



MANSION INTERNATIONAL HOLDINGS LIMITED
民 信 國 際 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8456



Your Baby Our Vision

以愛編織 快樂未來

Annual Report 2022/23



CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE” AND “GEM”, RESPECTIVELY)

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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.

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*This report, for which the directors (the “**Directors**”) of Mansion International 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 (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 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. Yao Ruhe (*Chairman*)
Ms. Kam Chun Fong (appointed on 1 April 2022)
Mr. Kwan Kar Man (resigned on 1 April 2022)
Ms. Wong Ka Man

Independent Non-executive Directors

Mr. Lang Yonghua (appointed on 1 April 2022)
Mr. Wang Rongqian (resigned on 1 April 2022)
Ms. Wong Ying Yu
Mr. Wu Chi King

BOARD COMMITTEES

Audit Committee

Mr. Wu Chi King (*Chairman*)
Mr. Lang Yonghua (appointed on 1 April 2022)
Mr. Wang Rongqian (resigned on 1 April 2022)
Ms. Wong Ying Yu

Remuneration Committee

Mr. Lang Yonghua (*Chairman*)
(appointed on 1 April 2022)
Mr. Wang Rongqian (*former Chairman*)
(resigned on 1 April 2022)
Ms. Wong Ying Yu
Mr. Wu Chi King

Nomination Committee

Mr. Wu Chi King (*Chairman*)
Mr. Lang Yonghua (appointed on 1 April 2022)
Mr. Wang Rongqian (resigned on 1 April 2022)
Ms. Wong Ying Yu

COMPLIANCE OFFICER

Ms. Wong Ka Man

COMPANY SECRETARY

Mr. Kwan Kar Man (resigned on 1 April 2022)
Mr. Tse Fung Chun (appointed on 1 April 2022)

AUTHORISED REPRESENTATIVES

Mr. Kwan Kar Man (ceased on 1 April 2022)
Mr. Tse Fung Chun (appointed on 1 April 2022)
Ms. Wong Ka Man

INDEPENDENT AUDITOR

McMillan Woods (Hong Kong) CPA Limited
24/F., Siu On Centre,
188 Lockhart Road,
Wan Chai, Hong Kong

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Union Registrars Limited
Suites 3301-04, 33/F.,
Two Chinachem Exchange Square,
338 King's Road, North Point,
Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 204, 2/F., Empire Court,
2-4 Hysan Avenue, Causeway Bay,
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

REGISTERED OFFICE

Cricket Square, Hutchins Drive,
PO Box 2681, Grand Cayman,
KY1-1111, Cayman Islands

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

COMPANY WEBSITE

www.mansionintl.com

STOCK CODE

8456

Chairman's Statement

Dear Shareholders,

The year ended 31 March 2023 (the “**FY2023**”) has continued to be a tough and challenging year for the Company. The global economic uncertainties caused by the coronavirus disease (the “**COVID-19**”) and the social unrest will continue to affect production, demand, and retail throughout the world in the foreseeable future, affecting the sale of baby and children garments businesses in the 2022 and 2023.

Nonetheless, the Directors will do our best to prepare and weather the challenging period ahead by implementing cost reduction initiatives including further streamline the operations. We also aim to increase collaboration with other manufacturers across Asia Pacific. This action will allow us to continue to work with our established customers while further expanding our business into children's and teenagers' wear. We shall see a reduction of brick and mortar retail outlets in Hong Kong for our business while developing and expanding our online business. We believe that there has been a change in customer buying behavior from offline to online since the pandemic and social unrest. We shall put significant effort into our eCommerce site while partnering with other online retailers to grow our online business.

Despite the uncertainties and challenges the Group faces this year, the Group foresees that global economy will be getting better in year 2023/2024 as a result of the disbursement of HK\$5,000 electronic consumption vouchers from government and the local economy has started on the path of recovery from the COVID-19. We shall continue to actively explore all suitable investment opportunities to diversify the Group's business horizons and will work hard to strengthen overall business development in order to generate better financial returns and long-term value for our shareholders. Finally, I would like to extend my utmost appreciation to our management and staff for their contributions, dedication, and commitment. I would also like to express my sincere gratitude to all our business partners, suppliers, and customers for their continued confidence and support.

Yao Ruhe

Chairman

Hong Kong, 30 June 2023



Management Discussion and Analysis

BUSINESS REVIEW

The Group is principally engaged in the sale of baby and children garments. In 2022/2023, the threat of the COVID-19 continuing impact on the local economic activities and supply chains in the Asian region. Hong Kong retail market has been shaky for much of the period, under the negative impact of the COVID-19 pandemic. However, thanks to another batch of consumption vouchers in October 2022 and Mainland's re-opening in January 2023, Hong Kong consumption market finally shook off the lingering effects of the pandemic. As such, the Group has recorded an increase in revenue for the year ended 31 March 2023 (the "**Year**") by approximately HK\$4.0 million, as compared to the Corresponding Year. Despite the uncertainties and challenges the Group faces this year, the Group foresees that our business performance will be getting better in year 2023/2024 as a result of another disbursement of HK\$5,000 electronic consumption vouchers from government and the local economy have started on the path of recovery from the COVID-19.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 5.3% to approximately HK\$78.4 million for the Year as compared to that of approximately HK\$74.5 million for the year ended 31 March 2022 (the "**Corresponding Year**"). The revenue of the Group's business slightly increased was mainly due to the willingness of spending by the consumers, which is started to be recovered from the COVID-19. Also, the Group believed that the disbursement of HK\$5,000 electronic consumption vouchers will stimulate the consumers' spending on the sales products of the Group in coming year.

