SATU

SATU HOLDINGS LIMITED
舍圖控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8392)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2021

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE

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

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

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

The board of Directors (the "**Board**") of the Company is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 March 2021 (the "**Year**"), together with the comparative figures for the year ended 31 March 2020 ("**2020**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2021

	Note	**2021** *HK$'000*	2020 *HK$'000*
Revenue	*4*	**60,625**	49,762
Cost of sales	*5*	**(42,229)**	(36,913)
Gross profit		**18,396**	12,849
Other income and net gains	*4*	**846**	766
Selling and distribution expenses		**(13,200)**	(8,917)
Administrative expenses		**(13,323)**	(15,783)
Loss from operations		**(7,281)**	(11,085)
Finance costs	*6*	**(49)**	(41)
Loss before tax		**(7,330)**	(11,126)
Income tax expense	*7*	**(8)**	(104)
Loss for the year attributable to owners of the Company	*8*	**(7,338)**	(11,230)
Loss per share			
Basic and diluted	*12*	**(HK0.73 cents)**	(HK1.12 cents)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

	2021	2020
	HK$'000	*HK$'000*
Loss for the year	**(7,338)**	(11,230)
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(38)**	(13)
Other comprehensive income for the year, net of tax	**(38)**	(13)
Total comprehensive income for the year attributable to owners of the Company	**(7,376)**	(11,243)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Note	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment		**2,082**	2,431
Right-of-use assets	*13*	**1,309**	2,071
Deferred tax assets		**–**	–
		3,391	4,502
Current assets			
Inventories		**1,364**	1,567
Trade receivables	*14*	**8,821**	7,082
Prepayments, deposits and other receivables		**1,567**	939
Financial assets at fair value through profit or loss ("**FVTPL**")		**10,341**	–
Bank and cash balances		**15,391**	31,220
		37,484	40,808
Current liabilities			
Trade payables	*15*	**867**	954
Other payables and accruals	*15*	**5,473**	1,944
Contract liabilities	*15*	**889**	703
Lease liabilities	*16*	**716**	697
Current tax liabilities	*16*	**33**	23
		7,978	4,321
Net current assets		**29,506**	36,487
Non-current liabilities			
Lease liabilities	*16*	**661**	1,377
NET ASSETS		**32,236**	39,612
Capital and reserves			
Share capital	*17*	**10,000**	10,000
Reserves		**22,236**	29,612
TOTAL EQUITY		**32,236**	39,612

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2021

	Share capital *HK$'000*	Other reserve *HK$'000*	Foreign currency translation reserve *HK$'000*	Share premium *HK$'000*	Merger reserve *HK$'000*	(Accumulated losses)/ Retained earnings *HK$'000*	Total equity *HK$'000*
At 1 April 2019	10,000	8	(29)	36,793	(360)	4,443	50,855
Loss and total comprehensive income for the year	–	–	(13)	–	–	(11,230)	(11,243)
At 31 March 2020 and 1 April 2020	**10,000**	**8**	**(42)**	**36,793**	**(360)**	**(6,787)**	**39,612**
Loss and total comprehensive income for the year	**–**	**–**	**(38)**	**–**	**–**	**(7,338)**	**(7,376)**
At 31 March 2021	**10,000**	**8**	**(80)**	**36,793**	**(360)**	**(14,125)**	**32,236**

1. GENERAL INFORMATION

Satu Holdings Limited (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 27 March 2017 and its shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 16 October 2017. The address of the registered office is Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands and the principal place of business of the Company in Hong Kong is Unit 2504, 25/F., Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

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

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

2. BASIS OF PREPARATION

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 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.

