai Kim Fung are independent in accordance with the terms of the independence guidelines set out in Rule 5.09 of the GEM Listing Rules.

CHAIRMAN AND CHIEF EXECUTIVE

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

Save as disclosed in the section headed "Corporate Governance Practices", the Company has not appointed chief executive officer ("**CEO**") since 27 October 2017. On 13 July 2022, the Company appointed an executive director, Mr. Zheng Sihu, to perform the role of the chairmen but the office of the chief executive is vacated. The role and functions of the CEO have been performed by all the executive Directors collectively. The Board will keep reviewing the current structure of the Board from time to time and will appoint CEO if the Board considers appropriate and necessary.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

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

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

BOARD COMMITTEES

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

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

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

Audit Committee

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

During the Period, the Audit Committee held 4 meetings and the work performed by the Audit Committee during the Period included (i) review of the effectiveness of the internal control and risk management systems of the Company; (ii) considering and making recommendation to the Board for approval regarding the re-appointment of auditor (including the fees to be charged by the external auditor); (iii) review of the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 March 2022; (iv) review of the unaudited quarterly results and interim results together with the respective reports of the Group in respect of the year ended 31 March 2023, with recommendation to the Board for approval; (v) review of the terms of reference of the Audit Committee; and (vi) review and approval of the independent review result of the internal audit system carried out by an external profession adviser.

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

Name of Directors	Number of attendance	Number of meetings held during term of office
Tang Yiu Kay	4	4
Tong Zhu	4	4
Lai Kim Fung	4	4

Subsequent to the year ended 31 March 2023, the Audit Committee reviewed the annual report and annual results announcement, as well as the effectiveness of the risk management and internal control systems of the Group For the year ended 31 March 2023. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 March 2023 complied with applicable accounting standards, the requirements under the GEM Listing Rules and that adequate disclosures have been made.

Nomination Committee

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

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

During the Period, the Nomination Committee held 2 meetings and the work performed by the Nomination Committee during the Period included (i) review of the structure, size and composition of the Board; (ii) making recommendation to the Board for approval of the re-election and appointment of directors after consideration of a range of diversity perspectives; (iii) assessing the independence of the independent non-executive Directors; and (iv) review of the terms of reference of the Nomination Committee and board diversity policy of the Company.

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

Name of Directors	Number of attendance	Number of meetings held during term of office
Tam Chak Chi	2	2
Xu Xue	2	2
Tang Yiu Kay	2	2
Tong Zhu	2	2
Lai Kim Fung	2	2

Remuneration Committee

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

During the Period, the Remuneration Committee held 2 meetings and the work performed by the Remuneration Committee during the Period included reviewing and making recommendation to the Board for approving the remuneration for the Directors being appointed during the Period and the grant of bonus to the staffs of the Group.

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

Name of Directors	Number of attendance	Number of meetings held during term of office
Tam Chak Chi	2	2
Xu Xue	2	2
Tang Yiu Kay	2	2
Tong Zhu	2	2
Lai Kim Fung	2	2

Details of the emolument of each Director are set out in note 15 to the consolidated financial statements.

BOARD DIVERSITY

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

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

The Company values gender diversity and will continue to take steps to promote gender diversity at all levels of the Company, including but without limitation at the Board and senior management levels, to enhance the effectiveness of our corporate governance as a whole. Taking into account of our existing business model and the background and experience of our Directors, the Nomination Committee considered that the composition of the Board satisfies the Board Diversity Policy.

As of the date of this report, there is no Board members and senior management members comprising of females and the gender ratio of our employees as of 31 March 2023 is approximately 15 males per 72 females. The Company expects to appoint at least one female director who would be qualified to sit on the Board no later than 31 December 2024 in compliance with the GEM Listing Rules.

The Company will also review gender composition of the Group's senior management, by reference to industrial and demographic statistics etc., on an annual basis and determine the appropriate procedures to take to enhance gender balance in the workforce as required.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

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

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

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

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

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

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

Risk Identification

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

Risk Assessment

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

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

Risk Response

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

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

Risk Monitoring and Reporting

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

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

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

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

The Board has engaged external professional consultant as its risk management and internal control review adviser (the "**Adviser**") to conduct the annual review of the risk management (including ESG risks) and internal control systems for the year ended 31 March 2023. Such review is conducted annually and cycles reviewed are under rotation basis. The scope of review was previously determined and approved by the Board. The Adviser has reported findings and areas for improvement to the Audit Committee and management of the Company. The Board/Audit Committee are of the view that there are no material internal control defeats noted. All recommendations from the Adviser are properly followed up by the Group to ensure that they are implemented within a reasonable period of time. The Board therefore considered that the risk management and internal control systems are effective and adequate. The adequacy of resources, qualifications and experience, training and budget of accounting, internal audit and financial reporting functions have also been reviewed on an annual basis.

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

- Designated reporting channels from different operations informing any potential inside information to designated departments;

- Designated persons and departments to determine further escalation and disclosure as required; and

- Designated persons authorised to act as spokespersons and respond to external enquiries.

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

In March 2023, the Company engaged OCF Corporate Advisory Limited to review the internal control systems of the Company (regarding procurement and inventory management controls and treasury and cash management controls) and to make recommendations accordingly.

AUDITOR'S REMUNERATION

During the year ended 31 March 2023, the fees paid to the Company's auditor, McMillan Woods (Hong Kong) CPA Limited and its network firm in respect of audit and non-audit services provided to the Group are as follows:

	HK$'000
Audit services	700

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group. The Board having made appropriate enquiries and examined major areas which could give rise to significant financial exposures. The Directors have reasonable expectation that the Group's ability to continue in operational existence for the foreseeable future by (1) inspecting and evaluating the Group's cash flow forecasts including its calculations and underlying key assumptions adopted; (2) various cost control measures have been taken to tighten the costs of operations and implementing various strategies to enhance the Group's revenue; and (3) placing of new shares under general mandate in order to finance the Group's operation and business development. For these reasons, they continue to adopt the going concern basis in preparing the financial statements.

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

AUDITOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

COMPANY SECRETARY

Mr. Tam Chak Chi, the executive Director, has been appointed as the Company Secretary and please refer to the section headed "Directors and Senior Management" of this annual report for the biographical details of Mr. Tam.

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

COMPLIANCE OFFICER

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an ongoing dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) will be available to meet Shareholders and answer their enquiries.

SHAREHOLDERS' RIGHTS

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

Extraordinary general meetings shall be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedure for directing Shareholders' enquiries to the Board

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

CONSTITUTIONAL DOCUMENTS

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

Ocean Star Technology Group Limited (the "**Company**", together with its subsidiaries, the "**Group**" or "**we**") places great emphasis on incorporating sustainable business practices into its daily operations. This Environmental, Social and Governance ("**ESG**") Report (the "**ESG Report**") summarises the ESG initiatives, plans and performances of the Group and demonstrates its commitment to sustainable development.

The ESG Governance Structure

The board of directors (the "**Board**") holds the overall responsibility for the Group's ESG issues and sets out ESG management approach, strategy, priorities and objectives. To identify and prioritise major ESG issues that have a significant impact on the Group's operations and stakeholders, the Group continuously communicates with internal and external stakeholders. In order to better manage the Group's ESG performance, related issues and potential risks, the Board regularly evaluates and determines ESG-related risks and opportunities for the Group. The Group has also decided to set environmental targets covering aspects of energy consumption and water consumption, with the aim to align with the PRC government's vision of carbon neutrality and to enhance corporate reputation. The Board and management are responsible to review the Group's performance against ESG-related targets, and the Board is also responsible for ensuring the effectiveness of the Group's risk management and internal control systems and approving disclosures in the ESG Report.

To manage ESG issues systematically, the Group has set up an ESG working group ("**ESG Working Group**") comprised of staff from various departments. The ESG Working Group is responsible for collecting ESG data and compiling the ESG Report. It periodically reports to the Board, assists in the assessment and identification of the Group's ESG risks, and evaluates the effectiveness of internal controls. The ESG Working Group also reviews the Group's ESG performance, including environmental aspects, employment and labour practices, among others.

REPORTING SCOPE

The ESG Report covers the Group's major business activities and operations in Hong Kong, Macau and Shenzhen in the People's Republic of China ("**PRC**"). The Group is mainly engaged in (1) designing, manufacturing and sales of lingerie products; (2) the provision of beauty services in Hong Kong; (3) provision of social influencers agency services through an online platform; and (4) money lending business. The scope of reporting aligns with the Group's Annual Report 2022–23.

REPORTING FRAMEWORK

The ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") as set out in Appendix 20 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Information relating to the Group's corporate governance practices has been set out in the Corporate Governance Report of the Annual Report 2022–23.

Reporting Principles

During the preparation for this ESG Report, the Group has applied the following reporting principles:

Materiality: The materiality of issues was reviewed and confirmed by the management. For further details, please refer to the sections headed "Stakeholder Engagement" and "Materiality Assessment".

Quantitative: The standards, methodologies and applicable assumptions used in the calculation of KPIs data were supplemented by explanatory notes; the Group's actual consumption of environmental data was mainly derived from financial information with a consistent methodology for calculation assumptions.

Consistency: Unless otherwise stated, the preparation approach of this ESG Report is consistent with the previous report for meaningful comparison. If there are any changes in the scope of disclosure or calculation methodologies that may affect the comparison with previous reports, explanations will be provided to the corresponding data.

Balance: The ESG Report impartially describes the Group's performance during the Year to avoid any improper influence on the decisions or judgements of ESG Report readers.

REPORTING PERIOD

The ESG Report specifies the ESG activities, challenges and measures taken by the Group during the financial year ended 31 March 2023 (the "**Year**" or "**2023**").

CONTACT US

The Group welcomes stakeholders to provide their feedback. You can provide valuable advice in respect of the ESG Report or the Group's performances in sustainable development by email at cs@bodibra.com.

STAKEHOLDER ENGAGEMENT

To fully understand, respond to and address the core concerns of different stakeholders, the Group engages its key stakeholders to identify sustainability topics and potential risks. Key stakeholders include but are not limited to, customers, employees, shareholders and investors, government and regulatory authorities, suppliers and community.

Stakeholders' expectations have been taken into consideration by diversified engagement methods as shown below:

Major Stakeholders	Engagement Channels	Expectations
Customers	• Customer service hotline and email • Marketing events • Social media platform	• Product quality • Customer satisfaction • After-sales services
Employees	• Performance evaluation or appraisal • Internal announcement	• Humanity and labour rights • Occupational health and safety • Career development • Equal opportunity
Shareholders and investors	• Annual general meeting and other shareholder meetings • Financial reports • Announcements and circulars	• Financial performance • Transparent information • Operating risks management • Corporate sustainability
Government and regulatory authorities	• Regulatory documents • Written or electronic correspondences	• Compliance with laws and regulations • Fulfilment of tax obligations
Suppliers	• Supplier performance assessment • Meeting with suppliers' representatives	• Fair and open selection • Business ethics and reputation
Community	• ESG reports • Community investment programs	• Awareness on environmental protection • Compliant operations

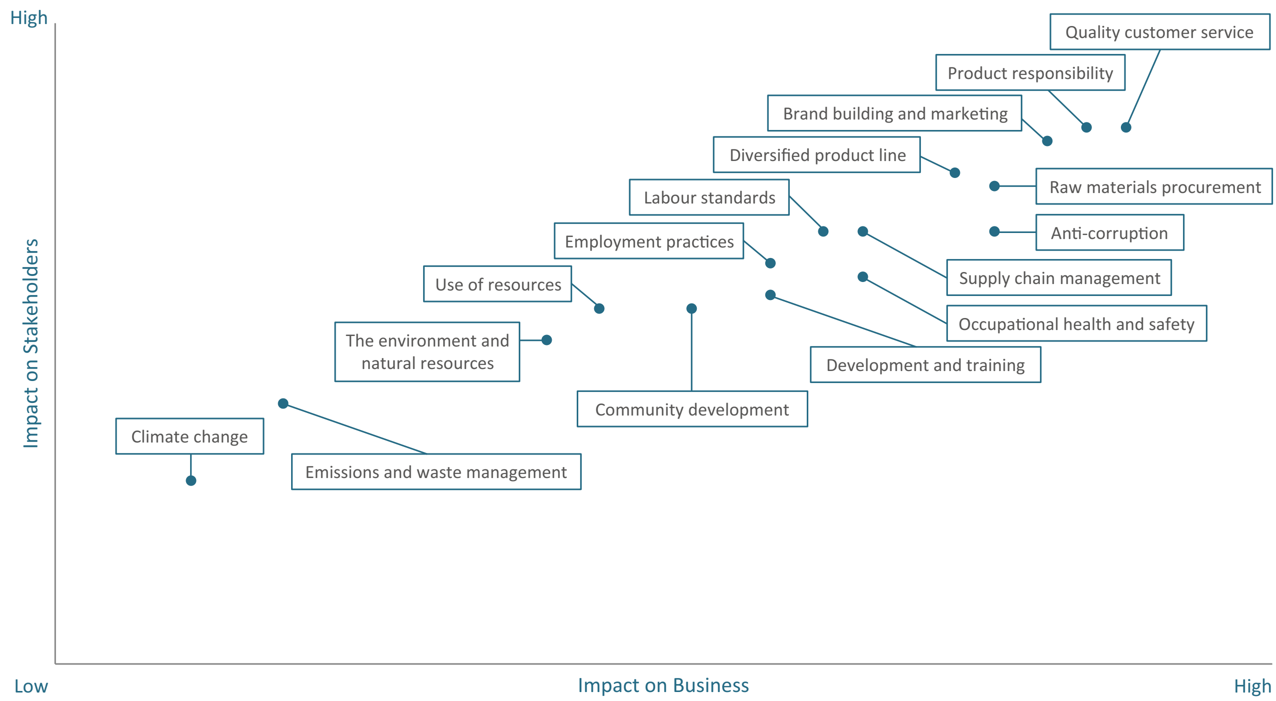
The Group endeavours to actively listen to and collaborate with its stakeholders to ensure that their opinions can be voiced out through an effective communication channel. In the long run, the stakeholders' contribution will aid the Group in identifying and improving potentially overlooked ESG performances and maintaining the success of the Group's business in the challenging market.

MATERIALITY ASSESSMENT

The Board and management who are responsible for key functions of the Group have participated in the preparation of the ESG Report. They have assisted the Group in reviewing its operations, identified key ESG issues and assessed its importance to its businesses and stakeholders.

The Group compiled a questionnaire according to the material ESG aspects identified and approached various stakeholders to complete the said questionnaire in order to fully reflect different stakeholders' opinions. The Group's materiality matrix is shown below:

The Group´s Materiality Matrix



During the Year, the Group confirmed that it had established appropriate and effective management policies and internal control systems for ESG issues and confirmed that the disclosed contents complied with the requirements of the ESG Reporting Guide.