Cost of sales, gross profit and gross profit margin

The Group's cost of sales increased by approximately 25.8% to approximately HK\$54.1 million for the Year as compared to that of approximately HK\$43.0 million for the Corresponding Year which is due to the higher cost of materials and overhead incurred during the Year. The Group's gross profit decreased by approximately 22.7% to approximately HK\$24.3 million for the Year as compared to that of approximately HK\$31.5 million for the Corresponding Year, resulting from the increase in the Group's cost of sales and it leads the Group's gross profit margin also decreased from 42.3% to 31.0% for the Year.

Write-down of inventories

A write-down on inventories of approximately HK\$0.4 million (FY2022: HK\$1.4 million) recorded due to allowance made for obsolete and slow-moving inventory items.

Expenses

The Group's selling and distribution costs decreased by approximately 27.3% to approximately HK\$12.9 million for the Year as compared to those of approximately HK\$17.8 million for the Corresponding Year. The Group's administrative and other expenses decreased by approximately 34.8% to approximately HK\$20.8 million for the Year as compared to those of approximately HK\$31.9 million for the Corresponding Year. Such decrease was mainly due to the Group's cost controls on operating costs in order to improve the Group's operating performance.

Management Discussion and Analysis

Finance costs

The Group's finance costs decreased by approximately 32.4% to approximately HK\$554,000 during the Year as compared to those of approximately HK\$820,000 for the Corresponding Year. The decrease in finance cost due to the Group has settled certain borrowings during the Corresponding Year.

Loss before tax

The Group's loss before tax decreased by approximately 3.6 times to approximately HK\$6.0 million for the Year as compared to that of approximately HK\$21.4 million for the Corresponding Year. Such decrease was mainly due to the decrease in selling and distribution cost and administrative expenses of approximately HK\$16.0 million for the Year as compared with the Corresponding Year.

DIVIDEND

The Board has resolved not to declare the payment of any dividend for the Year (2022: Nil).

OUTLOOK

Under the economic impacts of COVID-19, there is an increase in the sale of baby and children garments business of the Group which was mainly due to the effort of our sales team. Looking forward, the Board believes that the performance of the Group's business will be dependent on the pandemic of COVID-19. Besides, persistently tense economic, trade and political relations between the PRC and the US, geopolitical tensions, and global financial market volatility also continue to warrant attention. The business performance is thus expected to remain under pressure in the coming year and will remain very difficult in the near term amid the deep economic recession.

In view of present economic uncertainty and difficulties, the Group is reviewing its existing assets structure and business strategies and may make adjustment to our existing assets structure, with the aim to consolidate our resources, so as to be flexibly prepared for uncertainties in the future. At the same time, the Group will strictly adhere to its cost control policy and swiftly adjust business strategies of our business in response to ever-changing market dynamics.

Even though the past years were very tough for the Group's retail operations, the Group has made certain important strategic moves such as adjusting our product portfolio in a timely manner in response to the changes in customer preferences and latest market trends. Besides our signature own brand "**Mides**", the Group is gradually increasing its sales efforts on its other brands such as "**All I Adore**" and other complementary third party brands. Looking forward, the Group intend to maintain a sustainable and profitable retail business and will progressively develop its online and social media distribution channels to fuel its future growth.

Looking ahead to 2023/2024, the Group foresees that global economy will be getting better in year 2023/2024 as a result of the disbursement of HK\$5,000 electronic consumption vouchers from government and the local economy has started on the path of recovery from the COVID-19. We will actively explore all suitable investment opportunities to diversify the Group's business horizons and will work hard to strengthen overall business development in order to generate better financial returns for shareholders.



Management Discussion and Analysis

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's sources of funds were mainly cash generated from operations. As at 31 March 2023, the Group had cash and bank balances of approximately HK\$1.4 million (31 March 2022: approximately HK\$19.7 million). As at 31 March 2023, the Group's other borrowings amounted to approximately HK\$11.7 million (31 March 2022: approximately HK\$11.7 million). The Group's other borrowings are unsecured, repayable within one year and denominated in Hong Kong Dollars and Renminbi, and bear interest from 0% to 5% (31 March 2022: 0% to 5%) per annum. As at 31 March 2023, the amounts due to directors amounted to approximately HK\$0.2 million (31 March 2022: approximately HK\$1.2 million) which is unsecured, no interests and repayable on demand.

The current ratio was 1.3 as at 31 March 2023 (31 March 2022: 1.4) and the gearing ratio was approximately 1.1 as at 31 March 2023 (31 March 2022: (0.1)).

Note: Current ratio is calculated as the current assets divided by current liabilities. Gearing ratio is calculated as the total debt (including the bank and other borrowings, loan from/amount due to a Director and lease liabilities) divided by total equity.

The Group did not use any financial instruments for hedging purposes during FY2023 (FY2022: Nil). As at 31 March 2023, the share capital and equity attributable to owner of the Company amounted to approximately HK\$42.3 million and HK\$10.4 million respectively (31 March 2022: share capital and equity attributable to owner of the Company of HK\$42.3 million and HK\$16.5 million respectively).

Details of the capital risk management are set out in note 40 to the consolidated financial statements of the Group for FY2023 (the "**Consolidated Financial Statements**").

CAPITAL COMMITMENTS

Save as disclosed in this report, the Group did not have any significant capital commitments as at 31 March 2023 (31 March 2022: Nil).

CHARGE OVER ASSETS OF THE GROUP

The group did not have any charge over assets of the Group as at 31 March 2023 (31 March 2022: Nil).