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

(a) Application of new and revised HKFRSs

The Group has applied the Amendments to Reference to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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

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

The Group has not applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 April 2020. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 16, COVID-19 Related Rents Concessions	1 June 2020
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform — Phase 2	1 January 2021
Amendments to HKFRS 3 Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16 Property, plant and equipment: proceeds before intended use	1 January 2022
Amendments to HKAS 37 Onerous contracts — cost of fulfilling a contract	1 January 2022
Annual Improvements to HKFRSs 2018–2020 Cycle	1 January 2022
Amendments to HKAS 1 Classification of liabilities as current or non-current	1 January 2023

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

4. REVENUE AND SEGMENT INFORMATION

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

	2021	2020
	HK\$'000	*HK\$'000*
Revenue		
Sales of homeware products	**60,625**	49,762
Other income and net gains		
Government grants	**761**	–
Interest income	**65**	463
Packaging income	**85**	115
Sample and design income	**83**	105
Gain on disposals of right-of-use assets	**–**	48
Gain on disposals of property, plant and equipment	**–**	2
Change in fair value of financial assets at FVTPL	**(27)**	–
Foreign exchange loss, net	**(211)**	(226)
Others	**90**	259
	846	766

Segment information

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

Geographical information

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

	2021	2020
	HK$'000	*HK$'000*
United Kingdom	**24,003**	18,971
United States	**5,414**	6,127
Denmark	**6,444**	5,247
France	**5,048**	4,762
Poland	**4,884**	3,610
Australia	**5,730**	3,423
Germany	**2,836**	1,292
People's Republic of China ("**the PRC**")	**2,249**	264
Switzerland	**841**	1,122
Italy	**812**	1,111
Others	**2,364**	3,833
	60,625	49,762

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

	2021	2020
	HK$'000	*HK$'000*
Hong Kong	**1,611**	2,423
PRC	**1,780**	2,079
	3,391	4,502

Information about major customers

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

	2021	2020
	HK$'000	*HK$'000*
Customer A	**14,037**	13,868
Customer B	**6,749**	8,026
Customer C	**6,190**	N/A[1]

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

5. COST OF SALES

	2021	2020
	HK$'000	*HK$'000*
(Reversal)/allowance for slow-moving inventories, net	**(29)**	579
Consumable materials	**114**	39
Cost of homeware products	**39,165**	32,619
Goods handling charges	**1,756**	2,204
Packing expenses	**945**	972
Others	**278**	500
	42,229	36,913

6. FINANCE COSTS

	2021	2020
	HK$'000	*HK$'000*
Interest on lease liabilities	**49**	41

7. INCOME TAX EXPENSE

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

	2021	2020
	HK$'000	*HK$'000*
Current tax		
— Hong Kong Profits Tax		
Provision for the year	**24**	14
Over-provision in prior years	**(15)**	–
	9	14
— PRC Enterprise Income Tax		
Provision for the year	**1**	–
(Over)/under provision in prior years	**(2)**	2
	(1)	2
Deferred tax	**–**	88
	8	104

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

Under the two-tiered profits tax regime, the first HK$2 million of profits of the qualifying group entity established in Hong Kong will be taxed at 8.25%, and profits above that amount will be subject to the tax rate of 16.5%. The profits of the group entities not qualifying for the two-tiered Profit Tax rate regime will continue to be taxed at a rate of 16.5%.

Pursuant to the PRC EIT Law and the respective regulations, the subsidiaries which operate in the Mainland China are subject to corporate income tax at a rate of 25% on the taxable income. Preferential tax treatment is available to the Group's PRC subsidiaries.

Satu Fashion Products (Shenzhen) Company Limited was qualified as a Small and Low-profit Enterprise for the year ended 31 March 2021 and was subject to income tax at a preferential tax rate of 20%. Besides, pursuant to Caishui [2021] No. 12, Satu Fashion Products (Shenzhen) Company Limited was also entitled to a further deduction of 50% of the tax income for the year ended 31 March 2021.