A. ENVIRONMENTAL

A1. Emissions

Emissions Control

Environmental protection is one of the core values of the Group. The Group strives to minimise negative environmental impacts and operate in an environmentally friendly manner. An Environmental Policy has been established by the Group to regulate its emissions. The Group's products are designed to be safe and environmentally friendly for use by customers. For example, recyclable and safe-to-dispose materials are specified in the design, and clean production processes are used in manufacturing.

During the Year, the Group was not aware of any material non-compliance with laws and regulations relating to air and greenhouse gas ("**GHG**") emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that would have a significant impact on the Group including but not limited to, the Factories and Industrial Undertakings Ordinance and the Waste Disposal Ordinance in Hong Kong, the Environmental Protection Law of the PRC and other relevant local laws and regulations.

Air Emissions

Air emissions generated from business operations of the Group mainly include nitrogen oxides (NO_x), sulphur oxides (SO_x) and particulate matter (PM), the major source of which is vehicle emissions.

Indicators[1]	Unit	2023	2022
Nitrogen Oxides (NO_x)	kg	5.13	4.24
Sulphur Oxides (SO_x)	kg	0.05	0.11
Particulate Matter (PM)	kg	0.46	0.31

Note:

1. The calculation method of air emissions and the related emission factors were based on, including but not limited to, "How to Prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange.

The Group has adopted the following measures to reduce air emissions:

- Switch off the engine whenever the vehicle is idling;
- Use unleaded fuel and low sulphur content fuel in accordance with laws and regulations;
- Phase out substandard vehicles in accordance with national emission policies and standards;
- Plan routes in advance to optimise fuel consumption;
- Maintain vehicles regularly to ensure engine performance and fuel efficiency; and
- Optimise operational procedures to increase the loading rate and reduce the idling rate of vehicles.

GHG Emissions

The Group generates direct greenhouse gas ("**GHG**") emissions (Scope 1) from fossil fuel combustion of company vehicles and indirect emissions (Scope 2) from purchased electricity.

Our goal is to reduce our GHG emissions intensity by 6% by 2030.

There was a slight decrease in total GHG emissions compared to the previous year due to the closure of some of the stores in Shenzhen.

Indicators[2]	Unit	2023	2022
Scope 1 – Direct GHG Emissions	tCO_2e	8.22	19.78
Scope 2 – Energy Indirect GHG Emissions	tCO_2e	132.64	134.52
Total GHG Emissions (Scope 1 and Scope 2)	tCO_2e	140.86	154.30
Total GHG Emissions Intensity[3]	tCO_2e/employee	1.62	1.34

Notes:

2. GHG emissions data is presented in terms of carbon dioxide equivalent and is based on, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, "How to prepare an ESG report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange, the "Global Warming Potential Values" from the IPCC Fifth Assessment Report, 2014 (AR5), "Emission Reduction Project 2019: Baseline Emission Factors for Regional Power Grids in China" issued by the Ministry of Ecology and Environment of the PRC, "2022 Sustainability Report" published by the CLP Power Hong Kong Limited, the "Sustainability Report 2022" published by the HK Electric Investments Limited, and "Sustainability Report 2021" published by the Companhia de Eletricidade de Macau of Macau.

3. As of 31 March 2023, the total number of employees under the Reporting Scope of the Group was 87 (as at 31 March 2022: 115). This data is also used for calculating other intensity data.

Sewage Discharges into Water and Land

Due to the nature of its business, the Group's operational activities do not generate a large amount of sewage discharge. As the wastewater discharged by the Group will be sent to the local sewage treatment plants for treatment through the municipal sewage network, the Group's water consumption amount is about the same as sewage discharge. The Group's water consumption data will be described in the Water Consumption section in aspect A2.

Waste Management

Hazardous Waste Management

Due to the Group's business nature, no material hazardous waste was generated by the Group during the Year. In case there are any hazardous wastes produced, the Group must engage a qualified chemical waste collector to handle such wastes, so as to comply with the relevant environmental laws and regulations.

Non-hazardous Waste Management

The non-hazardous waste produced by the Group during its operation mainly includes production waste (e.g. fabrics), paper and employees' domestic waste. There was only small amount of non-hazardous waste generated during the Year, therefore the Group will disclose the data about non-hazardous waste when its data collection system expands in the future in order to provide a more accurate picture. Despite this, employees are encouraged to edit and proofread all their documents on their computers and print on recycled paper in order to facilitate a paperless workplace. We encourage double-sided printing and photocopying. There are special refuse bins for collecting plastic bottles, glass bottles, and cans that can be recycled.

A2. Use of Resources

The Group has adopted proactive measures to reduce energy and resource consumption under the conservation philosophy. The Group has specifically formulated Environmental Policy, aiming to conduct research and statistical works in respect of its energy consumption in a scientific way and ensure a reasonable usage of its resources.

Energy Consumption

The Group's primary energy consumption in its daily operations is electricity used in retail and offices and company vehicle fuel. Energy-saving measures have been implemented by the Group to reduce consumption and improve energy efficiency. Our target to reduce energy consumption intensity by 5% by 2030.

- Switch on external lighting of the retail shop only during operating hours;
- Pre-set air-conditioning temperature at 25.5°C in the offices;
- Post energy-saving reminders near lights switches and electrical appliances;
- Switch off electronic appliances before leaving the office;
- Monitor the electricity consumption on a regular basis, and if abnormal consumption is detected, an investigation will be conducted; and
- Upgrade less energy-efficient equipment with more energy-saving equipment and improve maintenance to maintain their best performance.

Total energy consumption decreased around 14% due to the closure of some retail stores.

Indicators[4]	Unit	2023	2022[4]
Direct Energy Consumption	MWh	30.28	72.07
• Petrol			
• Diesel			
Indirect Energy Consumption	MWh	249.39	251.70
• Electricity			
Total Energy Consumption	MWh	279.67	323.77
Total Energy Consumption Intensity	MWh/employee	3.21	2.82

Note:

4. The unit has been standardised from kWh to MWh.

Water Consumption

The Group recognises the importance of water conservation. Therefore, the Group has set a target to gradually reduce total water consumption intensity by 5% before 2030. To achieve this goal, we have strengthened water use inspection in case of abnormal situations and regularly checked the water supply facilities to avoid leakage. Water supply facilities that have a good water-saving capacity have been installed whenever possible to minimise water consumption.

Indicator	Unit	2023	2022
Total Water Consumption	m^3	569.82	807.96
Total Water Consumption Intensity	m^3/employee	6.55	7.03

Due to the geographical location of its offices and retail stores, the Group did not encounter any problem in sourcing water that was fit for its purpose.

Use of Packaging Materials

The Group acknowledges the negative impact of excess packaging has on the environment and is committed to reducing it. The Group has instituted the measures to encourage a more efficient use of packaging materials in the production of products. We have enhanced the packaging design of products so that over-packing of finished products can be reduced. The recycled cartons of products have been reused. The packaging material used by the Group in the Year was approximately 26,600 pieces.

A3. The Environment and Natural Resources

We are committed to the protection of the environment and natural resources through our business operations and we apply best practices for environmental protection under our Environmental Policy. The Group incorporates environmental and natural resource protection into its day-to-day operations, which includes proper waste disposal, resource conservation, and other matters. Moreover, the environmental monitoring and early warning system will be improved, and an emergency response system will be established for environmental emergencies.

A4. Climate Change

Climate change is a top concern of a green and low-carbon economy. Hong Kong has pledged to achieve "net zero" emissions by 2050. We face both risks and opportunities resulting from climate change. According to the reporting framework developed by the Task Force on Climate-Related Financial Disclosure ("TCFD"), we have identified climate change risks and incorporated them into our risk management system.

Physical Risks

The increased frequency and severity of extreme weather events such as typhoons, storms, heavy rainfall, will interrupt the supply chain. Our employees and properties may be damaged due to extreme weather events, resulting in direct financial losses for the Group. We have implemented countermeasures per the Business Continuity Plan to minimise potential hazards and risks, including flexible working arrangements during the typhoons and black rainstorm. Employees are provided with adequate rest periods during hot weather in order to reduce the risk of heat stroke. The Group will improve contingency plans to prevent damage to its facilities and enhance its business stability in the event of extreme weather events.

Transition Risks

Globally, governments are tightening environmental regulations, enacting climate-related legislation and enforcing laws in order to decarbonise the world through the global movement for decarbonisation. Taxes and incentives provide both risks and opportunities to help businesses transition to greener practices. Businesses are also required to comply with increasingly stringent disclosure and compliance regulations. Business sustainability and green business practices are also becoming more prominent among investors.

Considering the above risks from the market, legal, and reputational perspectives, we are continually monitoring changes in laws and global climate change trends to avoid increased costs and fines as a result of late responses. Furthermore, we have taken comprehensive environmental protection measures, including reducing GHG emissions and energy consumption.

B. SOCIAL

B1. Employment

We view our employees as precious assets contributing to the success and growth of our business, and strive to build a stronger workforce that encourages mutual trust, respect, and a pleasant, inclusive, open, and healthy working environment. Meanwhile, the Group respects and protects the legal rights and interests of its employees. The Employee Handbook that specifies some of the relevant regulations for the Group has been distributed to all members of staff.

As of 31 March 2023, the Group employed a total of 87 (As of 31 March 2022: 115) employees, the total workforce by gender, employment type, age group and geographical region were as follows:

	2023	2022
By Gender		
Male	15	16
Female	72	99
By Employment Type		
Full-time	73	110
Part-time	14	5
By Age Group		
Below 30	5	11
30–50	50	63
Above 50	32	41
By Geographical Region		
Hong Kong	74	76
Shenzhen	10	36
Macau	3	3

During the Year, the overall employee turnover rate[5] was approximately 32% (2022: 28%). The number of employees left and employee turnover rate by gender, age group and geographical region were as follows:

	2023	
	Number of employees left	Employee turnover rate[6]
By Gender		
Male	1	7%
Female	27	38%
By Age Group		
Below 30	6	120%
30–50	13	26%
Above 50	9	28%
By Geographical Region		
Hong Kong	2	35%
Shenzhen	0	0%
Macau	26	67%

Notes:

5. Overall employee turnover rate = Total number of employees leaving employment during the year/Total number of employees at the end of the year×100%.

6. Employee turnover rate = Total number of employees leaving employment during the year by category/Total number of employees at the end of the year by category×100%.

During the Year, the Group was not aware of any material non-compliance with employment-related laws and regulations that would have a significant impact on the Group, including but not limited to the Employee's Compensation Ordinance, Employment Ordinance, Minimum Wage Ordinance and Mandatory Provident Fund Schemes Ordinance of Hong Kong, the Labour Contract Law of the PRC and other relevant laws and regulations formulated by local governments.

Recruitment, Promotion and Dismissal

Regardless of their age, disability, gender, race, and other attributes, all candidates are selected fairly based on their abilities and competencies.

Performance appraisals are required annually to identify training needs and career advancement opportunities. Employees and the Group are able to establish short and long-term goals based on the results and feedback. Sales directors should prepare and submit appraisals to directors for retail staff, while office staff appraisals are prepared by the department head.

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

Furthermore, unreasonable dismissal under any circumstances is strictly prohibited. Dismissal will only be carried out in a reasonable manner, and all issues will be fully communicated before formal dismissal to avoid any misunderstandings. The Group will ensure that termination procedures are compliant with internal policy and relevant laws and regulations and that the termination of the employment contract is justified and lawful.

Remuneration and Welfare

The Group understands that competitive benefits and welfare encourage retention and foster a sense of belonging. The Group offers attractive remuneration packages, including performance bonuses, discretionary bonuses and sale commissions. The Group's remuneration package is structured with reference to the individual performance, working experience and prevailing salary levels in the market. For instance, in addition to basic salaries and mandatory provident fund for the Hong Kong employees, the Group has also participated in relevant defined contribution retirement schemes administrated by the respective local responsible government authorities in Macau and the PRC for its employees. Further to the working hours details, please refer to the section headed "Labour Standards".

Should employees have sustained a personal injury by accident or disease arising out of and in the course of employment, the Group would also compensate them through the provision of the Employees' Compensation Ordinance of Hong Kong and the applicable laws formulated by regional governments. All qualified employees are entitled to paid annual leave, sick leave, injury leave, materiality leave and compassionate leave.

In addition to the aforementioned entitlement to leaves, the employees are also entitled to benefits such as birthday red packet, discount on the Group's products purchase, medical insurance scheme and business trip travel insurance scheme. The Group also periodically reviews existing policies and employment practices to ensure continuous improvement of its employment standards.

Communication Channels

In order to understand the different needs and expectations of its employees, the Group engages with them through different management mechanisms and communication channels such as internal mail systems, employee satisfaction questionnaires, meetings. According to the Employee Handbook, employees are encouraged to report any irregularities to their supervisors or Human Resources Department, and all complaints will be investigated and handled confidentially.

B2. Health and Safety

During the Year, the Group was not aware of any material non-compliance with health and safety-related laws and regulations that would have a significant impact on the Group, including but not limited to the Occupiers Liability Ordinance and the Occupational Safety and Health Ordinance of Hong Kong, the Production Safety Law of the PRC and the applicable occupational safety and health standards formulated by local governments. There were no work-related fatalities within the past three years (including this Year), and 1 work injury case which cause a lost of 29 working days (2022: 338) during the Year. The accident was due to a fall in the sewing workshop. The injured employee was granted to leave and work injury compensation pursuant to Hong Kong labour laws and the Group's internal policy.

Occupational Health and Safety

Group employees are provided with a healthy and safe work environment in accordance with existing internal guidelines and systems to attract and retain talents.

The Group provides its employee with flexible rest days arrangements, medical and hospital schemes. The Group has set a clear guideline of work arrangements for typhoon and rainstorm warnings. Safety Instruction has been established and distributed to all staff on the first day of work. The maintenance staff is responsible to update the safety regulation and present to all staff during the annual safety meeting.

Smoking is prohibited in factories, which are equipped with fire extinguishers which would be replaced annually. Regular fire prevention talks and fire-fighting drills are organised at least annually to improve employees’ capability to deal with potential fire hazards. First aid exercises are regularly performed. Additionally, the Group identifies, assesses, and controls hazards that may lead to accidents in various activities.

Battle Against a New COVID-19 Wave

The COVID-19 pandemic has presented various challenges and the Group remains highly vigilant about the potential impact of health and safety on both its employees and customers. To avoid the new variant virus, Group employees have been reminded via a memorandum to maintain personal hygiene and introduce additional sanitisation procedures to the Group’s factories, retail shops and products. For its employees, the Group required that their temperature to be taken before entering the Group’s premises. They were also required to wear a facial mask at all times. For customers visiting the retail shops, the Group has imposed measures to avoid COVID-19 spreading. Customers were required to wear a facial mask before entering the retail shops and hand sanitiser is provided to customers.

B3. Development and Training

The Group has committed to providing on-the-job education and training to its employees in order to enhance their knowledge and skills. Therefore, Continuing Professional Development in Internal Control Policies and Procedures Manual have been established to improve employees' knowledge and skills for discharging duties at work. Performance evaluations will be conducted annually. All employees are encouraged to participate in the training in order to enhance their working efficiency and to be better prepared for promotion. During the Year, a total of 56 hours of training for continuous professional development were provided to employees and management, with an average training hour of 0.64 hours.