ACQUISITIONS AND DISPOSALS

Disposal of subsidiaries

On 1 April 2022, Flair Elite Limited, a direct wholly-owned subsidiary of the Company, has entered into a sales and purchase agreement with an independent third party (the "**Buyer**") of the Group, to dispose of its direct wholly-owned subsidiary, Mantex Suppliers Co. Limited ("**Mantex Suppliers**"), at a cash consideration of HK\$1. The Mantex Suppliers carried out the business of wholesale of children wear during the year ended 31 March 2022 and up to the disposal date. The disposal was completed on 1 April 2022 (the "**Completion Date**"), on which date control of the Mantex Suppliers was passed to the Buyer.

Details of the disposal of subsidiaries are set out in note 37(a) to the Consolidated Financial Statements.

Save as disclosed above, the Group did not have any acquisitions and disposals of subsidiaries, associates and joint ventures during the Year.

Management Discussion and Analysis

SHARE OPTION SCHEME

The Company has adopted the share option scheme on 28 December 2017 and has been amended on 28 April 2023 (the “**Share Option Scheme**”). The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

Details of the Share Option Scheme are as follows:

1. *Purposes*

The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to the Group.

2. *Eligible participants*

The eligible participants include Directors (including independent non-executive Directors) and employees of any member of the Group (including persons who are granted options under this Share Option Scheme as an inducement to enter into employment contracts with any member of the Group).

3. *Total number of Shares available for issue*

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme or awards of the Group must not in aggregate exceed 10% of the total number of Shares in issue as at 28 April 2023, being the date of approval of the refreshment of 10% general scheme limit under the Share Option Scheme by the Shareholders (i.e. 21,152,472 Shares, representing approximately 10% of the total number of Shares in issue as at 28 April 2023).

4. *Maximum entitlement of each participant*

The total number of Shares issued and to be issued upon exercise of the options or awards granted under the Share Option Scheme (including both exercised and outstanding options or awards) to each participant in any 12-month period must not exceed 1% of the Shares in issue for the time being (the “**Individual Limit**”). Any further grant of options or awards to a participant in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to the Shareholders and the Shareholders’ approval in the general meeting of the Company with such participant and his/her associates abstaining from voting.

Where any grant of options or awards to a substantial Shareholder or an independent non-executive Director (the “**INED**”) or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled 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 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 million, such further grant of options or awards must be approved by the Shareholders.

5. *Period of the Share Option Scheme*

The Share Option Scheme will remain in force for a period of ten years commencing on 28 December 2017, being the date of adoption of the Share Option Scheme, to 27 December 2027.

6. *Time of acceptance of the offer*

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.



Management Discussion and Analysis

7. *Minimum period for which an option must be held before it can be exercised*

The vesting period for options shall not be less than 12 months. Options granted to employee participants may be subject to a shorter vesting period under the following circumstances:

- (a) grants of Options with performance-based vesting conditions as determined by the Board, in lieu of time-based vesting criteria;
- (b) grants of Options with a mixed or accelerated vesting schedule such as where the awards may vest evenly over a period of 12 months; and
- (c) grants of Options with a total vesting and holding period of more than 12 months.

8. *Consideration for the option*

A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

9. *Subscription price for Shares*

The subscription price for the Shares under the Share Option Scheme will be a price determined by the Director, but shall not be less than the highest of: (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the offer of the grant; and (c) the nominal value of a Share.

10. *Transfer or assignment*

An option is personal to the grantee and shall not be transferable or assignable. Subject to the Stock Exchange granting the necessary waiver, a grantee may transfer any options to a vehicle (such as a trust or a private company) for the benefit of the grantee and any family members of such grantee including but not limited to for estate planning and/or tax planning purposes that would continue to meet the purpose of the Share Option Scheme and comply with other requirements of Chapter 23 of the GEM Listing Rules.

11. *Termination of the Share Option Scheme*

The Company may by resolution in the general meeting at any time terminate the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

No option has been granted, exercised, cancelled or lapsed under the Share Option Scheme during the Year. The Company did not have any outstanding share options, warrants, derivatives or securities which are convertible or exchangeable into Shares as at 31 March 2023 and up to the date of this report.

As at 31 March 2023, there were no shares available to be granted under the Share Option Scheme of the Company. As at the date of this report, there were 21,152,472 shares available to be granted under the Share Option Scheme of the Company.

Management Discussion and Analysis

EVENT AFTER THE REPORTING PERIOD

The Group did not have any important event after the year ended 31 March 2023.

FOREIGN EXCHANGE EXPOSURE

The Group's business operations were conducted in Hong Kong and the transactions, monetary assets and liabilities of the Group were denominated in Hong Kong dollars and United States dollars. As at 31 March 2023, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

CONTINGENT LIABILITIES

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

USE OF PROCEEDS FROM THE RIGHTS ISSUE

The Board proposed to raise gross proceeds of approximately HK\$55.5 million on the basis of three (3) rights shares for every one (1) existing Share held on the record date by issuing 158,643,540 rights shares at the subscription price of HK\$0.35 per rights share (assuming no further issue of new Share(s) and no repurchase of Share(s) by the Company on or before the record date as announced by the Company from time to time subject to the approval of the Stock Exchange (the "Record Date")). The rights issue (the "Rights Issue") is only available to the qualifying Shareholders and will not be extended to the excluded Shareholders. The estimated net proceeds (after the deduction of the costs and expenses which the Company will incur in the Rights Issue) will be approximately HK\$54.3 million (assuming no further issue of new Share(s) and no repurchase of Share(s) by the Company on or before the Record Date). The Company intends to apply the net proceeds from the Rights Issue for (i) approximately HK\$15.4 million for the payment of rental expenses and management fee for the next 12 months; (ii) approximately HK\$22.0 million for the payment of salaries of the Group's employees for the next 12 months; (iii) approximately HK\$5.8 million for the working capital for the existing business; and (iv) approximately HK\$11.1 million for the repayment of part of the current debts of the Group. The Rights Issue were approved by the Shareholders at the EGM held on 16 December 2021. Up to the date hereof, the Rights Issue was completed in 8 February 2022. For the further details of the Rights Issue, please refer to the prospectus of the Company dated 4 January 2022, the circular of the Company dated 25 November 2021, the announcements of the Company dated 5 November 2021, 16 November 2021, 25 January 2022 and 7 February 2022.