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

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:

	2021	2020
	HK$'000	*HK$'000*
Loss before tax	**(7,330)**	(11,126)
Tax at the Hong Kong Profits Tax rate	**(1,210)**	(1,835)
Tax effect of income that is not taxable	**(175)**	(85)
Tax effect of expenses that are not deductible	**279**	337
Tax effect of temporary differences not recognised	**19**	758
(Over)/under provision in prior years	**(17)**	2
Tax effect of utilisation of tax losses not previously recognised	**(24)**	(17)
Tax losses not recognised	**1,188**	949
Tax concession	**(54)**	(7)
Effect of different tax rates of subsidiaries	**2**	2
Income tax expense	**8**	104

At the end of the reporting period, the Group has estimated unused tax loss for subsidiaries incorporated in Hong Kong of approximately HK$16,756,000 (2020: HK$10,498,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit. The tax losses may be carried forward indefinitely.

At the end of the reporting period, the Group has estimated unused tax losses for subsidiaries incorporated in the PRC of approximately HK$15,000 (2020: HK$154,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams.

As at 31 March 2021, the Group's tax losses for subsidiaries incorporated in the PRC will expire in the following years:

	2021	2020
	HK$'000	*HK$'000*
In 2022	**15**	20
In 2021	**–**	134
	15	154

8. LOSS FOR THE YEAR

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

	2021	2020
	HK$'000	*HK$'000*
Auditor's remuneration	**560**	700
(Reversal)/allowance for slow-moving inventories, net	**(29)**	579
Cost of homeware products	**39,165**	32,619
Depreciation on right-of-use assets	**762**	324
Depreciation on property, plant and equipment	**875**	4,446
Change in fair value of financial assets at FVTPL	**27**	–
Foreign exchange loss, net	**211**	226
Write off of trade receivable	**313**	–
Gain on disposals of right-of-use assets	**–**	48
Gain on disposals of property, plant and equipment	**–**	2
Operating lease charges in respect of:		
— Office premises	**1,657**	2,131
— Warehouse	**543**	264

9. EMPLOYEE BENEFITS EXPENSES

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

	2021	2020
	HK$'000	*HK$'000*
Salaries, bonuses and allowances	**5,731**	6,039
Retirement benefit scheme contributions	**267**	342
	5,998	6,381

10. DIVIDENDS

No dividends were paid, declared or proposed during the year ended 31 March 2021 and 2020.

11. RETIREMENT BENEFIT SCHEME

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

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

12. LOSS PER SHARE

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

	2021	2020
	HK$'000	*HK$'000*
Earnings		
Loss attributable to owners of the Company	**7,338**	11,230
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculation of basic loss per share	**1,000,000**	1,000,000

The diluted loss per share is equal to the basic loss per share as there were no dilutive potential ordinary share in issue during the years ended 31 March 2021 and 2020.

13. RIGHT-OF-USE ASSETS

	Leased property	**Motor vehicles**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2019 upon initial adoption of HKFRS16	–	414	414
Additions	1,853	480	2,333
Depreciation	(154)	(170)	(324)
Disposals	–	(352)	(352)
At 31 March 2020 and 1 April 2020	1,699	372	2,071
Depreciation	(618)	(144)	(762)
At 31 March 2021	1,081	228	1,309

Lease liabilities of HK$1,377,000 (2020: HK$2,074,000) are recognised with related right-of-use assets of HK$1,309,000 as at 31 March 2021 (2020: HK$2,071,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

	2021	2020
	HK$'000	*HK$'000*
Depreciation expenses on right-of-use assets	**762**	324
Interest expense on lease liabilities (included in finance cost)	**49**	41
Expenses relating to short-term lease (included in selling and distribution expenses and administrative expenses)	**2,200**	2,395

For both years, the Group leases office premises for its administration and operations. Lease contract is entered into for fixed term of 3 years (2020: 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.

14. TRADE RECEIVABLES

	2021	2020
	HK$'000	*HK$'000*
Trade receivables	**8,821**	7,082

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

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

	2021	2020
	HK$'000	*HK$'000*
0 to 30 days	**1,466**	2,506
31 to 60 days	**1,581**	154
61 to 120 days	**5,733**	4,422
Over 121 days	**41**	–
	8,821	7,082

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

As of 31 March 2021, trade receivables of approximately HK$431,000 (2020: HK$317,000) were past due but not impaired. These relate to a number of independent customers of whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2021	2020
	HK$'000	*HK$'000*
0 to 30 days	**431**	317

The Group applied simplified approach to provide the expected credit losses ("**ECL**") prescribed by HKFRS 9.