B4. Labour Standards

Prevention of Child and Forced Labour

The Group prohibits the employment of child and forced labor by its operations and has stipulated the relevant regulations in the Employee Handbook.

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

As the Group recognises the importance of leading a balanced lifestyle, working overtime is not encouraged and all employees work normally 8 hours daily. However, if overtime work is required, overtime work will be compensated in accordance with the provisions of local employment-related regulations. If any violations of child and forced labour are found, the Group will terminate the labour contract immediately. The Group will evaluate the mechanism regularly to ensure its effectiveness.

During the Year, the Group was not aware of any material non-compliance with child and forced labour related laws and regulations that would have a significant impact on the Group, including but not limited to the Employment Ordinance of Hong Kong, the Labour Law of PRC and the Law of the PRC on the Protection of Labour Rights and Interests and other applicable laws formulated by the local governments.

B5. Supply Chain Management

The Group understands the importance of supply chain management in mitigating environmental and social risks. Therefore, the Group has Internal Control Policies and Procedures Manual in place to manage environmental and social risks of the supply chain, and tries to engage suppliers with responsible acts to society in view of green supply chain management.

During the Year, the Group had a total of 46 major suppliers, the number of suppliers by geographical region is summarised in the following table:

Geographical Regions	Number
Hong Kong	13
Mainland China	30
Others (Italy, Japan, Korea)	3
Total	46

Supplier Management

The Group adheres to the principle of transparency and implements the value of honesty, integrity and fairness in its supply chain management. The Group's procurement procedures provide directions and guidelines on evaluation and engagement when dealing with suppliers of goods and services to ensure the business is conducted with legally, financially and technically sound entities.

A background inspection of the supplier will be performed if there is any new purchase made from a new supplier. The management will review and approve at least two potential suppliers before placing the purchase order based on quality and price. As selection criteria for establishing a long-term relationship, the Group will consider the quality, environmental, and social aspects of the supplier's products. As part of its Sustainable Supply Chain Policy, the Group will prioritise suppliers who use environmentally preferable products and services in the selection process. All suppliers of the Group are subject to the above supply chain practices during the Year.

We conduct a comprehensive evaluation of suppliers' service quality, speed, and attitude during the service period. Once a problem is identified, the Group communicates and exchanges comments with suppliers, providing timely feedback on deficiencies to encourage suppliers to improve the quality to be listed as qualified suppliers. If the suppliers continuously fail to meet the standard of the Group, they may be suspended or removed from the approved supplier list. The supplier relationship may also be terminated in the event of any substantial violation of environmental and labour laws and regulations. The Group will regularly review supply chain-related policies and practices to ensure their effectiveness.

Green Procurement

Group procurement will focus on local suppliers and environmentally friendly products and services to reduce carbon footprints caused by procurement. By doing so, the Group will create jobs and support local economic development. Besides environmental concerns, the Group will also monitor the health, safety, forced labour, child labour and other standards of its suppliers and contractors. As a consideration for evaluating suppliers, we will visit suppliers' operating sites to make sure they can meet all aspects of standards if possible.

B6. Product Responsibility

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

During the Year, there were 16 complaints regarding unsatisfactory service and allergies, among which 8 products were recalled. All complaints were resolved in a timely manner through refunds or product exchanges. Therefore, we have taken steps to strengthen the quality control process and to improve the lingerie fabrics quality. During the Year, the Group was not aware of any material non-compliance with product responsibility and data privacy-related laws and regulations that would have a significant impact on the Group, including but not limited to the Product Quality Law of the PRC, the Patent Law of the PRC, Trade Descriptions Ordinance of Hong Kong, and other applicable laws formulated by the local governments.

Product Quality Assurance

Quality management is emphasised by the Group as it directly affects the reputation of the Group. Implementing sound quality control is therefore fundamental to ensuring the quality and safety of the goods and services provided to customers. The Group has formulated Production Safety Control Procedures to ensure consistent product quality. If any product fails to meet the Group's standards, it will be dealt with internal recall procedures. The Group will evaluate the policy regularly to ensure its effectiveness.

The Group's quality and innovation are recognised by various parties. The following are the honours of the Group in the Year:

Granting Authority	Honours
Hong Kong Brand Development Council	Made in Hong Kong Mark Scheme
Hong Kong Tourism Board	Quality Tourism Services Scheme

Customer Satisfaction

Feedback and complaints from the Group's customers are highly valued as it is of vital importance to the continuous development of the Group. Procedures for handling complaints have been set up. Should the Group receive any complaints, the Group will strive to act in a timely manner to resolve the issue with effective corrective actions. In addition, complaints of significant weight received will be discussed and reviewed by the management during regular meetings to prevent reoccurrence. Every complaint must be handled and reported properly by the relevant functions within the Group, and private settlements between staff and complainants are prohibited. In order to improve the quality of business operations, the Group must be able to receive accurate feedback from customers.

Data Privacy Protection

The Group is committed to safeguarding all sensitive information pertaining to its customers, suppliers and employees. All confidential information such as human resource data, sensitive financial data, is encrypted with passwords. Staff are only allowed to access, retrieve, store and/or copy computer data that are necessary and directly related to their work. The administrative department is responsible for ensuring the security of all data contained in computers and protecting data against unauthorised access or retrieval. Any employee who is found to have misused, unauthorised accessed to, or mishandled of confidential information will be subjected to the Group's internal policy up to and including immediate discharge.

Intellectual Property ("IP") Rights

Trademarks, patents, designs, copyrights and trade secrets created, owned or used by the Group are included in the Group's intellectual property. The design and marketing department is responsible to monitor the need for the development of any IP and they would periodically review the market, the product and prepare reports to management for suggesting any development or registration of IP. Any suggestions raised would be reviewed and approved by the head of the design and marketing department and notify the senior management before further study would be carried out. The Group has obtained four patents, all of which are design patents. Three patents were granted in HK, while one was registered in the PRC.

Employees of the Group are prohibited from using the Group's IP to earn any gains or profits without the consent of the directors. Staff of the design and marketing department will also investigate any persons or companies using IP without the consent of the Group in different media at least quarterly. An investigation report will be prepared quarterly to conclude the scope of monitoring and the findings, and submitted to the administration department for review and retention. The Group will take follow-up actions immediately if any case stolen IP of the Group has been found.

Advertising and Labelling

Adopting appropriate advertising and complying with media advertising requirements is essential. The Group has developed relevant policies and procedures to avoid the risk associated with advertising and labelling to ensure that advertisements and labels do not contain any false product information, misleading or incomplete information, false markings, or false statements regarding products. Ensure that advertisements and labels are in compliance with laws and regulations regarding advertising and labeling in order to protect consumers from being adversely affected by advertisements and labels.

B7. Anti-corruption

The Group has a zero-tolerance policy regarding any form of unethical behavior, such as fraud, bribery, forgery, extortion, conspiracy, embezzlement, and collusion. The Group's Code of Conduct, Whistleblowing Policy, Anti-bribery Policies, and Anti-money Laundering and Counter Terrorist Financing Policy in Internal Control Policies and Procedures Manual set out standards of conduct to which all employees are required to adhere in order to promote an environment of integrity in the workplace.

To combat corruption and govern conflicts of interest, unless with the Group's approval, directors and employees are prohibited from accepting any valuable items from co-workers, customers, suppliers or other stakeholders. Unless with approval, the Board and senior management members are also prohibited from engaging in any activities that involve a potential conflict of interest with the Group or may harm the Group's overall interests. Breaches are subject to disciplinary actions, including termination of employment contracts where necessary. If there is sufficient evidence to suggest that a case of possible criminal offence or corruption exists, the matter will be reported by the Audit Committee to the relevant local authorities (for instance, Independent Commission Against Corruption in Hong Kong).

Various policies mentioned above have also been formulated in accordance with the Securities and Futures Commission's Guideline on Anti-Money Laundering and Counter Financing of Terrorism, including the basic procedures for customer identification and due diligence, suspicious transactions report and recordkeeping. Ongoing anti-corruption staff training has also been carried out to ensure all directors and staff are fully aware of these policies. Senior management has attended anti-corruption training courses on the latest anti-corruption regulations in accordance with the Corporate Governance Code during the Year. Employees also receive anti-corruption related training materials regularly to further strengthen the Group's corporate culture of integrity.

Whistleblowing Mechanism

The Group adopts a Whistleblowing Policy at all levels. Employees can raise concerns, in confidence, about possible improprieties such as misconduct and malpractice in any matter related to the Group. Reports and complaints received will be handled in a prompt and fair manner. All cases will be kept confidential so as to protect whistleblowers from unfair dismissal, victimisation and unwarranted disciplinary actions. The Group will review the policy regularly to ensure its effectiveness.

During the Year, there was no concluded legal case concerning corruption brought against the Group or employees. During the Year, the Group was not aware of any material non-compliance with anti-corruption-related laws and regulations that would have a significant impact on the Group, including but not limited to the Company Law of the PRC and the Anti-Money Laundering and Counter-Terrorist Financing Ordinance of Hong Kong.

B8. Community Investment

Being a responsible corporation, the Group is committed to emboldening and supporting the public by the means of community participation and contribution to nurturing the corporate culture in the daily work life throughout the Group. The Group formulated Community Investment Policy to understand the needs of the community and allocate appropriate resources to empower the community. The Group has identified education, social welfare and women's health as the Group focus of community investment. The Group believes that it can act effectively to help alleviate social problems and respond positively to charitable programmes and volunteering services. In the future, the Group will continue to fulfil its social responsibility and contribute to society.

Women's health is the Group's main focus, and its goal is to make women feel confident and beautiful. During the Year, the Group donated approximately HK$500 to the Hong Kong Hereditary Breast Cancer Family Registry in the event of "Pink October" to show care to hereditary breast cancer patients.

ESG REPORTING GUIDE CONTENT INDEX OF STOCK EXCHANGE

Aspects, General Disclosures and KPIs	Description	Sections/Remarks
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions
KPI A1.1	The types of emissions and respective emissions data.	Emissions – Air Emissions
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions – GHG Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions – Waste Management
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions – Waste Management
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Emissions – GHG Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Emissions – Waste Management

Aspects, General Disclosures and KPIs	Description	Sections/Remarks
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Use of Resources – Energy Consumption
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Use of Resources – Water Consumption
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of Resources – Energy Consumption
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Use of Resources – Water Consumption
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Use of Resources – Use of Packaging Materials
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources

Aspects, General Disclosures and KPIs	Description	Sections/Remarks
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change – Physical Risks, Transition Risks
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Employment
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment

Aspects, General Disclosures and KPIs	Description	Sections/Remarks
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and Safety
KPI B2.2	Lost days due to work injury.	Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety – Occupational Health and Safety, Battle Against a New COVID-19 Wave
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training

Aspects, General Disclosures and KPIs	Description	Sections/Remarks
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards – Prevention of Child and Forced Labour
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards – Prevention of Child and Forced Labour
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards – Prevention of Child and Forced Labour
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management – Supplier Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management – Green Procurement
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management – Green Procurement

Aspects, General Disclosures and KPIs	Description	Sections/Remarks
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility – IP Rights
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility – Product Quality Assurance
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility – Data Privacy Protection

Aspects, General Disclosures and KPIs	Description	Sections/Remarks
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption – Whistleblowing Mechanism
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment

REPORT OF THE DIRECTORS

The Directors hereby present this report and the audited consolidated financial statements of the Group for the year ended 31 March 2023.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The major activities of its principal subsidiaries are set out in note 43 to the consolidated financial statements. Save for the additional provision of social influencers agency services through an online platform and money lending business, there were no significant changes in the nature of the Group's principal activities during the Period.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Group has established compliance procedures to ensure compliance with, *inter alia*, applicable laws, rules and regulations that have a significant impact on its operations. The Board has delegated the audit committee to monitor and regularly review the Group's policies and practices regarding compliance with laws and regulations. The relevant employees and operation units will be informed of any changes in the applicable laws, rules and regulations from time to time.

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2023 are set out in the consolidated statement of profit or loss and other comprehensive income on page 71 of this annual report.

The Board does not recommend the payment of dividend for the year ended 31 March 2023 (2022: Nil).

DIVIDEND POLICY

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

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

(i) the results of operations of the Group;

(ii) the retained earnings of the Company;

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

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

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

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

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

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the Period in the property, plant and equipment of the Group are set out in note 20 to the consolidated financial statements.

BUSINESS REVIEW

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

PRINCIPAL RISKS AND UNCERTAINTIES

The financial condition, results of operations, business and prospects of the Group would be affected by a number of risks and uncertainties as set out in the prospectus of the Company dated 26 June 2017 (the "**Prospectus**") under the section headed "Risk Factors".

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

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the latest five financial years is set out on page 142 of this annual report.

SHARE CAPITAL

Details of the movements in the Company's share capital during the Period are set out in note 35 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the year ended 31 March 2023 and up to the date of this report.

RESERVES

Details of the movements in the reserves of the Company and the Group during the Period are set out in note 37(b) to the consolidated financial statements and in the consolidated statement of changes in equity on page 74 of this annual report respectively.

DISTRIBUTABLE RESERVES

No distributable reserves was available for distribution as at 31 March 2023 (2022: Nil).

DONATIONS

During the years ended 31 March 2023 and 2022, charitable and other donations made by the Group were less than HK$10,000.

MAJOR CUSTOMERS AND SUPPLIERS

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

The Group's largest and five largest suppliers' aggregate amount represented approximately 9.2% (2022: approximately 9.3%) and 25.5% (2022: approximately 34.2%) of the Group's total purchases respectively.

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

DIRECTORS

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

Executive Directors
Mr. Tam Chak Chi
Mr. Xu Xue
Mr. Zheng Sihu (appointed on 13 July 2022)

Independent non-executive Directors
Mr. Tang Yiu Kay
Mr. Tong Zhu
Mr. Lai Kim Fung

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

Pursuant to article 108(a) of the Articles, notwithstanding any other provisions in the Articles, at each annual general meeting one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. As such, Mr. Tam Chak Chi and Mr. Tang Yiu Kay shall retire from office at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS

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

DIRECTORS' SERVICE CONTRACTS

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

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

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

PERMITTED INDEMNITY PROVISIONS

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

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Company in respect of legal actions against the Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) when this report prepared by the Directors is approved in accordance with section 391(1)(a) of the Companies Ordinance.

CORPORATE GOVERNANCE

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

Details of the principal corporate governance practices of the Group are set out in the section headed "Corporate Governance Report" on pages 16 to 27 of this annual report.

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals are set out in notes 15 and 16 to the consolidated financial statements.

EMOLUMENT POLICY

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

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

As at 31 March 2023, none of the Directors nor chief executives of the Company and their respective associates had any interests and short positions in any Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**")), which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules.