As disclosed in the Prospectus, the net proceeds (after deducting the placing commission and other related expenses and professional fees) from the Rights Issue were approximately HK\$54.3 million, which was different from the estimated net proceeds of approximately HK\$53.4 million. The Group has adjusted the use of net proceeds in the same manner and in the same proportion as shown in the Prospectus.

As at the date of this report, the Group had fully utilised the net proceeds as intended.



Management Discussion and Analysis

FUTURE PLANS

Although Hong Kong has seen several rounds of ups and downs of the COVID-19 pandemic, the Board is cautiously optimistic that the local retail market will return to normalcy.

Looking forward, the Group will continue to improve the operational efficiency and keep on the cost control measures, and on the other hand, the Group will actively optimize its existing resources so as to enhance the core competitiveness.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2023, the Group had about 46 (2022: 50) employees working in Hong Kong.

As the guiding principles, the Group uses its best endeavours offering the most competitive compensation to our employees based on factors, including their qualifications, experience, responsibilities and performance, and treats all of our staff equally and fairly. The Group provides a safe and equal-working environment.

Our employees will be compensated with a fair and equitable manner, and the opportunity to grow and excel with the Group through continuous learning at all levels. Our employees are entitled to a mandatory provident fund (the “**MPF**”) scheme, medical insurance and statutory holidays. The Group rewards employees with competitive remuneration, including salaries, allowance and performance bonus. Furthermore, the Company has adopted a share option scheme on 28 December 2017 (the “**Share Option Scheme**”) to reward the eligible participants for their contribution to the Group. The Group also provides internal training to our staff to enhance their technical and product knowledge.

RETIREMENT BENEFITS PLANS

The Group participates in the MPF scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees employed.

For the MPF scheme, contributions are made by both employer and employees based on the employees’ relevant monthly income at rates in compliance with statutory requirements. Employers’ contributions to defined contribution schemes amounted to HK\$380,000 for FY2023 (FY2022: HK\$620,000).

Management Discussion and Analysis

STAKEHOLDERS' ENGAGEMENT

The Group obtains and understands the views of its stakeholders regularly. This communication provides valuable feedback for the Group's business, and assists the Group to understand stakeholders' needs and assess the best way to leverage the resources and expertise to contribute to future business and community development.

Across the supply chain, the Group has taken steps throughout the FY2023 to ensure that we operate responsibly and in the interests of our customers, workforce, suppliers and other stakeholders.

Employees perform management, administration and human resources, operation and finance relation functions, respectively. The Group determines the remuneration of its employees by reference to the market salary of their individual experience and performance. The Group will continue to improve and upgrade employees' management and professional skills. None of the Group's employees is represented by any collective bargaining agreement or labour union.



Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Yao Ruhe (姚汝壑) (“Mr. Yao”), aged 37, has been our executive Director since 12 May 2021. He has also been appointed as the chairman of the Company (the “**Chairman**”) since 16 February 2022. Mr. Yao is currently the deputy general manager of Guangzhou Trendzon Investment Holding Group Co., Limited (“**Guangzhou Trendzon**”) since January 2019, where he was responsible for overseeing the operation and business strategies of Guangzhou Trendzon, and organizing and developing Guangzhou Trendzon’s marketing and other related businesses in Hong Kong and Guangzhou. In addition, Mr. Yao served as the deputy general manager (South China) of the Market Development Department of Hainan Bozza Holdings Group Limited from December 2017 to December 2018, where he was responsible for product positioning and marketing strategies, including product positioning and price strategy, etc.

Ms. Wong Ka Man (王嘉雯) (“Ms. Carmen Wong”), aged 35, has been our executive Director since 17 March 2021. Ms. Carmen Wong has also been appointed as the Authorised Representative and the compliance officer on 7 April 2021 and 16 February 2022 respectively. She is currently an operation manager of Trendzon Holdings Group Limited, a company listed on the Stock Exchange (Stock Code: 1865) since August 2021. Ms. Carmen Wong was an operation manager of China Supply Chain Holdings Limited, a company listed on the Stock Exchange (Stock Code: 3708), from May 2016 to July 2021 and was also the deputy operation manager of China Ocean Group Development Limited, a company listed on GEM of the Stock Exchange (Stock Code: 8047), from September 2014 to May 2016.