15. TRADE AND OTHER PAYABLES, ACCRUALS AND CONTRACT LIABILITIES

	2021	2020
	HK$'000	*HK$'000*
Trade payables	**867**	954
Other payables and accruals		
Accrued staff costs	**424**	589
Accrued administrative and operating expenses	**5,020**	1,327
Others	**29**	28
	5,473	1,944
Contract liabilities	**889**	703
	7,229	3,601

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

	2021	2020
	HK$'000	*HK$'000*
30 to 90 days	**790**	813
91 to 180 days	**–**[(i)]	96
Over 180 days	**77**	45
	867	954

The credit period normally ranges from 30 to 90 days.

(i) Represent the amount less than HK$1,000

16. LEASE LIABILITIES

	Minimum lease payments		**Present value of minimum lease payments**	
	2021	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**746**	746	**716**	697
More than one year, but not exceeding two years	**586**	746	**575**	716
More than two years, but not more than five years	**88**	674	**86**	661
	1,420	2,166	**1,377**	2,074
Less: Future finance charges	**(43)**	(92)	**N/A**	N/A
Present value of lease obligations	**1,377**	2,074	**1,377**	2,074
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(716)**	(697)
Amount due for settlement after 12 months			**661**	1,377

It is the Group's policy to lease certain of its motor vehicles under finance leases. The lease term is 5 years. At 31 March 2021, the effective borrowing rate was 4.85% (2020: 4.85%). Interest rate is fixed at the contract date and thus expose the Group to fair value interest rate risk. Lease is on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. At the end of each lease term, the Group has the option to purchase the motor vehicle at a nominal price.

All lease liabilities are denominated in Hong Kong Dollars ("**HKD**").

17. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021	10,000,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021	1,000,000,000	10,000

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

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

The Group monitors capital using a gearing ratio, which is the Group's total debts (comprising lease liabilities) over its total equity. The Group's policy is to keep the gearing ratio at a reasonable level. The Group's gearing ratios as at 31 March 2021 was 4.3% (2020: 5.2%). The decrease in the gearing ratio of the Group is primarily from the decrease in the balance of lease liabilities as at 31 March 2021.

The only externally imposed capital requirement for the Group is in order to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares. Based on the information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained sufficient public float as required by the GEM Listing Rules. As at 31 March 2021, 25% of the shares were in public hands.

18. RELATED PARTY TRANSACTIONS

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

	2021	2020
	HK$'000	*HK$'000*
Rental expense to Pansino Homeware (Shenzhen) Co., Ltd* (泛華家居用品(深圳)有限公司) ("**Pansino Shenzhen**") *(note 1)*	**1,657**	1,527
Sales of motor vehicle to Mr. She *(note 2)*	**–**	400

Notes:

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

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

* *For identification purpose only*

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

	2021	2020
	HK$'000	*HK$'000*
Short-term benefits	**3,776**	2,854

19. EVENTS AFTER THE REPORTING PERIOD

After the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. The Group is paying close attention to the development of, and the disruption to business and economic activities caused by, the COVID-19 outbreak and attentively evaluates its impact on the financial position, cash flows and operating results of the Group. Given the dynamic and persistent nature of the COVID-19 outbreak, it is not practicable to provide a reasonable estimate of its impact on the Group's financial position, cash flows and operating results at the date on which these financial statements are authorised for issue.

BUSINESS REVIEW AND PROSPECTS

The Group was principally engaged in the businesses of homeware export, E-commerce and sales of own brand products during the Year. The homeware export business was still the Group's major source of revenue which contributed approximately 87.9% of the total revenue of the Group during the Year.