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

So far as is known to the Directors, as at 31 March 2023, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions (directly or indirectly) in the Shares or underlying shares of the Company that would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in the Shares of the Company

Name of Shareholder	Nature of interest/ holding capacity	Number of shares	Percentage of issued share capital of the Company
Global Succeed Group Limited ("**Global Succeed**")	Beneficial owner (Notes 1 & 2)	80,000,000	7.92%
Mr. Chan Lin So Alan ("**Mr. Chan**")	Interest in a controlled corporation	80,000,000	7.92%
Mr. Yiu Koon Pong ("**Mr. Yiu**")	Interest in a controlled corporation	80,000,000	7.92%

Notes:

1. Global Succeed is the direct shareholder of the Company. According to the information available to the Company, Global Succeed is beneficially owned as to 50% by Mr. Chan and 50% by Mr. Yiu. By virtue of the SFO, each of Mr. Chan and Mr. Yiu was deemed to be interested in the 80,000,000 shares of the Company held by Global Succeed as at 31 March 2023.

2. Global Succeed holds 210,000,000 shares of the Company as at 31 March 2021. Since then, Global Succeed further disposed a total of 50,000,000 shares of the Company on 31 August 2021, 18 October 2021, 15 December 2021 and 5 January 2022 (the "**Disposals**"). Immediately after the Disposals, Global Succeed holds 160,000,000 shares of the Company. By virtue of the SFO, each of Mr. Chan and Mr. Yiu is deemed to be interested in the 160,000,000 shares of the Company held by Global Succeed.

   48,000,000 placing shares and 102,000,000 placing shares have been allotted and issued to not less than six places pursuant to the general mandate of the Company on 30 April 2021 and 28 March 2022 respectively.

   As a result of the above, the shareholding interests in the Company held by Global Succeed was diluted from 43.75% to approximately 25.40% and Mr. Chan, Mr. Yiu and Global Succeed becomes the substantial shareholders of the Company.

   On 19 August 2022, the Company announced the completion of the rights issue (the "**Rights Issue**") and the allotment and issuance of 270,000,000 shares of the Company. The net proceeds raised from the Rights Issue were approximately HK$26.0 million. Details were set out in the Company's announcements dated 17 June 2022 and 19 August 2022 and the Company's prospectus dated 29 July 2022. After the completion of the Rights Issue, the shareholding interests in the Company held by Global Succeed was diluted from approximately 25.4% to approximately 17.78%.

   Global Succeed disposed a total of 80,000,000 shares of the Company on 24 August 2022 and 4 January 2023. After the disposal, Global Succeed holds 80,000,000 shares of the Company as at 31 March 2023. The shareholding interests in the Company held by Global Succeed was diluted from approximately 17.78% to approximately 8.88%.

   On 20 March 2023, the Company announced the completion of placing of new shares under general mandate (the "**Placing 3**") and the allotment and issuance of 110,000,000 placing shares of the Company. The net proceeds raised from the Placing 3 were approximately HK$16.2 million. Details were set out in the Company's announcements dated 23 February 2023 and 20 March 2023. As a result, the shareholding interest in the Company held by Global Succeed was diluted from approximately 8.88% to approximately 7.92%. By virtue of the SFO, each of Mr. Chan and Mr. Yiu is deemed to be interested in 80,000,000 shares of the Company held by the Global Succeed. Mr. Chan, Mr. Yiu and Global Succeed remain the substantial shareholders of the Company.

Save as disclosed above, as at 31 March 2023, the Directors were not aware of any other persons (other than the Directors or chief executive of the Company) who had, or was deemed to have, interest or short positions in the shares or underlying shares of the Company would fall to be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme as set out below, no equity-linked agreements were entered into by our Group, or existed during the year ended 31 March 2023.

SHARE OPTION SCHEME

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

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

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

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

If a grant of option to a substantial Shareholder or an independent non-executive Director or their respective associates will result in the Shares issued and to be issued upon exercise of all options granted and to be granted (whether exercised, cancelled or and outstanding) to such person in the 12-month period up to and including the date of such grant: (i) representing in aggregate over 0.1% of the relevant class of Shares in issue; and (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5.0 million, then the proposed grant of options must be approved by the Shareholders in a general meeting.

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

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

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in note 41 to the consolidated financial statements, neither Director nor a connected entity of a Director had any material interest, either directly or indirectly, in any transactions, arrangements or contract of significance to the business of the Group, to which the Company or any of its subsidiaries was a party during the Period.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed under the sections "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" and "Share Option Scheme" above, at no time during the year ended 31 March 2023 was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the Directors or the controlling shareholder of the Company or any of their respective close associates (as defined in the GEM Listing Rules) had any business or interest in a business that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the year ended 31 March 2023.

RELATED PARTY TRANSACTIONS

A summary of the related party transactions entered into by the Group during the Period is contained in note 41 to the consolidated financial statements. None of the transactions as described in the said note fell under the definition of connected transactions or continuing connected transaction.

CONTINUING CONNECTED TRANSACTIONS

The Group has not entered into other connected transaction or continuing connected transaction during the Period which should be disclosed pursuant to the requirements under the GEM Listing Rules.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year ended 31 March 2023.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained a sufficient public float throughout the year ended 31 March 2023 as required under the GEM Listing Rules.

AUDITOR

The consolidated financial statements for the year ended 31 March 2023 have been audited by McMillan Woods (Hong Kong) CPA Limited who will retire and, being eligible, offer itself for re-appointment at the forthcoming annual general meeting of the Company. A resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

By order of the Board

Zheng Sihu
Executive Director
Hong Kong, 14 July 2023

INDEPENDENT AUDITOR'S REPORT

McMillanWoods
Professionalism at the forefront

To the shareholders of
Ocean Star Technology Group Limited
(Incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Ocean Star Technology Group Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 71 to 141, which comprise the consolidated statement of financial position as at 31 March 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the 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.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss of approximately HK$34,720,000 for the year ended 31 March 2023, and as at 31 March 2023, the Group had net current liabilities of approximately HK$11,171,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent upon the outcomes of the Group as set forth in note 2 to the consolidated financial statements to obtain source of funding in the immediate and longer term, at a level sufficient to finance the working capital requirements of the Group. Our opinion is not modified in respect of this matter.

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. The key audit matters we identified are (i) valuation and allowance of inventories, (ii) impairment of loan receivables and (iii) valuation of purchase price allocation ("**PPA**") for acquisition of subsidiaries.

Key Audit Matter	How our audit addressed the Key Audit Matter
(i) Valuation and allowance of inventories	
Refer to significant accounting policies in note 4, critical judgements and key estimates in note 5 and its relevant disclosures in note 25 to the consolidated financial statements. The Group had inventories with carrying amount of approximately HK$21,139,000 as at 31 March 2023. The carrying amount of inventories contributed a significant part of the Group's total current assets as at 31 March 2023. The Group's allowance for inventories is based on management's estimate of the expected magnitude of write down of the Group's inventories to its net realisable value during the course of the manufacturing process, current and projected demand from customers for the relevant inventories, the condition and utilisation potential of individual inventories and other customer-specific conditions, all of which involve the exercise of a significant degree of management judgement. We have identified the inventories as a key audit matter because of its significance to the consolidated financial statements and because the estimation of net realisable value as well as related allowance made together with future sales forecasts involves significant management judgements. Actual sales are likely to be different from those estimates or forecast since anticipated events sometimes do not occur as expected and unforeseen events may arise, and their impact on estimates and forecast may be material.	Our procedures in relation to this matter included: – Evaluating the Group's internal control policy over allowance for inventories with reference to the requirements of the prevailing accounting standards; – Identifying and assessing slow-moving and obsolete inventories when attending physical inventory count; – Comparing inventory balances on a sample basis with respective balances in prior years to identify inventories which are relatively slow moving; – Evaluating and assessing whether management had identified obsolete or slow-moving inventories appropriately and checked against respective sales volume and prices, if any, subsequent to the reporting date on sample basis for their consumption and valuation to assess whether those obsolete or slow-moving inventories identified had been accounted for in the inventory provision calculation; – Enquiring the management about any expected changes in plans for production and forecast sales trends and compared their representations with actual sales and inventory movements subsequent to the reporting date; and – Challenging the appropriateness and reasonableness of the management's assumption.

KEY AUDIT MATTERS *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
(ii) Impairment of loan receivables	
Refer to the significant accounting policies in note 4, critical judgements and key estimates in note 5 and the disclosures of loan receivables in note 27 to the consolidated financial statements. The carrying amount of loan receivables is approximately HK$6,492,000 (net of allowance for doubtful debts of approximately HK$107,000) as at 31 March 2023. The measurement of forward-looking expected credit loss ("**ECL**") approach requires the application of significant judgement and increased complexity which include the identification of exposures with a significant deterioration in credit quality, and assumptions used in the ECL models (for exposures assessed individually or collectively), such as the expected future cash flows and forward-looking macroeconomic factors. Due to the significant amount of loan receivables and the corresponding uncertainty inherent in such estimates, we considered this as a key audit matter.	Our procedures in relation to this matter included: – Understanding and evaluating the Group's credit policy on loan receivables and the Group's internal control policy over impairment of loan receivables; – Assessing the reasonableness of the Group's ECL models by examining the model input used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information including the economic variables and assumptions used in each of the economic scenarios and their probability weightings and assessing whether there was an indication of management bias when recognising loss allowances; – Inspecting settlements after the financial year end relating to the loan receivables as at 31 March 2023; and – Assessing the disclosures made in the consolidated financial statements in relation to the Group's credit risk exposure.

KEY AUDIT MATTERS *(continued)*

Key Audit Matter

(iii) Valuation of PPA for acquisition of subsidiaries

Refer to significant accounting policies in note 4, critical judgements and key estimates in note 5 and its relevant disclosures in note 42 to the consolidated financial statements.

On 31 October 2022, the Group completed an acquisition of a company at an agreed purchase price of HK$2,000,000.

The acquisition was accounted for as a business combination which requires the Group to allocate the purchase price to the assets acquired, liabilities assumed, and identified intangible assets based on their estimated fair values at the date of acquisition. The fair value of the assets acquired, liabilities assumed and identified intangible assets was based on a valuation report prepared by an independent external valuer. In aggregate, the fair values of total identifiable net liabilities amounted to approximately HK$3,089,000 was recognised in the consolidated statement of financial position as at the acquisition date.

The fair values of the assets acquired, liabilities assumed and identified intangible assets were determined using the discounted cash flow approach and involved various key assumptions and estimates.

We focused on this area because the fair values of total identifiable net liabilities were significant to the consolidated statement of financial position as at the acquisition date and the valuation involved the use of significant judgements and estimates. These estimations are also subject to uncertainties.

How our audit addressed the Key Audit Matter

Our procedures in relation to this matter included:

– Reviewing the terms of the agreement entered by the Group and the vendor of the acquired company to assess the accounting treatments for the business combination under the relevant accounting standards;

– Evaluating the competence, capabilities, independence and objectivity of the independent professional valuer engaged by the Group;

– Assessing the reasonableness and appropriateness of the identification of the assets acquired and liabilities assumed;

– Obtaining the valuation reports and discussing with the management and the independent professional valuer to assess the reasonableness of the methodology and key assumptions and unobservable inputs used in the valuation;

– Engaging a valuation specialist to assist us to review the appropriateness of the valuation approach, the accuracy of the calculations in the valuation model and the market data used on a sample basis; and

– Assessing the adequacy of disclosures in connection with the acquisition of subsidiaries.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report 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 AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee assists the directors in discharging their responsibilities 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. We report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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

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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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.

McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountants

Hui Chi Kong
Audit Engagement Director
Practising Certificate Number – P07348

24/F., Siu On Centre
188 Lockhart Road, Wan Chai
Hong Kong

14 July 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

	Note	2023 HK$'000	2022 HK$'000
Revenue	9	**44,689**	46,587
Cost of sales		**(13,914)**	(12,050)
Gross profit		**30,775**	34,537
Other income	10	**2,603**	1,159
Other gains and losses	11	**(10,358)**	(3,083)
Selling expenses		**(23,577)**	(22,878)
Administrative and other operating expenses		**(27,484)**	(19,183)
Impairment losses for other receivables		**(187)**	(85)
Impairment losses for loan receivables		**(107)**	–
Loss from operations		**(28,335)**	(9,533)
Finance costs	12	**(1,225)**	(976)
Share of loss of an associate		**(4,967)**	(564)
Impairment losses for investments in associates		**(133)**	(7,596)
Loss before tax		**(34,660)**	(18,669)
Income tax expense	13	**(60)**	(136)
Loss for the year	14	**(34,720)**	(18,805)
Other comprehensive income for the year, net of tax:			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(912)**	171
Total comprehensive income for the year		**(35,632)**	(18,634)
			(Restated)
Loss per share			
Basic *(HK cents)*	19(a)	**(4.27)**	(3.34)
Diluted *(HK cents)*	19(b)	**(4.27)**	(3.34)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2023

	Note	2023 *HK$'000*	2022 *HK$'000*
Non-current assets			
Property, plant and equipment	20	**4,179**	3,263
Right-of-use assets	21	**15,889**	15,833
Intangible assets	22	**894**	–
Investments in associates	23	**–**	5,100
Goodwill	24	**1,600**	–
Deposits	26	**7,836**	4,421
		30,398	28,617
Current assets			
Inventories	25	**21,139**	23,551
Trade and other receivables	26	**6,222**	18,169
Loan receivables	27	**6,492**	–
Financial assets at fair value through profit or loss ("**FVTPL**")	28	**3,215**	2,885
Amount due from a shareholder	29	**173**	173
Pledged bank deposits	30	**200**	200
Cash and bank balances	30	**25,556**	21,897
		62,997	66,875
Current liabilities			
Trade and other payables	31	**6,256**	5,881
Contract liabilities	32	**56,642**	65,246
Lease liabilities	33	**10,417**	9,862
Current tax liabilities		**853**	952
		74,168	81,941
Net current liabilities		**(11,171)**	(15,066)
Total assets less current liabilities		**19,227**	13,551
Non-current liabilities			
Lease liabilities	33	**5,956**	6,948
Deferred tax liabilities	34	**59**	–
		6,015	6,948
Net assets		**13,212**	6,603

	Note	2023 *HK$'000*	2022 *HK$'000*
Equity			
Share capital	35	**10,100**	6,300
Reserves	36	**3,112**	303
Total equity		**13,212**	6,603

Approved and authorised for issue by the Board of Directors on 14 July 2023.