Ms. Kam Chun Fong (金振芳) (“Ms. Kam”), aged 70, has been our executive Director since 1 April 2022. Ms. Kam has over 35 years of experience in the senior management of a sizable retail store who responsible for decision making on the operations and in the areas of retail and online marketing of the products. She is familiar with retail business, personnel management and has rich experience in operations and marketing development.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wu Chi King (胡子敬) (“Mr. Wu”), aged 41, has been our an independent non-executive Director (“**INED**”) since 28 June 2021, and is the chairman of the Board’s audit committee (the “**Audit Committee**”) and the Board’s nomination committee (the “**Nomination Committee**”) and a member of the Board’s remuneration committee (the “**Remuneration Committee**”). He received a Bachelor of Computer Science from Monash University and is a Certified Practising Accountant (CPA) of Certified Practising Accountant Australia. He has accumulated extensive experience in finance and accounting by working in various listed and sizable companies in Hong Kong. Mr. Wu is currently the Finance Manager of Elegant Best Investment Limited, a private company incorporated in Hong Kong with limited liability which is a cosmetic product manufacturer and owned a cosmetic brand “Mariedalgar” in China. Mr. Wu is also an independent non-executive director of Wan Cheng Metal Packaging Company Limited, a company whose shares are listed on GEM of the Stock Exchange (Stock Code: 8291) since June 2020 and Palinda Group Holdings Limited, a company whose shares are listed on GEM of the Stock Exchange (Stock code: 8179) since September 2022.

Ms. Wong Ying Yu (黃纓瑜) (“Ms. Wong”), aged 60, has been our INED since 28 June 2021, and is a member of each of the Audit Committee, Nomination Committee and Remuneration Committee. She has over 21 years experience on sales and marketing of beauty products with management experience in the beauty industry, and was responsible for all day-to-day aspects of the operations in Hong Kong including sales and marketing, business development, merchandising and design. With extensive professional knowledge and experience in retailing, she possesses unique experience in the operational concept of open-shelf display of retail products.

Biographical Details of Directors and Senior Management

Mr. Lang Yonghua (郎永華) (“Mr. Lang”), aged 61, has been our INED, the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee since 1 April 2022. Mr. Lang has over 29 years of experience in the trading industry. Mr. Lang has held managerial positions in various sizeable corporation in China from 1997 to 2017. He has mainly been responsible for business development, marketing and financial management.

COMPANY SECRETARY

Mr. Tse Fung Chun (謝逢春) (“Mr. Tse”), aged 34, has been appointed as the company secretary of the Company since 1 April 2022. Mr. Tse obtained a Bachelor’s degree in Accounting from University of Queensland in Australia in 2011. Mr. Tse is a certified public accountant of The Hong Kong Institute of Certified Public Accountants and CPA Australia and a chartered management accountant of the Chartered Institute of Management Accountants. Mr. Tse has over nine years of experience in auditing, accounting and corporate governance. Mr. Tse is a shareholder of Rica Corporate Services Limited, a company incorporated in Hong Kong and holds a trust or company service provider licence pursuant to the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Chapter 615 of the Laws of Hong Kong). He is also currently the company secretary and an authorised representative of King Stone Energy Group Limited, a company whose shares are listed on the Stock Exchange (Stock Code: 663) since April 2023 and the company secretary, an authorised representative and the process agent of Trendzon Holdings Group Limited, a company whose shares are listed on the Main Board of Stock Exchange (Stock Code: 1865) since September 2020.



Corporate Governance Report

The Company is committed to fulfilling its responsibilities to its Shareholders and protecting and enhancing Shareholders' value through good corporate governance. The Directors recognise the importance of incorporating elements of good corporate governance in the management structures, internal control and risk management procedures of the Group so as to achieve effective accountability.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles of and complied with the applicable code provisions of the Corporate Governance Code as contained in Appendix 15 to the GEM Listing Rules (the "**CG Code**") during FY2023 and up to the date hereof, save for the deviation from code provision A.2.1 of the CG Code as disclosed in the section headed "Chairman and Chief Executive" in this report, code provisions A.5.1 and A.6.7 of the CG code as disclosed below, and Rules 5.05(1), 5.05(2), 5.05A, 5.28 and 5.34 as disclosed below. The Company periodically reviews its corporate governance practices to ensure that it continues to meet the requirements of the CG Code.

Code provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Some individual Directors were unable to attend the AGM held on 30 September 2022 and the EGMs held on 28 April 2023 due to other business engagements. This constitutes a deviation from code provision A.6.7 of the CG Code.

The Company Secretary had reminded the Directors to attend general meetings in future in order to establish effective communications with the Shareholders.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors (the "**Required Standard of Dealings**"). Following specific enquiries made by the Company on all the Directors during FY2023 and up to the date hereof, each of them has confirmed he/she had complied with the Required Standard of Dealings throughout the FY2023. No incident of non-compliance was noted by the Company during the FY2023.

Corporate Governance Report

BOARD OF DIRECTORS

Responsibilities

The Board is primarily responsible for overseeing and supervising the management of the business affairs and the overall performance of the Group. The Board sets the Group's values and standards and ensures that the requisite financial and human resources support is in place for the Group to achieve its objectives. The functions performed by the Board include but are not limited to formulating the Group's business and investment plans and strategies, deciding all significant financial (including major capital expenditure) and operational issues, developing, monitoring and reviewing the Group's corporate governance practices and all other functions reserved to the Board under the Company's articles of association (the "**Articles of Association**"). The Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference. The Board may from time to time delegate certain functions to the management of the Group (the "**Management**") if and when considered appropriate. The Management is mainly responsible for the execution of the business plans, strategies and policies adopted by the Board and other duties assigned to it from time to time. The Management reports periodically the work and business decisions to the Board.

The Directors have full access to information of the Group and are entitled to seek independent professional advice in appropriate circumstances at the Company's expense.