The COVID-19 pandemic continuously posed challenges across countries and industries. As we faced the impact of this crisis, we kept on focusing on the growth of our revenue. During the Year, the export business has regained the growing momentum as the revenue increased from approximately HK$44.6 million in 2020 to approximately HK$53.3 million during the Year. The gross profit margin was approximately 28.8% of the Year, which remained stable as compared to 2020.

Taking advantage of the intensifying shift in consumer buying behaviour to online shopping amid the COVID-19 pandemic, the sales of our e-commerce business recorded an increase of approximately 0.8% during the Year as compared to 2020. The sales of e-commerce business contributed approximately 8.5% of the total revenue of the Group during the Year.

Our Group invested plenty of resources on promoting our own brand products in the PRC during the Year. We engaged a marketing agent to provide professional advices on developing our own brand image and our marketing strategy. Besides we also fostered our potential employees to operate our own brand product business. To boost awareness of our own brand, we advertised our products in various social media websites in the PRC and worked with Key Opinion Leaders ("**KOL**") to promote our products. The Group recorded approximately HK$2.7 million of advertising and promotion expenses during the Year, which represented an increase of approximately 95.8% as compared to 2020. During the Year, the sales from our own brand products generated approximately HK$2.1 million of sales which represents approximately 3.6% of the total revenue of the Group.

To cope with future challenge and enhance sustainable development, we will continue to broaden our customer base and reinforce our competitiveness by improving the variety and quality of our products. Investing extra efforts on developing our own brand is also our core business strategy in the coming year.

FINANCIAL REVIEW

Revenue

The Group's revenue for the Year was approximately HK$60.6 million, representing an increase of approximately 21.7% as compared to that of approximately HK$49.8 million in 2020. Such increase in revenue was primarily due to the increase in sales orders in export business from three of the major customers and the growth of sales from our own brand products during the Year.

Cost of Sales

The Group's cost of sales increased by approximately 14.4% from approximately HK$36.9 million in 2020 to approximately HK$42.2 million for the Year, which was in line with the increase in revenue.

Gross Profit

Gross profit increased by approximately 43.8% to approximately HK$18.4 million for the Year as compared to that of approximately HK$12.8 million in 2020. The gross profit margin increased from approximately 25.9% in 2020 to approximately 30.4% for the Year. It is mainly attributable to the combined effect of increase in sales orders with high profit margin from customers in (i) E-commerce business and (ii) our own brand products during the Year.

Selling and Distribution Expenses

During the Year, selling and distribution expenses increased to approximately HK$13.2 million, representing an increase of approximately 48.3%, from approximately HK$8.9 million in 2020. It is mainly attributable to the increase in advertising and promotion costs and product design and development fee during the Year.

Administrative and Other Operating Expenses

The Group's administrative and other operating expenses decreased by approximately 15.8% from approximately HK$15.8 million in 2020 to approximately HK$13.3 million for the Year. Such decrease was mainly due to the decrease in depreciation of property, plant and equipment, which was relating to the fully depreciated renovation of our showroom in the PRC for 2020.

Income Tax Expense

The Group's income tax expense was approximately HK$8,000, decreased by approximately 92.0% as compared to approximately HK$0.1 million in 2020.

Loss for the Year Attributable to Owners of the Company

The Group recorded loss for the Year attributable to owners of the Company of approximately HK$7.3 million, representing a decrease of approximately 34.8% as compared to that of approximately HK$11.2 million in 2020. The decrease in loss was mainly attributable to the improvement of our sales during the Year.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 March 2021, the Group had bank and cash balances of approximately HK$15.4 million (2020: approximately HK$31.2 million). The decrease of bank and cash balances was mainly due to the investments in short-term cash management funds in April 2020 and December 2020 respectively. The Group utilised its temporary idle funds, excluding the unutilised use of proceeds, to earn better returns than fixed deposits placed with banks. For further details, please refer to the announcement of the Company dated 28 December 2020. As at 31 March 2021, the Group's indebtedness comprised lease liabilities of approximately HK$1.4 million (2020: approximately HK$2.1 million).