Xu Xue
Director

Zheng Sihu
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2023

	Share capital HK$'000	Share premium account HK$'000 (note 36(a))	Capital reserve HK$'000 (note 36(b))	Foreign currency translation reserve HK$'000 (note 36(c))	Statutory reserve HK$'000 (note 36(d))	Accumulated losses HK$'000	Total equity HK$'000
As at 1 April 2021	4,800	34,250	(34)	189	561	(68,443)	(28,677)
Placing of new shares under general mandate (notes 35(a) and 35(b))	1,500	53,040	–	–	–	–	54,540
Share issue expenses	–	(626)	–	–	–	–	(626)
Loss and total comprehensive income for the year	–	–	–	171	–	(18,805)	(18,634)
Changes in equity for the year	1,500	52,414	–	171	–	(18,805)	35,280
At 31 March 2022 and 1 April 2022	6,300	86,664	(34)	360	561	(87,248)	6,603
Issue of shares upon rights issue (note 35(c))	**2,700**	**23,300**	**–**	**–**	**–**	**–**	**26,000**
Placing of new shares under general mandate (note 35(d))	**1,100**	**15,400**	**–**	**–**	**–**	**–**	**16,500**
Share issue expenses	**–**	**(259)**	**–**	**–**	**–**	**–**	**(259)**
Loss and total comprehensive income for the year	**–**	**–**	**–**	**(912)**	**–**	**(34,720)**	**(35,632)**
Changes in equity for the year	**3,800**	**38,441**	**–**	**(912)**	**–**	**(34,720)**	**6,609**
At 31 March 2023	**10,100**	**125,105**	**(34)**	**(552)**	**561**	**(121,968)**	**13,212**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2023

	Note	2023 HK$'000	2022 HK$'000
Cash flows from operating activities			
Loss before tax		**(34,660)**	(18,669)
Adjustments for:			
Allowance for inventories		**3,968**	996
Amortisation of intangible assets		**63**	–
COVID-19 Related rent concessions received		**(93)**	(399)
Depreciation of property, plant and equipment		**2,408**	2,048
Depreciation of right-of-use assets		**13,602**	9,612
Finance costs		**1,225**	976
Impairment losses for goodwill		**1,489**	440
Impairment losses for investments in associates		**133**	7,596
Impairment losses for other receivables		**187**	85
Impairment losses for loan receivables		**107**	–
Gain on early termination of leases		**(82)**	–
Impairment losses for right-of-use assets		**–**	529
Interest income		**(5)**	(1)
Fair value losses on financial assets at FVTPL		**4,565**	56
Share of loss of an associate		**4,967**	564
Write off of inventories		**130**	148
Write off of deposits, prepayments and other receivables		**57**	925
Write off of property, plant and equipment		**236**	–
Operating (loss)/profit before working capital changes		**(1,703)**	4,906
Increase in inventories		**(1,981)**	(321)
Decrease/(increase) in trade and other receivables		**8,043**	(16,004)
Increase in loan receivables		**(6,599)**	–
Increase in financial assets at FVTPL		**(4,896)**	(2,941)
(Decrease)/Increase in trade and other payables		**(1,926)**	1,035
Decrease in contract liabilities		**(8,602)**	(8,783)
Cash used in operations		**(17,664)**	(22,108)
Macao Complementary Tax paid		**(164)**	–
Interest on lease liabilities		**(1,186)**	(958)
Net cash used in operating activities		**(19,014)**	(23,066)

	Note	2023 *HK$'000*	2022 *HK$'000*
Cash flow from investing activities			
Purchases of items of property, plant and equipment		**(3,511)**	(2,006)
Additions of intangible assets		**(389)**	–
Acquisition of subsidiaries	42(a)	**(1,952)**	–
Increase in pledged bank deposits		**–**	(200)
Interest received		**5**	1
Net cash used in investing activities		**(5,847)**	(2,205)
Cash flow from financing activities			
Principal elements of lease payments		**(13,673)**	(10,452)
Proceeds from rights issue, net of issue expenses		**26,000**	–
Proceeds from placing of new shares		**16,500**	54,540
Share issue expenses		**(259)**	(626)
Net cash generated from financing activities		**28,568**	43,462
Net increase in cash and cash equivalents		**3,707**	18,191
Effect of foreign exchange rate changes		**(48)**	6
Cash and cash equivalents at beginning of year		**21,897**	3,700
Cash and cash equivalents at end of year		**25,556**	21,897
Analysis of cash and cash equivalents			
Cash and bank balances	30	**25,556**	21,897

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

1. CORPORATE INFORMATION

Ocean Star Technology Group Limited (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 27 May 2016. The address of its registered office is Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business in Hong Kong is located at 1F., Lok Kui Industrial Building, 6–8 Hung To Road, Kwun Tong, Kowloon, Hong Kong. The Company's shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 13 July 2017 (the "**Listing**").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 43 to the consolidated financial statements.

2. BASIS OF PREPARATION

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

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

Going concern assumption

The Group incurred a loss of approximately HK$34,720,000 for the year ended 31 March 2023 and as at 31 March 2023, the Group had net current liabilities of approximately HK$11,171,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. In preparing these consolidated financial statements, the directors of the Company have given careful consideration to the impact of the current and anticipated future liquidity of the Group. The validity of the Group to operate as a going concern is dependent upon the successful outcomes of the Group to (i) attain profitable and positive cash flows from operations; and (ii) obtain external source of funding, at a level sufficient to finance the working capital requirements of the Group for the next twelve months. In order to strengthen the Group's capital base and liquidity in the foreseeable future, the Group has taken the following measures:

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

- proposed rights issue and placing of new shares under general mandate to obtain external source of funding in order to finance the Group's operation and business development.

2. BASIS OF PREPARATION *(continued)*

Going concern assumption *(continued)*

Based on the cash flow projections of the Group after taken into account the available financial resources of the Group with the above measures, the directors have concluded that the Group is able to continue as a going concern and to meet their financial liabilities as and when they fall due for the next twelve months. Accordingly, the consolidated financial statements have been prepared on going concern basis.

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

3. ADOPTION OF NEW AND REVISED HKFRSs

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 April 2022. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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

The Group has not early applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning on or after 1 April 2022. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 – Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16 – Lease Liability in a Sale and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA

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

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. certain financial instruments that are measured at fair value).

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

The significant accounting policies applied in the preparation of the consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

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

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

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Separate financial statements

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment loss, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale). Cost includes direct attributable costs of investments. The results of subsidiaries are accounted for by the Company on the basis of dividend received or receivable.

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

(c) Business combination and goodwill

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Associates

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

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities. Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Property, plant and equipment

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

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

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

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

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(g) Leases

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

The Group as lessee

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Leases *(continued)*

The Group as lessee *(continued)*

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. Lease payments to be made under reasonably certain extension options are also included in the measurement of the lease liabilities. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and

- makes adjustments specific to the lease, such as term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Leases *(continued)*

The Group as lessee *(continued)*

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

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16. In such cases, the Group took advantage of the practical expedient not to assess whether the rent concessions are lease modification, and recognised the change in consideration as negative lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

(h) Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses. Intangible assets acquired in a business combination are recognised at fair value at the acquisition date. Amortisation is calculated on a straight-line basis over their estimated useful lives of 5 years.

Development costs that are attributable to the design and testing of identifiable and unique online platform controlled by the Group are recognised only if all of the following conditions are met:

– The technical feasibility of completing the intangible assets so that it will be available for use or sale;

– Management intends to complete the intangible assets and use or sell it;

– There is ability to use or sell the intangible assets;

– It can be demonstrated how the intangible assets will generate probable future economic benefits;

– Adequate technical, financial and other resources to complete the development and to use or sell the intangible assets are available;

– The expenditure attributable to the intangible assets during its development can be reliably measured.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

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

(j) Contract liabilities

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

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

(k) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Recognition and derecognition of financial instruments *(continued)*

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

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(l) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Debt investments

Debt instruments held by the Group are classified into amortised cost if the investments is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income.

(m) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Cash and cash equivalents

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

(o) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(p) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Equity instruments

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

(r) Revenue and other income

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Revenue and other income *(continued)*

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

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

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

(s) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

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

(iii) Termination benefits

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

(t) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

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

(u) Taxation

Income tax represents the sum of the current tax and deferred tax.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Taxation *(continued)*

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Related parties

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

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Impairment of non-financial asset

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(x) Impairment of financial assets

The Group recognises a loss allowance for ECL on trade and other receivables. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

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

– an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

– significant deterioration in external market indicators of credit risk for a particular financial instrument;

– existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

– an actual or expected significant deterioration in the operating results of the debtor;

– significant increases in credit risk on other financial instruments of the same debtor; and

– an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Significant increase in credit risk *(continued)*

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

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

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

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

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

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

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

– when there is a breach of financial covenants by the counterparty; or

– information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Credit-impaired financial assets

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

– significant financial difficulty of the issuer or the counterparty;

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

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

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

– the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

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

Measurement and recognition of ECL

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

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(y) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation. The discount rate used to determine the present value is a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in provision due to the passage of time is recognised as interest expense.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(z) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

(i) Critical judgements in applying accounting policies

(a) Going concern basis

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

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

(i) Critical judgements in applying accounting policies *(continued)*

(b) Significant increase in credit risk

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

(c) Business combinations

Accounting for acquisitions require the Group to allocate the purchase price to specific assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The Group has undertaken processes to identify all assets and liabilities acquired, including acquired intangible assets. Judgements made in identifying all acquired assets, determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset's useful lives, could materially impact the calculation of goodwill and depreciation and amortisation charges in subsequent periods. Estimated fair values are based on information available near the acquisition date and on expectations and assumptions that have been deemed reasonable by management. Determining the estimated useful lives of tangible and intangible assets acquired also requires judgement. Different conclusions around these judgements may materially impact how these investments presented and measured in the consolidated statement of financial position of the Group.

(ii) Key sources of estimation uncertainty

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

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

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

The carrying amount of property, plant and equipment and right-of-use assets as at 31 March 2023 were approximately HK$4,179,000 (2022: HK$3,263,000) and HK$15,889,000 (2022: HK$15,833,000) respectively.

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

(ii) Key sources of estimation uncertainty *(continued)*

(b) Impairment of Associates

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

The carrying amount for investments in associates as at 31 March 2023 was approximately Nil (2022: HK$5,100,000). Impairment losses of investments in associates of approximately HK$133,000 (2022: HK$7,596,000) was made for the year ended 31 March 2023.

(c) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than the expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

The carrying amount of goodwill at the end of the reporting period was approximately HK$1,600,000 (2022: Nil) after an impairment loss of approximately HK$1,489,000 (2022: Nil) was recognised during the year.

(d) Allowance for slow-moving inventories

The Group makes allowance for inventories based on an assessment of the ageing and net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories or that the inventories have no further use. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

The carrying amount of inventories as at 31 March 2023 was approximately HK$21,139,000 (2022: HK$23,551,000). Allowance for slow-moving inventories of approximately HK$3,968,000 (2022: HK$996,000) was made for the year ended 31 March 2023.

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

(ii) Key sources of estimation uncertainty *(continued)*

(e) *Impairment of loan receivables*

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

As at 31 March 2023, the carrying amount of loan receivables was approximately HK$6,492,000 (2022: Nil) (net of allowance for doubtful debts of approximately HK$107,000) (2022: Nil).

(f) *Recognition of contract liabilities*

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

Therefore, the directors of the Company are required to exercise judgement in the application of revenue recognition policies. In such assessment, the directors of the Company consider the general practice and grace period normally adopted by the Group as well as historical customer behaviour and usage pattern of the credit package.

The carrying amount of contract liabilities as at 31 March 2023 was approximately HK$56,642,000 (2022: HK$65,246,000). The revenue recognised that was included in contract liabilities were approximately HK$37,928,000 (2022: HK$41,221,000) for the year ended 31 March 2023.

(g) *Valuation of purchase price allocation for acquisition of subsidiaries*

The acquisition of subsidiaries was accounted for as a business combination which requires the Group to allocate the purchase price to the assets acquired, liabilities assumed, and identified intangible assets based on their estimated fair values at the date of acquisition. The fair values of the assets acquired, liabilities assumed and identified intangible assets were determined using the discounted cash flow approach and involved various key assumptions and estimates. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the fair values of the assets acquired, liabilities assumed and identified intangible assets.

In aggregate, the fair values of total identifiable net liabilities amounted to approximately HK$1,089,000 was recognised in the consolidated statement of financial position as at the acquisition date.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: (a) foreign currency risk, (b) price risk, (c) credit risk, (d) interest rate risk and (e) liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities.

The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arises.

(b) Price risk

The Group is exposed to equity price risk mainly through its investment in equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles.

The sensitivity analysis below have been determined based on the exposure to price risk at the end of reporting period.

If equity price had been 10% higher, loss for the year ended 31 March 2023 would decrease by approximately HK$322,000 (2022: HK$289,000). If equity price had been 10% lower, loss for the year ended 31 March 2023 would increase by HK$322,000 (2022: HK$289,000).

6. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its trade and other receivables, loan receivables, amount due from a shareholder, pledged bank deposits and bank balances. The Group's exposure to credit risk arising from pledged bank deposits and bank balances is limited because the counterparties are banks and financial institutions with high credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk.

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

The Group uses four categories for other and loan receivables which reflect their credit risk and how the loss provision is determined for each of the categories. In calculating the ECL rates, the Group considers historical loss rates for each category and adjusts for forward looking data.

Category	Definition	Basis for recognition of ECL provision
Performing	Low risk of default	12-month ECL
Underperforming	Significant increase in credit risk	Lifetime ECL (not credit-impaired)
Non-performing	The counterparty will enter bankruptcy	Lifetime ECL (credit-impaired)
Write off	There is no reasonable expectation of recovery	Amount is written off

6. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Credit risk *(continued)*

The following table provides information about the Group's exposure to credit risk and ECL for other receivables:

Internal credit rating	ECL rate	Gross carrying amount *HK$'000*	Loss allowance *HK$'000*	Net carrying amount *HK$'000*
31 March 2023				
Performing	**1.55%–16.1%**	**330**	**(41)**	**289**
Non-performing	**100%**	**232**	**(232)**	**–**
		562	**(273)**	**289**
31 March 2022				
Performing	0.8%–1.1%	7,023	(53)	6,970
Non-performing	100%	33	(33)	–
		7,056	(86)	6,970

Movement in the loss allowance for the other receivables during the year is as follows:

	12-month ECL *HK$'000*	Lifetime ECL but credit impaired *HK$'000*	Total *HK$'000*
At 1 April 2021	–	883	883
Impairment losses recognised for the year	53	32	85
Write off	–	(882)	(882)
At 31 March 2022 and 1 April 2022	**53**	**33**	**86**
(Reversals of Impairment losses)/ Impairment losses recongnised for the year	**(12)**	**199**	**187**
At 31 March 2023	**41**	**232**	**273**

6. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Credit risk *(continued)*

The following table provides information about the Group's exposure to credit risk and ECL for loan receivables:

Internal credit rating	ECL rate	Gross carrying amount *HK$'000*	Loss allowance *HK$'000*	Net carrying amount *HK$'000*
31 March 2023				
Performing	1.6%	6,599	(107)	6,492

Movement in the loss allowance for the loan receivables during the year is as follows:

	12-month ECL 2023 *HK$'000*
Impairment losses recognised for the year and at 31 March	107

For rental deposits and amount due from a shareholder, there were no significant increase in credit risk since initial recognition. The Group assessed the expected credit loss to be immaterial.