Composition

The Company is committed to holding the view that the Board should include a balanced composition of executive Directors and non-executive Directors (including INEDs) so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

As at the date hereof, the Board comprises the following six Directors, of which the INEDs in aggregate represent 50% of the Board members:

Executive Directors

Mr. Yao Ruhe (*Chairman*)

Ms. Kam Chun Fong

Ms. Wong Ka Man

INEDs

Mr. Wu Chi King

Mr. Lang Yonghua

Ms. Wong Ying Yu

The biographical details of each of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

To the best knowledge of the Company, there was no financial, business, family or other material/relevant relationship among the Directors during the FY2023 and up to the date hereof.



Corporate Governance Report

The INEDs have brought in a wide range of business and financial expertise, experience and independent judgement to the Board. Through active participation in the Board meetings and serving on various Board committees, all INEDs will continue to make various contributions to the Company.

As at the date hereof, the Company had three INEDs, meeting the requirements of the GEM Listing Rules that the number of INEDs must represent at least one-third of the Board members, and that at least one of the INEDs has appropriate professional qualifications or accounting or related financial management expertise.

The Company has received a confirmation of independence in writing from each of the current INEDs pursuant to Rule 5.09 of the GEM Listing Rules. Based on such confirmation, the Company considers that all the INEDs are independent and have met the independence guidelines as set out in Rule 5.09 of the GEM Listing Rules.

During the FY2023, Mr. Yao had held a meeting with the INEDs without the presence of other Directors.

Proper insurance coverage in respect of legal actions against the Directors' liabilities has been arranged by the Company.

Directors' Induction and Continuous Professional Development

Each of the Directors has received a formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of the Company's operations and business and is fully aware of the Director's responsibilities under statute and common law, the GEM Listing Rules, other legal and regulatory requirements and the Company's business and governance policies.

The Company will from time to time provide briefings to all Directors to develop and refresh their duties and responsibilities. All Directors are also encouraged to attend relevant training courses at the Company's expense and they have been requested to provide the Company with their training records. According to the training records maintained by the Company, the continuous professional development programmes received by each of the Directors during the FY2023 are summarised as follows:

Name of Directors	Type of trainings
Mr. Yao	A & B
Ms. Kam (appointed on 1 April 2022)	B
Ms. Carmen Wong	B
Mr. Lang (appointed on 1 April 2022)	B
Ms. Wong	B
Mr. Wu	A & B

A: attending seminars/conferences/forums

B: reading newspapers, journals and updates relating to the economy, general business, corporate governance and directors' duties and responsibilities

Corporate Governance Report

Meetings of the Board and Directors' Attendance Records

The Board is scheduled to meet four times a year at approximately quarterly intervals with notice given to the Directors at least 14 days in advance. For all other Board meetings, notice will be given in a reasonable time in advance. The Directors are allowed to include any matter in the agenda that is required for discussion and resolution at the meetings. To enable the Directors to be properly briefed on issues arising at each of the Board meetings and to make informed decisions, an agenda and the accompanying Board papers will be sent to all Directors at least three days before the intended date of the Board meeting, or such other period as agreed. The Company Secretary is responsible for keeping all Board meetings' minutes. Draft and final versions of the minutes will be circulated to the Directors for comments and record respectively within a reasonable time after each meeting, and the final version is open for the Directors' inspection.

Details of the attendance of the Board meetings, Audit Committee meetings, Remuneration Committee meetings, Nomination Committee meetings and general meetings of the Company held during the FY2023 are summarised as follows:

Name of Directors	Number of meetings attended/eligible to attend for the FY2023				
	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	General Meeting
Executive Directors					
Ms. Kam (note 4)	7/7	N/A	N/A	N/A	2/3
Mr. Kwan (note 1)	1/1	N/A	N/A	N/A	N/A
Ms. Carmen Wong	8/8	N/A	N/A	N/A	2/3
Mr. Yao	8/8	N/A	N/A	N/A	1/3
INEDs					
Mr. Wu	8/8	5/5	1/1	1/1	2/3
Mr. Lang (note 2)	6/7	5/5	1/1	1/1	1/3
Mr. Wang (note 3)	1/1	N/A	N/A	N/A	N/A
Ms. Wong	8/8	5/5	1/1	1/1	1/3

N/A: not applicable

Notes:

1. Mr. Kwan resigned as an executive Director on 1 April 2022.
2. Mr. Lang was appointed as an INED, chairman of the Remuneration Committee, and a member of each of the Audit Committee and Nomination Committee on 1 April 2022.
3. Mr. Wang resigned as an INED, chairman of the Remuneration Committee, and a member of each of the Audit Committee and Nomination Committee on 1 April 2022.
4. Ms. Kam was appointed as an executive Director on 1 April 2022.



Corporate Governance Report

Board Diversity Policy

The Board has adopted a policy of the Board diversity 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 requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of the diversity of Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge.

CHAIRMAN AND CHIEF EXECUTIVE

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Yao was appointed as the Chairman on 16 February 2022. Mr. Yao provides leadership for the Board and to ensure that all directors are properly briefed on issues arising at board meetings, and receive adequate information, both complete and reliable, in a timely manner. The executive directors of the Company collectively oversees the overall management of the Group in each of their specialized executive fields, which fulfils the function of Chief Executive Officer in substance. Therefore, the Company currently has not appointed its Chief Executive Officer to avoid the duplication of duties.

BOARD COMMITTEES

The Board has established three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee to oversee particular aspects of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties. All Board committees have been established with defined written terms of reference, which are posted on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.mansionintl.com. All the Board committees should report to the Board on their decisions or recommendations made.

The practices, procedures and arrangements in conducting meetings of Board committees follow in line with, so far as practicable, those of the Board meetings set out above.

All Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expense.