Gearing ratio is calculated as total debts divided by total equity as at the respective year. The gearing ratio was approximately 4.3% as at 31 March 2021, which represents a decrease of approximately 0.9% as compared to that of approximately 5.2% as at 31 March 2020.

As at 31 March 2021, the Group's total assets amounted to approximately HK$40.9 million (2020: approximately HK$45.3 million) and net assets amounted to approximately HK$32.2 million (2020: approximately HK$39.6 million). As at 31 March 2021, current ratio and quick ratio of the Group decreased to approximately 4.7 and 4.5 respectively, as compared to that of approximately 9.4 and 9.1 as at 31 March 2020 respectively.

CAPITAL STRUCTURE

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

As at 31 March 2021 and the date of this announcement, the issued share capital of the Company was HK$10,000,000 divided into 1,000,000,000 Shares of HK$0.01 each.

USE OF PROCEEDS FROM THE SHARE OFFER

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

An analysis of the amount utilised out of net proceeds up to 31 March 2021 is set out below:

	Estimated use of proceeds HK$ million	Adjusted use of proceeds HK$ million	Reallocation[i] HK$ million	Utilised up to 31 March 2020 HK$ million	Utilised during the Year HK$ million	Unutilised as at 31 March 2021 HK$ million	Expected timeline for utilising the remaining proceeds[ii]	Comparison between business objectives with actual business progress up to 31 March 2021
Broaden the existing customer base, increase market share in the existing target markets and expand into new markets	13.5	13.2	(7.3)	(5.9)	–	–	–	
Enhance design and development capabilities	4.8	4.7	–	(1.2)	(1.0)	2.5	On or before 31 March 2022	(a)
Enhance our quality assurance capabilities	4.8	4.7	–	(4.6)	(0.1)	–		(b)
Enhance brand recognition and awareness and promote corporate reputation	6.4	6.3	7.3	(5.2)	(3.4)	5.0	On or before 31 March 2023	(c)
General working capital	2.5	2.4	–	(2.4)	–	–	–	
	32.0	31.3	–	(19.3)	(4.5)	7.5		

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

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

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

(b) The proceeds have been allocated for 1) establishment of a quality control laboratory; 2) acquisition of product testing equipment; 3) conducting of trainings for quality control staff; and 4) recruitment and retention of a quality control staff member. The unutilised proceeds have been fully utilised up to the Year.

(c) Up to the Year, the Company applied the proceeds in the following activities, which were consistent with the implementation activities set out in the Prospectus and the reallocation and change in use of proceeds announcement of the Company dated 19 March 2020: 1) participating in exhibitions, namely, ASD Market Week in Las Vegas (August 2018), Maison and Objet in Paris (September 2018) and Ambiente Fair in Frankfurt (February 2019 and 2020); 2) advertising on different media; 3) development of virtual reality to promote our products; 4) setting up our own e-commerce system; 5) recruitment and retention of additional sales and marketing staff members and staff members for the e-commerce platform; 6) maintenance of the corporate website; 7) the acquisition of motor vehicle; 8) providing service fee to the strategic business and brand consultant to develop the products under the Company's brand name; 9) having established and maintained the e-commerce platform for trading the products with the Company's brand name; and 10) advertising fee for the promotion of the products with Company's brand name. The unutilised proceeds will be mainly for participating in exhibitions and the development of the products with the Company's brand name.

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

The remaining unused net proceeds as at 31 March 2021 were placed as bank balances with licensed bank in Hong Kong and will be applied in the manner consistent with the proposed allocations.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2021, the Group had a total of 28 full-time employees (including three executive Directors) (2020: 31 employees), and the total employee benefit expenses and Directors' emoluments paid to the executive Directors for the Year amounted to approximately HK$9.0 million (2020: approximately HK$8.5 million). The Group determines the remuneration of its employees based on, among other factors, each employee's qualifications, experience and past performance.