(d) Interest rate risk

The Group's lease liabilities bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

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

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

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

6. FINANCIAL RISK MANAGEMENT *(continued)*

(e) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

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

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

	Less than 1 year *HK$'000*	**1 to 2 years** *HK$'000*	**2 to 5 years** *HK$'000*	**Total** *HK$'000*
31 March 2023				
Trade and other payables	**6,256**	**–**	**–**	**6,256**
Lease liabilities	**11,023**	**5,558**	**573**	**17,154**
31 March 2022				
Trade and other payables	5,881	–	–	5,881
Lease liabilities	10,524	5,744	1,436	17,704

(f) Categories of financial instruments at 31 March

	2023 ***HK$'000***	2022 *HK$'000*
Financial assets:		
Financial assets at FVTPL	**3,215**	2,885
Financial assets at amortised cost	**38,998**	35,061
Financial liabilities:		
Financial liabilities at amortised cost	**6,256**	5,881

(g) Fair values

Except as disclosed in note 7 to the consolidated financial statements, the carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

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

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

Disclosures of level in fair value hierarchy at 31 March:

Description	Fair value measurements using Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total 2023 *HK$'000*
Recurring fair value measurements:				
Financial assets				
Financial assets at FVTPL				
– Listed equity securities	**3,215**	**–**	**–**	**3,215**

Description	Fair value measurements using Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total 2022 *HK$'000*
Recurring fair value measurements:				
Financial assets				
Financial assets at FVTPL				
– Listed equity securities	2,885	–	–	2,885

During the year ended 31 March 2023, there were no transfers in the fair value hierarchy between Level 1 and Level 2, or transfers into or out of Level 3 (2022: Nil).

8. OPERATING SEGMENT INFORMATION

The chief operating decision maker ("**CODM**") has been identified as the directors of the Company. The directors review the Group's internal reporting for the purposes of resource allocation and assessment of segment performance which focused on the category of services and products provided to external customers. The directors of the Company have determined that the Group has only one reportable segment, being sales of lingerie products.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The Group's other operating segments include provision of beauty services, provision of social influencers agency services through an online platform and money lending business. None of these segments meets any of the quantitative thresholds for determining reportable segments. The information of these other operating segments together with unallocated items are included in the "others" column.

The accounting policies of the operating segments are the same as those described in note 4 to the consolidated financial statements. Segment profits or losses do not include certain other income, other gains and losses and unallocated corporate expenses. Segment assets and liabilities are not presented in the consolidated financial statements as they are not regularly reviews by the CODM.

Segment revenue and results

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

Year ended 31 March 2023

	Lingerie products *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Revenue – External customers	**42,845**	**1,844**	**44,689**
Segment results	**28,972**	**1,803**	**30,775**
Unallocated income and expenses, net			**(65,435)**
Loss before tax			**(34,660)**

Year ended 31 March 2022

	Lingerie products *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue – External customers	45,611	976	46,587
Segment results	33,635	902	34,537
Unallocated income and expenses, net			(53,206)
Loss before tax			(18,669)

8. OPERATING SEGMENT INFORMATION *(continued)*

Other segment information

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

Year ended 31 March 2023

	Lingerie products *HK$'000*	Others *HK$'000*	Total *HK$'000*
Additions of property, plant and equipment	**1,426**	**2,085**	**3,511**
Depreciation of property, plant and equipment	**1,553**	**855**	**2,408**
Write off of property, plant and equipment	**67**	**169**	**236**
Depreciation of right-of-use assets	**10,944**	**2,658**	**13,602**
Additions of intangible assets	**–**	**389**	**389**
Amortisation of intangible assets	**–**	**63**	**63**
Impairment losses for goodwill	**–**	**1,489**	**1,489**

Year ended 31 March 2022

	Lingerie products *HK$'000*	Others *HK$'000*	Total *HK$'000*
Additions of property, plant and equipment	1,959	47	2,006
Depreciation of property, plant and equipment	1,484	564	2,048
Depreciation of right-of-use assets	8,639	973	9,612
Impairment losses for right-of-use assets	–	529	529
Impairment losses for goodwill	–	440	440

Geographical information

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

	Revenue		Non-current assets	
	2023 **HK$'000**	2022 *HK$'000*	**2023** **HK$'000**	2022 *HK$'000*
Hong Kong	**40,865**	41,952	**16,910**	18,868
Macau	**3,418**	4,535	**713**	127
The PRC (other than Hong Kong and Macau)	**406**	100	**2,445**	101
	44,689	46,587	**20,068**	19,096

Information about major customers

There was no revenue from individual customers of the Group contributing over 10% of the Group's revenue during the year ended 31 March 2023 (2022: Nil).

9. REVENUE

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

	2023 HK$'000	2022 HK$'000
Products and services transferred at a point in time within the scope of HKFRS 15:		
Sales of lingerie products	42,845	45,611
Provision of beauty services	772	976
Provision of social influencers agency services through an online platform	74	–
	43,691	46,587
Revenue from other sources		
Interest income from loan financing	998	–
	44,689	46,587

10. OTHER INCOME

	2023 HK$'000	2022 HK$'000
Bank interest income	5	1
COVID-19 rent concessions received	93	399
Government grants (note)	1,510	45
Others	995	714
	2,603	1,159

Note: Government grants represent subsidies from government under the Employment Support Scheme and Subsidy Scheme for Beauty Parlours, Massage Establishments and Party Rooms. At the end of the reporting period, there is no unfulfilled conditions nor other contingencies attached to the government grants remain unsatisfied.

11. OTHER GAINS AND LOSSES

	2023 HK$'000	2022 HK$'000
Allowance for inventories	(3,968)	(996)
Net foreign exchange gains	5	11
Gain on early termination of leases	82	–
Impairment losses for goodwill	(1,489)	(440)
Impairment losses for right-of-use assets	–	(529)
Fair value losses on financial assets at FVTPL	(4,565)	(56)
Write off of deposits, prepayments and other receivables	(57)	(925)
Write off of inventories	(130)	(148)
Write off of property, plant and equipment	(236)	–
	(10,358)	(3,083)

12. FINANCE COSTS

	2023 HK$'000	2022 HK$'000
Interest expenses on lease liabilities	1,186	958
Other interest expenses	39	18
	1,225	976

13. INCOME TAX EXPENSE

	2023 HK$'000	2022 HK$'000
Current tax – Provision for the year		
– Hong Kong Profits Tax	**65**	–
– Macao Complementary Tax	**–**	136
	65	136
Deferred tax	**(5)**	–
	60	136

For the year ended 31 March 2023, under the two-tiered Profits Tax regime, the first HK$2 million of profits of a Group's qualifying subsidiary established in Hong Kong will be taxed at 8.25% (2022: 8.25%), and profits above that amount will be subject to the tax rate of 16.5% (2022: 16.5%). The profits of the Group's entities not qualifying for the two-tiered Profit Tax rate regime will continue to be taxed at a rate of 16.5% (2022: 16.5%).

For the Group's subsidiary established and operated in Macau is subject to Macao Complementary Tax, under which taxable income up to MOP600,000 is exempted from taxation with taxable income beyond this amount to be taxed at the rate of 12% for the years ended 31 March 2023 and 2022.

For the Group's subsidiaries established and operated in the PRC are subject to PRC EIT at the rate of 25% (2022: 25%). No provision for EIT is made since the Group has no assessable profit for the year ended 31 March 2023 (2022: Nil).

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

	2023 HK$'000	2022 HK$'000
Loss before tax	**(34,660)**	(18,669)
Tax at the Hong Kong Profits Tax rate of 16.5% (2022: 16.5%)	**(5,719)**	(3,080)
Tax effect of income that is not taxable	**(566)**	(76)
Tax effect of expenses that are not deductible	**2,782**	2,564
Tax effect of share of results of an associate	**820**	93
Tax effect of tax losses not recognised	**1,666**	648
Tax effect of temporary differences not recognised	**1,637**	258
Tax effect of utilisation of tax losses not previously recognised	**(50)**	(11)
Tax benefits	**(326)**	(72)
Effect of different tax rates of subsidiaries	**(184)**	(188)
Income tax expense	**60**	136

14. LOSS FOR THE YEAR

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

	2023	2022
	HK$'000	*HK$'000*
Allowance for inventories (included in other gains and losses)	**3,968**	996
Auditor's remuneration	**700**	650
Amortisation of intangible assets (included in administrative and other operating expenses)	**63**	–
Cost of inventories recognised as an expense	**13,914**	12,050
Depreciation of property, plant and equipment	**2,408**	2,048
Depreciation of right-of-use assets	**13,602**	9,612
Expenses relating to short-term lease (included in cost of sales, selling expenses and administrative and other operating expenses)	**1,617**	1,787
Expenses relating to variable lease payment not included in measurement of lease liabilities (included in selling expenses)	**111**	59
Impairment losses for goodwill (included in other gains and losses)	**1,489**	440
Impairment losses for investments in associates	**133**	7,596
Impairment losses for other receivables	**187**	85
Impairment losses for loan receivables	**107**	–
Impairment losses for right-of-use assets (included in other gains and losses)	**–**	529
Gain on early termination of leases	**(82)**	–
Net foreign exchange gains	**(5)**	(11)
Fair value losses on financial assets at FVTPL	**4,565**	56
Write off of deposits, prepayments and other receivables	**57**	925
Write off of inventories	**130**	148
Write off of property, plant and equipment	**236**	–
Staff cost (including directors' emoluments)		
– Salaries, bonuses and allowances	**25,693**	22,041
– Retirement benefit scheme contributions	**1,207**	1,224
	26,900	23,265

Cost of inventories includes staff costs and depreciation of approximately HK$8,575,000 (2022: HK$8,172,000) which are included in the amounts disclosed separately.

15. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

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

	2023 *HK$'000*	2022 *HK$'000*
Fees	**495**	498
Other emoluments		
Salaries, allowances and benefits in kind	**1,451**	1,105
Retirement benefit scheme contributions	**18**	18
	1,469	1,123
	1,964	1,621

	Fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Retirement benefit scheme contributions *HK$'000*	Total *HK$'000*
31 March 2023				
Executive directors				
Mr. Zheng Sihu (note (i))	–	431	–	431
Mr. Tam Chak Chi (note (ii))	–	420	18	438
Mr. Xu Xue	–	600	–	600
	–	1,451	18	1,469
Independent non-executive directors				
Mr. Tang Yiu Kay (note (vii))	165	–	–	165
Mr. Tong Zhu (note (viii))	165	–	–	165
Mr. Lai Kim Fung (note (ix))	165	–	–	165
	495	–	–	495

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

(a) Directors' emoluments *(continued)*

	Fees	Salaries, allowances and benefits in kind	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
31 March 2022				
Executive directors				
Mr. Tam Chak Chi (note (ii))	–	455	18	473
Mr. Xu Xue	–	650	–	650
	–	1,105	18	1,123
Independent non-executive directors				
Mr. Ong King Keung (note (iii))	44	–	–	44
Mr. Cai Chun Fai (note (iv))	33	–	–	33
Mr. Deng Guo Hong (note (v))	107	–	–	107
Ms. Yuen Xiaoxi (note (vi))	57	–	–	57
Mr. Tang Yiu Kay (note (vii))	124	–	–	124
Mr. Tong Zhu (note (viii))	90	–	–	90
Mr. Lai Kim Fung (note (ix))	43	–	–	43
	498	–	–	498

Notes:

(i) Mr. Zheng Sihu was appointed as an executive director on 13 July 2022.

(ii) Mr. Tam Chak Chi is also served as the Company Secretary of the Company. Company Secretary fee of approximately HK$180,000 (2022: HK$195,000) during the year ended 31 March 2023 were not included in the above director's emolument analysis.

(iii) Mr. Ong King Keung resigned as an independent non-executive director on 11 May 2021.

(iv) Mr. Cai Chun Fai resigned as an independent non-executive director on 9 April 2021.

(v) Mr. Deng Guo Hong resigned as an independent non-executive director on 5 January 2022.

(vi) Ms. Yuen Xiaoxi was appointed as an independent non-executive director on 9 April 2021 and resigned on 30 September 2021.

(vii) Mr. Tang Yiu Kay was appointed as an independent non-executive director on 18 June 2021.

(viii) Mr. Tong Zhu was appointed as an independent non-executive director on 30 September 2021.

(ix) Mr. Lai Kim Fung was appointed as an independent non-executive director on 5 January 2022.

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

(a) Directors' emoluments *(continued)*

There was no arrangement under which a director waived or agreed to waive any emolument during the year (2022: Nil).

During the year, no emolument has been paid to the directors as an inducement to join or upon joining the Group; or as compensation for loss of office (2022: Nil).

There was no discretionary bonus paid or payable to any of the directors during the year (2022: Nil).

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

Save for disclosed in note 41 to the consolidated financial statements, no other significant transaction, arrangement and contract in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

16. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals in the Group during the year included two director (2022: one director) whose emoluments are reflected in the analysis presented in note 15 to the consolidated financial statements. The emoluments of the remaining three (2022: four) individuals are set out below:

	2023 ***HK$'000***	2022 *HK$'000*
Salaries, allowances and benefits in kind	**1,806**	2,285
Discretionary bonus	**–**	164
Retirement benefit scheme contributions	**54**	74
	1,860	2,523

During the year, no emolument has been paid to any highest paid employee as an inducement to join or upon joining the Group, or as compensation for loss of office (2022: Nil).

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

	2023	2022
Nil to HK$1,000,000	**3**	4

17. RETIREMENT BENEFIT SCHEMES

(i) Employees of the Group in Hong Kong

In compliance with the Hong Kong Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong), employees of the Group in Hong Kong are required to participate in the Mandatory Provident Fund scheme of the Group (the "**MPF Scheme**"). The MPF Scheme is a defined contribution plan administered by an independent corporate trustee. Under the MPF Scheme, each of the Group and the employees are required to make contributions to the MPF Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions made to the MPF Scheme vest immediately.

(ii) Employees of the Group in Macau

The Group participates social benefit scheme which is Social Security Benefits under the Social Security Fund of Government of the Macau SAR (the "**Macau Scheme**"). The Macau Scheme is the first tier of the two-tier social security system under the Macau SAR Law No. 4/2010 (Social Security System) effective on 1 January 2011. The current social security coverage covers all residents in Macau SAR to allow them to receive basic old-age security. As stipulated in the Executive Order of Macau SAR with effect from 1 January 2017, the contribution amounts for the long-term employee are MOP90 per month (employer's contribution: MOP60, employee's contribution: MOP30). In accordance with the provisions of Macau SAR Law No. 4/2010, the employer can deduct the employee's portion of contributions from his/her wages.