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 Directors, and reviewing the Company's compliance with the code provisions in the CG Code and disclosures in the corporate governance report.

Corporate Governance Report

Audit Committee

The Audit Committee was established with effect from 26 January 2018 with written terms of reference in compliance with the CG Code. The Board has adopted revised terms of reference on 31 December 2018. The written terms of reference of the Audit Committee are published on the respective websites of the Stock Exchange and the Company. The Audit Committee currently comprises three INEDs, namely Mr. Wu, Ms. Wong and Mr. Lang. Mr. Wu is the chairman of the Audit Committee.

The principal roles and functions of the Audit Committee include but are not limited to:

1. making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, approving its remuneration and terms of engagement, and handling any questions regarding its resignation or dismissal;
2. reviewing and monitoring the external auditor's independence and objectivity, and the effectiveness of the audit process in accordance with applicable standards and the Group's accounting policies, and discussing with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
3. developing and implementing a policy on engaging an external auditor to supply non-audit services, if any, and reporting to the Board, identifying and making recommendations on any matters where action or improvement is needed;
4. assisting the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting;
5. monitoring the integrity of the Company's financial statements, annual reports and accounts, half-year reports and quarterly reports, and reviewing significant financial reporting judgments contained in them;
6. reviewing the Company's financial controls;
7. discussing the risk management and internal control systems with the Management to ensure that the Management has performed its duty to have such effective systems;
8. considering major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and the Management's response to these findings;
9. where an internal audit function exists, ensuring the co-ordination between internal and external auditors and that the internal audit function is adequately resourced and has appropriate standing within the Company, and reviewing and monitoring its effectiveness;



Corporate Governance Report

10. reviewing the Group's financial and accounting policies and practices;
11. reviewing the external auditor's management letter, any material queries raised by the external auditor to the Management about the accounting records, financial accounts or systems of control and management's response;
12. ensuring that the Board will provide a timely response to the issues raised in the external auditor's management letter;
13. reporting to the Board on the matters in the provisions in the CG Code;
14. ensuring the adequacy of resources, staff qualifications and experience, training programmes, and budget of the Company's accounting and financing reporting function;
15. reviewing the arrangements that the employees of the Group can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters;
16. formulating whistle-blowing policies and systems so that the employees and other persons (e.g. customers and suppliers) who have connections with the Company can, in confidence, report to the Audit Committee concerns about any impropriety relating to the Company; and
17. considering other topics as defined by the Board.

During the FY2023, the Audit Committee held five meetings to, amongst other matters, consider and recommend to the Board for approval the Group's audited annual results for FY2022, unaudited first quarterly results for the three months ended 30 June 2022, unaudited interim results for the six months ended 30 September 2022 and unaudited third quarterly results for the nine months ended 31 December 2022; and the appointment of McMillan Woods (Hong Kong) CPA Limited ("**McMillan**") as the auditor of the Company. Details of the attendance of the Audit Committee meetings are set out above.

Corporate Governance Report

Remuneration Committee

The Remuneration Committee was established with effect from 26 January 2018 with written terms of reference in compliance with the CG Code. The written terms of reference of the Remuneration Committee are published on the respective websites of the Stock Exchange and the Company. The Remuneration Committee currently comprises three INEDs, namely Mr. Lang, Ms. Wong and Mr. Wu. Mr. Lang is the chairman of the Remuneration Committee.

The principal roles and functions of the Remuneration Committee include but are not limited to:

1. making recommendations to the Board on (i) the overall policy and structure for the remuneration of all Directors, senior management and general staff of the Group, and (ii) the establishment of a formal and transparent procedure for developing the remuneration policy;
2. reviewing and approving management's remuneration proposals by reference to the Board's corporate goals and objectives;
3. making recommendations to the Board on the remuneration packages of individual executive Directors and senior management including basic salaries, benefits in kind, pension rights and compensation payments including any compensation payable for loss or termination of their office or appointment;
4. making recommendations to the Board on the remuneration of the non-executive Directors;
5. considering the salaries paid by comparable companies, time commitment, responsibilities and employment conditions elsewhere in the Group;
6. reviewing and approving the compensation payable to the executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with the contractual terms and is otherwise fair and not excessive;
7. reviewing and approving the compensation arrangements relating to the dismissal or removal of the Directors for misconduct to ensure that they are consistent with the contractual terms and are otherwise reasonable and appropriate; and
8. ensuring that no Director or any of his/her associates (as defined in the GEM Listing Rules) is involved in deciding his/her own remuneration.

During the FY2023, the Remuneration Committee held three meetings to review and recommend to the Board for approval certain remuneration-related matters of the Directors and senior management. Details of the attendance of the Remuneration Committee meetings are set out above.



Corporate Governance Report

Nomination Committee

The Nomination Committee was established with effect from 26 January 2018 with written terms of reference in compliance with the CG Code. The Board has adopted revised terms of reference on 31 December 2018. The written terms of reference of the Nomination Committee are published on the respective websites of the Stock Exchange and the Company. The Nomination Committee currently comprises three INEDs, namely Mr. Wu, Ms. Wong and Mr. Lang. Mr. Wu is the chairman of the Nomination Committee.

The principal roles and functions of the Nomination Committee include but are not limited to:

1. 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 Company's corporate strategy;
2. 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;
3. assessing the independence of the INEDs;
4. making recommendations to the Board on the appointment or re-appointment of Directors and the succession plan for the Directors, in particular, the Chairman and the CEO; and
5. developing and making recommendations to the Board the measurable objectives for achieving diversity on the Board and monitoring the progress on achieving those objectives.