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

FOREIGN CURRENCY EXPOSURE

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

TREASURY POLICIES

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

SHARE OPTION SCHEME

The Company's share option scheme (the "**Share Option Scheme**") was adopted pursuant to a resolution of the then shareholders of the Company on 22 September 2017 to enable the Company to grant options to eligible participants as incentives and rewards for their contribution to the Group. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. As at 31 March 2021 and up to the date of this announcement, no option has been granted or agreed to be granted, lapsed, exercised or cancelled and there were no outstanding share options under the Share Option Scheme.

PLEDGE OF ASSETS

The finance lease obligation as at 31 March 2021 was secured against a motor vehicle with carrying amount of approximately HK$0.2 million (2020: approximately HK$0.4 million).

OPERATING LEASE ARRANGEMENT

As at 31 March 2021, the Group had approximately HK$1.8 million (2020: approximately HK$1.7 million) outstanding short-term lease commitment relating to office and warehouse.

CAPITAL COMMITMENT

As at 31 March 2021 and 2020, the Group did not have any capital commitment.

CONTINGENT LIABILITIES

As at 31 March 2021 and 2020, the Group did not have any contingent liabilities.

MATERIAL ACQUISITIONS OR DISPOSAL

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

DIVIDENDS

The Board takes into account, among other factors, the Group's overall results of operation, financial position and capital requirements in considering the declaration of dividends. The Board does not recommend a payment of final dividend for the Year (2020: Nil).

CORPORATE GOVERNANCE PRACTICES

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

Save for the deviation from the code provision of A.2.1 of the CG Code, the Company has adopted and complied with all the applicable code provisions set out in the CG Code as contained in Appendix 15 of the GEM Listing Rules during the Year.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

COMPETING INTERESTS

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

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

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

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

CONTINUING CONNECTED TRANSACTION

On 12 March 2020, B&C Industries Limited ("**B&C Industries HK**"), an indirect wholly-owned subsidiary of the Company, as the tenant, entered into a tenancy agreement (the "**2020 Tenancy Agreement**") with Pansino Homeware (Shenzhen) Co., Ltd* (泛華家居用品(深圳)有限公司) ("**Pansino Shenzhen**"), as the landlord, for the lease of the property situated at Units 01 to 11, 23/F., Oriental Plaza, Luohu, Shenzhen, the PRC with a gross floor area of 1,060 square metres (the "**Premises**") for a rent of approximately HK$0.1 million per month (inclusive of applicable land use fee, property tax arising from the lease of the Premises, management fee, utilities fees, sanitation fee and central air-conditioning fee) for a term of 12 months, commencing from 1 April 2020 and expiring on 31 March 2021. Pansino Shenzhen is indirectly wholly-owned by Mr. She, a controlling shareholder and executive Director of the Company.

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

Details of the abovementioned transactions are disclosed as related party transactions under item (a) in respect of rental expenses to a related company of note 18 to the consolidated financial statements. On 11 March 2021, B&C Industries HK and Pansino Shenzhen entered into a tenancy agreement (the "**2021 Tenancy Agreement**") commencing from 1 April 2021 and expiring on 31 March 2022. Except for the rental period, the rest of the terms in the 2021 Tenancy Agreement are the same as the terms in the 2020 Tenancy Agreement.

The transactions under the 2020 Tenancy Agreement and 2021 Tenancy Agreement constitute de minimis continuing connected transactions of the Company under Rule 20.74(1)(c) of the GEM Listing Rules. Accordingly, the 2020 Tenancy Agreement, 2021 Tenancy Agreement and the transactions thereunder are exempted from the reporting, announcement, annual review, circular and the independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

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

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

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

SUBSEQUENT EVENTS

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2021 and up to the date of this announcement. In light of the ongoing COVID-19 pandemic, the Group will continue to work closely with our suppliers and customers to evaluate the impact of the same on the financial position and operating results of the Group.

* *For identification purpose only*

AUDIT COMMITTEE

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

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

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

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

Hong Kong, 18 June 2021

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

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