(iii) Employees of the Group in the PRC

Pursuant to the relevant labour rules and regulations in the PRC, employees of the Group in the PRC participated in the central pension scheme (the "**PRC Scheme**"), which is a defined contribution plan administered by the PRC government, whereby the Group is required to make contributions to the PRC Scheme based on certain percentages of the eligible employees' salaries. The local government authorities are responsible for the entire pension obligations payable to the retired employees. Contributions made to the PRC Scheme vest immediately.

The Group's contributions under the abovementioned defined contribution plans in Hong Kong, Macau and the PRC are expensed as incurred and not reduced by contributions forfeited by those employees who leave the defined contribution plans prior to vesting fully in the contributions.

18. DIVIDEND

No dividend had been paid or declared by the Company during the year (2022: Nil).

19. LOSS PER SHARE

(a) Basic loss per share

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

	2023 HK$'000	2022 HK$'000
Loss		
Loss for the purpose of calculating basic and diluted loss per share	(34,720)	(18,805)

	2023 '000	2022 '000 (Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	812,888	563,294

(b) Diluted loss per share

No diluted loss per share is presented as the Company did not have any dilutive potential ordinary share during the two years ended 31 March 2023 and 2022.

For the years ended 31 March 2023 and 2022, the weighted average number of ordinary shares for the purpose of basic and diluted loss per share has been adjusted to take into effect of the bonus element in the rights issue with effect from 19 August 2022 as if it had been effective on 1 April 2021.

20. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
At 1 April 2021	6,194	3,221	255	2,911	12,581
Additions	1,164	223	231	388	2,006
Write off	(2,256)	(220)	(1)	(1,692)	(4,169)
Exchange differences	18	15	5	–	38
At 31 March 2022 and 1 April 2022	**5,120**	**3,239**	**490**	**1,607**	**10,456**
Additions	**2,408**	**243**	**560**	**300**	**3,511**
Acquisition of subsidiaries	**–**	**58**	**–**	**–**	**58**
Write off	**(2,060)**	**(1,234)**	**(13)**	**(815)**	**(4,122)**
Exchange differences	**(36)**	**(29)**	**(9)**	**–**	**(74)**
At 31 March 2023	**5,432**	**2,277**	**1,028**	**1,092**	**9,829**
Accumulated depreciation and impairment					
At 1 April 2021	4,691	2,013	162	2,421	9,287
Charge for the year	1,161	556	65	266	2,048
Write off	(2,256)	(220)	(1)	(1,692)	(4,169)
Exchange differences	11	13	3	–	27
At 31 March 2022 and 1 April 2022	**3,607**	**2,362**	**229**	**995**	**7,193**
Charge for the year	**1,361**	**521**	**210**	**316**	**2,408**
Write off	**(1,984)**	**(1,109)**	**(5)**	**(788)**	**(3,886)**
Exchange differences	**(31)**	**(28)**	**(6)**	**–**	**(65)**
At 31 March 2023	**2,953**	**1,746**	**428**	**523**	**5,650**
Carrying amount					
At 31 March 2023	**2,479**	**531**	**600**	**569**	**4,179**
At 31 March 2022	1,513	877	261	612	3,263

During the year, the Group assessed the recoverable amount of the CGU and no impairment loss (2022: Nil) was recognised in the consolidated profit or loss in respect of property, plant and equipment attributable to that CGU. Details of the impairment assessment are disclosed in note 21 to the consolidated financial statements.

21. RIGHT-OF-USE ASSETS

	2023 *HK$'000*	2022 *HK$'000*
At 1 April	**15,833**	9,361
Additions	**15,998**	16,613
Acquisition of subsidiaries	**466**	–
Early termination of leases	**(2,836)**	–
Depreciation	**(13,602)**	(9,612)
Impairment losses for right-of-use assets	**–**	(529)
Exchange difference	**30**	–
At 31 March	**15,889**	15,833

During the year ended 31 March 2023, no impairment loss (2022: Nil) was recognised in the consolidated profit or loss as the recoverable amount of the CGU of lingerie product is higher (2022: higher) than its carrying amount as at 31 March 2023.

During the year ended 31 March 2022, impairment losses for approximately HK$529,000 was recognised in the consolidated profit or loss as the recoverable amount of the CGU of beauty services is lower than its carrying amount as at 31 March 2022.

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

Lease liabilities of approximately HK$16,373,000 (2022: HK$16,810,000) were recognised with related right-of-use assets of approximately HK$15,889,000 (2022: HK$15,833,000) as at 31 March 2023.

	2023 HK$'000	2022 HK$'000
Depreciation expenses on right-of-use assets	13,602	9,612
Impairment losses for right-of-use assets	–	529
COVID-19 rent concessions received	(93)	(399)
Gain on early termination of leases	(82)	–
Interest expense on lease liabilities (included in finance costs)	1,186	958
Expenses relating to short-term lease (included in cost of sales, selling expenses and administrative and other operating expenses)	1,617	1,787
Expenses relating to variable lease payment not included in the measurement of lease liabilities (included in selling expenses)	111	59

The Group leases various offices, warehouses, and retail stores for its operations. Lease contracts are entered into for fixed term of 1 to 3 years (2022: 1 to 3 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

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

	2023 HK$'000	2022 HK$'000
Retails stores		
Fixed payments	6,961	5,524
Variable payments	111	59
COVID-19 rent concessions received	(93)	(399)
	6,979	5,184

22. INTANGIBLE ASSETS

	Online platform *HK$'000*
Cost	
Acquisition of subsidiaries	568
Additions during the year	389
At 31 March 2023	957
Accumulated amortisation	
Amortisation for the year and at 31 March 2023	63
Carrying amount	
At 31 March 2023	894

The average remaining amortisation period of the online platform are five years (2022: Nil).

During the year, the Group assessed the recoverable amount of the CGU of provision of social influencers agency services through an online platform and no impairment loss (2022: Nil) was recognised in the consolidated profit or loss in respect of intangible assets to that CGU. Details of the impairment assessment are disclosed in note 24 to the consolidated financial statements.

23. INTERESTS IN ASSOCIATES

	2023 ***HK$'000***	2022 *HK$'000*
Unlisted shares, at cost		
Share of net assets	**–**	4,967
Goodwill	**27,159**	27,159
	27,159	32,126
Less: impairment losses for investments in associates	**(27,159)**	(27,026)
	–	5,100

23. INTERESTS IN ASSOCIATES *(continued)*

Details of the Group's associates at 31 March 2023 are as follows:

Name	Place of incorporation	Issued and paid up capital	Percentage of ownership interest	Principal activities
Ocean Trader Limited ("**Ocean Trader**") (note (i))	Hong Kong	HK$100	N/A (2022: 25%)	Dissolved
Honour Achieve International Investment Limited ("**Honour Achieve**") (note (ii))	BVI	US$10,000	34% (2022: 34%)	Provision of medical aesthetic service

Notes:

(i) Ocean Trader was incorporated in Hong Kong on 28 July 2017, with issued share capital of HK$100.

The Group has not recognised loss for the year ended 31 March 2022 amounting to approximately HK$1,044,000 for Ocean Trader. The accumulated losses not recognised were approximately HK$2,544,000.

The associate was dissolved during the year ended 31 March 2023.

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

The Group has carried out a review of the recoverable amount of its investments in associates at the end of reporting period with reference to the independent valuation performed by an independent valuer, Ravia Global. The recoverable amount is assessed based on fair value less cost of disposal by using market approach basis under level 3 fair value measurement. The key assumptions are the Price-to-Earnings Ratio, Control Premium and discount of lack of marketability.

The Price-to-Earnings Ratio use in the valuation is 23.16 (2022: 14.68). The control premium and discount of lack of marketability are 20.4% and 15.7% (2022: 20% and 16%) respectively.

During the years ended 31 March 2023 and 2022, the business of Honour Achieve was affected by epidemic of COVID-19 Pandemic. Accordingly, impairment losses of approximately HK$133,000 (2022: HK$7,596,000) is recognised for the year ended 31 March 2023 as the recoverable amount of the investments in associates is lower than its carrying amount as at 31 March 2023.

The Group has not recognised loss for the year amounting to approximately HK$4,104,000 for Honour Achieve. The accumulated losses not recognised were approximately HK$4,104,000.

23. INTERESTS IN ASSOCIATES *(continued)*

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

Name	**Honour Achieve**
Principal place of business/country of incorporation	**Hong Kong/BVI**
Principal activities	**Provision of medical aesthetic service**

	2023	2022
% of ownership interests/voting rights held by the Group	**34%/34%**	34%/34%
	HK$'000	*HK$'000*
At 31 March:		
Non-current assets	**–**	683
Current assets	**13,740**	39,065
Current liabilities	**(25,810)**	(25,139)
Net (liabilities)/assets	**(12,070)**	14,609
Group's share of net assets	**–**	4,967
Goodwill	**27,159**	27,159
Impairment losses for investments in associates	**(27,159)**	(27,026)
Group's share of carrying amount of interests	**–**	5,100
Year ended 31 March:		
Revenue	**1,026**	18,204
Loss and total comprehensive income for the year	**(26,679)**	(1,658)

24. GOODWILL

	2023 *HK$'000*	2022 *HK$'000*
Cost		
At 1 April	440	440
Disposal of a subsidiary	(440)	–
Arising on acquisition of subsidiaries	3,089	–
At 31 March	3,089	440
Accumulated impairment losses		
At 1 April	440	–
Disposal of a subsidiary	(440)	–
Impairment losses recognised	1,489	440
At 31 March	1,489	440
Carrying amount		
At 31 March	1,600	–

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	2023 *HK$'000*	2022 *HK$'000*
Provision of social influencers agency services through an online platform:		
Hong Kong Good Think Network Technology Co., Limited and its subsidiaries ("**Good Think Group**")	3,089	–
Less: impairment losses	(1,489)	–
	1,600	–
Money lending business:		
Dynasty Investment (HK) Limited ("**Dynasty**")	–	440
Less: impairment losses	–	(440)
	–	–
	1,600	–

24. GOODWILL *(continued)*

In addition to goodwill, property, plant and equipment, right-of-use assets and intangible assets that generate cash flows together with the related goodwill are also included in the respective CGU for the purpose of impairment assessment.

For the CGU of provision of social influencers agency services through an online platform, the recoverable amounts of the Goodwill have been determined on the basis of their value in use using discounted cash flow method, which uses cash flow projections based on financial budgets approved by the directors covering a five-year period and a pre-tax discount rate of 17.18% per annum calculated by using weighted average cost of capital. The key assumptions used by management in setting the financial budgets for the initial five-year period were as follows:

Forecast revenue growth rates – based on past experience adjusted for market trends and the strategic decisions made in respect of the CGU.

Cash flows beyond five-year period have been extrapolated using a steady 3% per annum growth rate, which is estimated by the directors of the Company based on past performance of the CGU and their expectations of market development and the rate does not exceed the average long-term growth rate for the relevant markets.

As at 31 March 2022, in the opinion of the management, the money lending business of Dynasty Investment (HK) Limited will not be commenced in the foreseeable future, as a result, impairment losses for goodwill of approximately HK$440,000 was made for the year ended 31 March 2022.

25. INVENTORIES

	2023 ***HK$'000***	2022 *HK$'000*
Raw materials	**3,306**	3,527
Work-in-progress	**203**	428
Finished goods	**25,599**	23,597
	29,108	27,552
Less: allowance for inventories	**(7,969)**	(4,001)
	21,139	23,551

The Group's inventories are stated at cost less allowance for inventories.

Allowance for inventories of approximately HK$3,968,000 (2022: HK$996,000) was made in the profit or loss for the year ended 31 March 2023.

26. TRADE AND OTHER RECEIVABLES

	2023	2022
	HK$'000	*HK$'000*
Trade receivables	**276**	296
Prepayments	**1,956**	3,522
Rental deposits	**6,012**	5,525
Other deposits	**5,525**	6,277
Other receivables	**562**	7,056
	14,331	22,676
Allowance for other receivables	**(273)**	(86)
	14,058	22,590
Analysed as:		
Current assets	**6,222**	18,169
Non-current assets	**7,836**	4,421
	14,058	22,590

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

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

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

	2023	2022
	HK$'000	*HK$'000*
0 – 30 days	**276**	296

As of 31 March 2023, none of trade receivables were considered as past due but not impaired (2022: Nil).

27. LOAN RECEIVABLES

	2023 HK$'000	2022 HK$'000
Loan receivables – unsecured loan	6,599	–
Less: Allowance for loan receivables	(107)	–
	6,492	–

The loans to customers had a loan period of 12 months (2022: Nil). The loans provided to customers bore fixed interest rate ranging from 17.13% to 41.00% per annum. (2022: Nil) and were repayable according to the loan agreements.

The maturity profile of these loan and interest receivables from customers, at the end of the reporting period, net of allowance of ECL, analysed by remaining periods to their contracted maturity, is as follow:

	2023 HK$'000	2022 HK$'000
Repayable:		
Over 3 months but less than 1 year	6,492	–

The loan receivables outstanding as at 31 March 2023 are denominated in HK$.

28. FINANCIAL ASSETS AT FVTPL

	2023 HK$'000	2022 HK$'000
Equity securities, at fair value		
– Listed in United States	**3,215**	2,885

The equity securities listed in United States are held for trading purpose and are measured at FVTPL in accordance with HKFRS 9. The investments in listed equity securities that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair values of listed securities are based on current bid prices.

29. AMOUNT DUE FROM A SHAREHOLDER

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

30. PLEDGED BANK DEPOSITS AND CASH AND BANK BALANCES

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

	2023 HK$'000	2022 HK$'000
HK$	**24,799**	21,017
RMB	**88**	148
MOP	**413**	699
US$	**256**	33
Cash and bank balances	**25,556**	21,897

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

The Group's pledged bank deposits represented deposits pledged to a bank to secure business credit card of the Group.

31. TRADE AND OTHER PAYABLES

	2023 HK$'000	2022 HK$'000
Trade payables	489	547
Accruals and other payables	5,767	5,334
	6,256	5,881

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

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

	2023 HK$'000	2022 HK$'000
0 – 60 days	489	449
Over 60 days	–	98
	489	547

32. CONTRACT LIABILITIES

	Credit package HK$'000	Member voucher HK$'000	Beauty package HK$'000	Total HK$'000
At 1 April 2021	73,325	66	636	74,027
Receipts from sales of credit package, member voucher and beauty package	31,662	–	775	32,437
Revenue recognised upon sales of goods and beauty service rendered	(40,255)	(9)	(957)	(41,221)
Exchange differences	–	3	–	3
At 31 March 2022 and 1 April 2022	64,732	60	454	65,246
Receipts from sales of credit package, member voucher and beauty package	29,023	–	402	29,425
Revenue recognised upon sales of goods and beauty service rendered	(37,165)	(4)	(759)	(37,928)
Transfer to other payables	–	–	(97)	(97)
Exchange differences	–	(4)	–	(4)
At 31 March 2023	56,590	52	–	56,642

33. LEASE LIABILITIES

	Minimum lease payments		Present value if minimum lease payments	
	2023	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**11,023**	10,524	**10,417**	9,862
In the second to fifth years, inclusive	**6,131**	7,180	**5,956**	6,948
	17,154	17,704	**16,373**	16,810
Less: Future finance charges	**(781)**	(894)	**N/A**	N/A
Present value of lease obligations	**16,373**	16,810	**16,373**	16,810
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(10,417)**	(9,862)
Amount due for settlement after 12 months			**5,956**	6,948

The weighted average incremental borrowing rates applied to lease liabilities range from 4.75% to 13.0% (2022: 5.25% to 15%).

The lease liabilities of the Group are denominated in the following currencies:

	2023	2022
	HK$'000	*HK$'000*
HK$	**15,398**	16,737
RMB	**975**	73
	16,373	16,810

34. DEFERRED TAX LIABILITIES

The following are the deferred tax liabilities recognised by the Group:

	Intangible assets
	HK$'000
Acquisition of subsidiaries	64
Credit to profit or loss for the year	(5)
At 31 March 2023	59

At the end of the reporting period, the Group has unused tax losses of approximately HK$34,677,000 (2022: HK$27,053,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$13,717,000 (2022: HK$9,507,000) that will expire in five years. Other tax losses may be carried forward indefinitely.

As at 31 March 2023, there are no undistributed earnings. As at 31 March 2022, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is approximately HK$1,802,000. No deferred tax liability has been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

35. SHARE CAPITAL

	Number of shares *'000*	Amount *HK$'000*
Authorised:		
Ordinary shares of HK$0.01 each		
At 1 April 2021, 31 March 2022, 1 April 2022 and 31 March 2023	4,000,000	40,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 1 April 2021	480,000	4,800
Placing of new shares under general mandate (note (a))	48,000	480
Placing of new shares under general mandate (note (b))	102,000	1,020
At 31 March 2022 and 1 April 2022	630,000	6,300
Issue of shares upon rights issue (note (c))	270,000	2,700
Placing of new shares under general mandate (note (d))	110,000	1,100
At 31 March 2023	1,010,000	10,100

Notes:

(a) On 15 April 2021, the Company and Valuable Capital Limited (the "**First Placing Agent**"), entered into a placing agreement in respect of the placing of 48,000,000 ordinary shares at a price of HK$0.86 per share under general mandate (the "**First Placing**"). The Placing was completed on 30 April 2021. The net proceeds from the First Placing, after deduction of share issue expenses of approximately HK$0.4 million, was approximately HK$40.88 million. Details of the First Placing were disclosed in announcements of the Company dated 15 April 2021 and 30 April 2021.

(b) On 1 March 2022, the Company and the First Placing Agent, entered into a placing agreement in respect of the placing of 102,000,000 ordinary shares at a price of HK$0.13 per share under general mandate (the "**Second Placing**"). The Second Placing was completed on 28 March 2022. The net proceeds from the Second Placing, after deduction of share issue expenses of approximately HK$0.21 million, was approximately HK$13.05 million. Details of the Second Placing were disclosed in announcements of the Company dated 1 March 2022 and 28 March 2022.

(c) On 17 June 2022, the Company announced the rights issue (the "**Rights Issue**") on the basis of one rights share for every two shares held by the shareholders of the Company on the record date of 28 July 2022 to issue 315,000,000 rights shares at the subscription price of HK$0.1 per rights share. On 19 August 2022, the Company completed the Rights Issue and issued 270,000,000 rights shares. The net proceeds from the Rights Issue, after deducting the expenses involved of approximately HK$1.0 million, was approximately HK$26.0 million. Details of the Rights Issue were disclosed in announcements of the Company dated 17 June 2022 and 19 August 2022 and the prospectus of the Company dated 29 July 2022.

35. SHARE CAPITAL *(continued)*

Notes: (continued)

(d) On 23 February 2023, the Company and uSMART Securities Limited (the "**Second Placing Agent**"), entered into a placing agreement in respect of the placing of 120,000,000 ordinary shares at a price of HK$0.15 per share under general mandate (the "**Third Placing**"). The Third Placing was completed on 20 March 2023. An aggregate of 110,000,000 placing shares have been successfully placed to not less than six Placees at the placing price of HK$0.15 per placing share. The net proceeds from the Third Placing, after deduction of share issue expenses of approximately HK$0.3 million, was approximately HK$16.2 million. Details of the Third Placing were disclosed in announcements of the Company dated 23 February 2023, 28 February 2023 and 20 March 2023.

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

The Group reviews the capital structure frequently by considering the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts, redemption of existing debts or selling assets to reduce debts. No change was made in the objectives, policies or processes for managing capital during the years ended 31 March 2023 and 2022.

The Group monitors its capital structure on the basis of gearing ratio. The Group's gearing ratios at the end of reporting period were as follows:

	2023 ***HK$'000***	2022 *HK$'000*
Lease liabilities	**16,373**	16,810
Less: Cash and cash equivalents	**(25,556)**	(21,897)
Net debts/(cash and cash equivalents exceed the debts)	**(9,183)**	(5,087)
Total equity	**13,212**	6,603
Gearing ratio	**(70%)**	(77%)

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

36. RESERVES

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

Nature and purpose of reserves

(a) Share premium

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(b) Capital reserve

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

(c) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(e) to the consolidated financial statements.

(d) Statutory reserve

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

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

(a) Statement of financial position of the Company

	Note	2023 HK$'000	2022 HK$'000
Non-current assets			
Property, plant and equipment		1,576	4
Right-of-use assets		2,717	973
Investments in subsidiaries		10	10
Deposits		3,722	159
		8,025	1,146
Current assets			
Deposits, prepayments and other receivables		3,060	12,092
Amount due from a shareholder		44	44
Cash and bank balances		21,814	17,389
		24,918	29,525
Current liabilities			
Other payables		891	549
Amounts due to subsidiaries		–	8,969
Lease liabilities		2,278	1,011
		3,169	10,529
Net current assets		21,749	18,996
Total assets less current liabilities		29,774	20,142
Non-current liabilities			
Lease liabilities		605	–
Net assets		29,169	20,142
Equity			
Share capital	35	10,100	6,300
Reserves	37(b)	19,069	13,842
Total equity		29,169	20,142

Approved and authorised for issue by the Board of Directors on 14 July 2023.

Xu Xue
Director

Zheng Sihu
Director

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

(b) Reserves movement of the Company

	Share premium account HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2022	34,250	(42,352)	(8,102)
Placing of new shares under general mandate	53,040	–	53,040
Share issue expenses	(626)	–	(626)
Loss and total comprehensive income for the year	–	(30,470)	(30,470)
At 31 March 2022 and 1 April 2022	**86,664**	**(72,822)**	**13,842**
Issue of shares upon rights issue, net issue expenses	**23,300**	**–**	**23,300**
Placing of new shares under general mandate	**15,400**	**–**	**15,400**
Share issue expenses	**(259)**	**–**	**(259)**
Loss and total comprehensive income for the year	**–**	**(33,214)**	**(33,214)**
At 31 March 2023	**125,105**	**(106,036)**	**19,069**

38. CONTINGENT LIABILITIES

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

39. CAPITAL COMMITMENTS

As at 31 March 2023, the Group did not have any significant capital commitments (2022: Nil).

40. LEASE COMMITMENT

The Group entered into short-term leases for retails stores during the reporting period. As at 31 March 2023, the outstanding lease commitments relating to these retails stores is approximately HK$518,000 (2022: HK$537,000).

41. RELATED PARTY TRANSACTIONS

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

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

	2023 HK$'000	2022 HK$'000
Fees	**495**	498
Other emoluments		
Salaries, allowances and benefits in kind	**2,171**	1,887
Retirement benefit scheme contributions	**36**	36
	2,207	1,923
	2,702	2,421

42. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of subsidiaries

On 31 October 2022, the Group acquired 100% of the issued share capital of Good Think Group for a total consideration of HK$2,000,000. Good Think Group was engaged in provision of agency services during the year, including but not limited to soliciting and procuring social influencers or talents to live streaming on an online platform, and shall be entitled to performance-based service fees. The acquisitions are for the purpose of diversifying the Group's business.

The fair value of the identifiable assets and liabilities of Good Think Group acquired as at the date of acquisition are as follows:

	HK$'000
Right-of-use assets	466
Property, plant and equipment	58
Intangible assets	568
Rental deposits	58
Trade and other receivables	323
Cash and bank balances	48
Trade and other payables	(2,076)
Lease liabilities	(470)
Deferred tax liabilities	(64)
Net liabilities acquired	(1,089)
Goodwill	3,089
Consideration satisfied by cash	2,000
Net cash outflow arising on acquisition:	
Cash consideration paid	(2,000)
Cash and bank balances being acquired	48
	(1,952)

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

(a) Acquisition of subsidiaries *(continued)*

The fair value of the trade and other receivables acquired is approximately HK$323,000 which is the same with the gross contractual amount. There are no trade and other receivables expected to be uncollectible.

The goodwill arising on the acquisition is attributable to the anticipated profitability in the new markets and the anticipated future operating synergies from the combination.

Good Think Group contributed approximately HK$118,000 and HK$848,000 to the Group's revenue and loss respectively for the year for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 April 2022, total Group revenue for the year would have been HK$44,722,000, and loss for the year would have been HK$35,923,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2022, nor is intended to be a projection of future results.

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

(b) Reconciliation of liabilities arising from financing activities

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

	Lease liabilities *HK$'000*
At 1 April 2021	11,025
Commencement of new tenancy agreement	16,613
Cash flow	(11,410)
COVID-19 Related rent concessions received	(399)
Finance lease charges	958
Exchange differences	23
At 31 March 2022 and 1 April 2022	**16,810**
Commencement of new tenancy agreement	**15,752**
Acquisition of subsidiaries	**470**
Cash flow	**(14,859)**
COVID-19 Related rent concessions received	**(93)**
Early termination of leases	**(2,918)**
Finance lease charges	**1,186**
Exchange difference	**25**
At 31 March 2023	**16,373**

(c) Total cash outflow for leases

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

	2023 *HK$'000*	2022 *HK$'000*
Within operating cash flows	**2,914**	2,804
Within financing cash flows	**13,673**	10,452
	16,587	13,256

These amounts relate to lease rental paid.

(d) Major non-cash transaction

Additions to right-of-use assets during the year of approximately HK$15,998,000 (2022: HK$16,613,000) were financed by leases liabilities.

43. SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 March 2023 are as follows:

Name	Place of incorporation/ establishment	Registered/ issued and paid up capital	Percentage of ownership interest	Principal activities and place of operation
Wish Enterprise Limited	The BVI	2 ordinary shares @US$1 each	Direct 100% (2022: direct 100%)	Investment holding, Hong Kong
Glory Unique Limited	The BVI	2 ordinary shares @US$1 each	Direct 100% (2022: direct 100%)	Investment holding, Hong Kong
Ocean Star Technology Investment Limited	Hong Kong	HK$10,000	Direct 100% (2022: N/A)	Investment holding, Hong Kong
My Heart Bodibra Limited	Hong Kong	HK$100	Indirect 100% (2022: indirect 100%)	Retail sales of lingerie products, Hong Kong
My Heart Factory Limited	Hong Kong	HK$5	Indirect 100% (2022: indirect 100%)	Design and manufacture of lingerie products and provision of lingerie alteration service, Hong Kong
All Rich HK Investment Limited	Hong Kong	HK$100	Indirect 100% (2022: indirect 100%)	Inactive, Hong Kong
Bodibra Beauty Limited	Hong Kong	HK$100	Indirect 100% (2022: indirect 100%)	Provision of beauty services, Hong Kong
Excellent Goldenfield Limited	Hong Kong	HK$1	Indirect 100% (2022: indirect 100%)	Investment holding, Hong Kong
Xianyu (Hongkong) Trading Limited	Hong Kong	HK$1	Indirect 100% (2022: indirect 100%)	Inactive, Hong Kong
Dynasty Investment (HK) Limited	Hong Kong	HK$10,000	N/A (2022: indirect 100%)	Inactive, Hong Kong
Chuang Ming Services Limited	Hong Kong	HK$10,000	Indirect 100% (2022: N/A)	Money lending, Hong Kong
Hong Kong Good Think Network Technology Co., Limited	Hong Kong	HK$10,000	Indirect 100% (2022: N/A)	Investment holding, Hong Kong

43. SUBSIDIARIES *(continued)*

Name	Place of incorporation/ establishment	Registered/ issued and paid up capital	Percentage of ownership interest	Principal activities and place of operation
My Heart Bodibra Lingerie (Macau) Limited	Macau	MOP25,000	Indirect 100% (2022: indirect 100%)	Retail sales of lingerie products, Macau
華心思製衣（深圳）有限公司 Huaxinsi Zhiyi (Shenzhen) Co., Ltd.* ("**Hua Xin Si**") (note)	The PRC	Registered and paid up capital: RMB1,000,000	Indirect 100% (2022: indirect 100%)	Design, manufacture and sales of lingerie products, the PRC
心心芭迪貝伊內衣（深圳）有限公司 Xin Xin Badibeiyi Lingerie (Shenzhen) Co., Ltd.* ("**Xin Xin**") (note)	The PRC	Registered: RMB1,000,000 Paid up: RMB600,000	Indirect 100% (2022: indirect 100%)	Retail sales of lingerie products, the PRC
深圳市好得物網絡科技有限公司 Shenzhen Haodewu Network Technology Co., Ltd.* ("**Haodewu**") (note)	The PRC	Registered: RMB1,000,000	Indirect 100% (2022: N/A)	Provision of agency services, the PRC

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

Note: Hua Xin Si, Xin Xin and Haodewu are wholly-foreign owned enterprises established in the PRC.

44. SHARE OPTION SCHEME

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

The Share Option Scheme adopted by the Company on 19 June 2017 will remain in force for a period of ten years from its effective date to 18 June 2027. Particulars of the Share Option Scheme of the Company are set out on pages 60 to 61 of the Company's annual report.

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

45. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are approved and authorised for issue by the Board of Directors on 14 July 2023.

FINANCIAL SUMMARY

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

RESULTS

	Year ended 31 March				
	2023	2022	2021	2020	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**44,689**	46,587	53,431	62,529	72,875
(Loss)/profit before tax	**(34,660)**	(18,669)	4,425	(46,839)	(24,323)
Income tax expense	**(60)**	(136)	(724)	–	(95)
(Loss)/profit for the year	**(34,720)**	(18,805)	3,701	(46,839)	(24,418)

ASSETS AND LIABILITIES

	As at 31 March				
	2023	2022	2021	2020	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets	**30,398**	28,617	30,330	38,386	52,004
Current assets	**62,997**	66,875	31,394	41,992	66,502
Current liabilities	**(74,168)**	(81,941)	(86,497)	(104,300)	(102,083)
Non-current liabilities	**(6,015)**	(6,948)	(3,904)	(8,364)	(602)
Net assets/(liabilities)	**13,212**	6,603	(28,677)	(32,286)	15,821
Total equity/(capital deficiency)	**13,212**	6,603	(28,677)	(32,286)	15,821