The Board also adopted the nomination policy. The Nomination Committee shall endeavor to select individuals of high integrity who have a solid record of accomplishment in their chosen fields and who possess the qualifications, qualities and skills to effectively represent the best interests of the Group and the Shareholders. Candidates will be selected for their ability to exercise good judgment and provide practical insights and diverse perspectives. Candidates also will be assessed in the context of the then-current composition of the Board and the operating requirements of the Group. In conducting this assessment, the Nomination Committee will, in connection with its assessment and recommendation of the candidates for Directors, consider the diversity (including but not limited to gender, age, cultural, educational and professional background, knowledge, experience and skills) and such other factors as it deems appropriate given the current and anticipated future needs of the Board and the Company, and to maintain a balance of perspectives, qualifications, qualities and skills on the Board.

During the FY2023, the Nomination Committee held three meetings to, amongst other matters, (i) review the structure, size and composition of the Board; (ii) assess the independence of the INEDs; (iii) recommend to the Board for approval the appointment of Director; and (iv) recommend to the Board for approval the re-appointment of Directors at the AGM held in September 2022. Details of the attendance of the Nomination Committee meetings are set out above.

Corporate Governance Report

Corporate Governance Functions

The Board is responsible for performing the corporate governance functions, which include:

1. developing and reviewing the Company's policies and practices on corporate governance and make recommendations to the Board;
2. reviewing and monitoring the training and continuous professional development of the Directors and senior management;
3. reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
4. developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to the Directors and the Group's employees; and
5. reviewing the Company's compliance with the CG Code and disclosure in this report.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

All the Directors, including the INEDs, are subject to retirement by rotation and eligible for re-election in accordance with the Articles of Association. At each AGM, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director shall be subject to retirement at an AGM at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the AGM at which he/she retires. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and does not offer himself/herself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been the longest in office since their last re-election or appointment and so that as between the 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. Accordingly, Mr. Yao and Ms. Wong will retire from office as Directors at the forthcoming AGM of the Company, and being eligible, offer themselves for re-election.

The Company may by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director. Any Director so appointed shall be subject to retirement by rotation.

The Board 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 on the Board or as an additional Director to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Company after his/her 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 AGM and shall then be eligible for re-election. Any such Director appointed shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation at an AGM.



Corporate Governance Report

REMUNERATION OF DIRECTORS

The particulars of the Directors' remuneration for the FY2023 are set out in note 11 to the Consolidated Financial Statements.

INDEPENDENT AUDITOR'S REMUNERATION

McMillan was engaged as the Group's independent auditor for the FY2023. The remuneration paid/payable to McMillan in respect of statutory audit services for the FY2023 was HK\$520,000.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the Consolidated Financial Statements.

In addition, McMillan has stated in the Independent Auditor's report its reporting responsibilities on the Consolidated Financial Statements.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company has in place policies and procedures in relation to risk management and internal control. The Board is primarily responsible for overseeing the risk management and internal control systems and reviewing their effectiveness. The Company's internal control system and procedures are designed to meet its specific business needs and minimise its risk exposure. The Company has adopted different internal guidelines, along with written policies and procedures to monitor and lessen the impact of risks which are relevant to its business, and control its daily business operations. Management will identify the risks associated with the Group's day-to-day operations for review by the Board. The Board is responsible for evaluating and determining the nature and extent of the risks that the Company is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The Board oversees management in the design, implementation and monitoring of the risk management and internal control systems. The Board acknowledges that such risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Company does not have an internal audit department. The Board currently takes the view that there is no immediate need to set up an internal audit function in light of the size, nature and complexity of the Group's business. The need for an internal audit function will be reviewed from time to time. Recently, the Board has conducted a review of the effectiveness of the risk management and internal control systems of the Group covering all material controls, including financial, operational and compliance controls functions. The Board considers that the Group's risk management and internal control systems are adequate and effective. The Board expects that a review of the risk management and internal control systems will be performed annually.

Corporate Governance Report

DISCLOSURE OF INSIDE INFORMATION

The Group acknowledges its responsibilities under the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong (the “SFO”), the GEM Listing Rules and the overriding principle that inside information must be announced promptly when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of inside information are as follows:

1. the Group conducts its affairs with close regard to the disclosure requirement under the GEM Listing Rules as well as the “Guidelines on Disclosure of Inside Information” published by the Securities and Futures Commission of Hong Kong in June 2012;
2. the Group has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and the Company’s website;
3. the Group has strictly prohibited unauthorised use of confidential or inside information; and
4. the Group has established and implemented procedures for responding to external enquiries about the Group’s affairs, so that only the executive Directors and authorised representatives are authorised to communicate with parties outside the Group.

COMPANY SECRETARY

Mr. Tse has been appointed as the Company Secretary with effect from 1 April 2022.

Mr. Tse has confirmed that he received no less than 15 hours of relevant professional training during the FY2022 pursuant to Rule 5.15 of the GEM Listing Rules.

All members of the Board have access to the advice and services of the Company Secretary. The appointment and removal of the Company Secretary has been/will be subject to the Board’s approval.

SHAREHOLDERS’ RIGHTS

Procedures for Putting Forward Proposals at Shareholders’ Meetings

Shareholders are welcomed to suggest proposals relating to the operations, strategy and/or management of the Group to be discussed at the Shareholders’ meeting. Proposals can be sent to the Board or the Company Secretary by written requisition. Shareholders who wish to make proposals or move a resolution may, however, convene an EGM in accordance with the “Procedures for Shareholders to Convene an EGM” set out below.



Corporate Governance Report

Procedures for Shareholders to Convene an EGM

Pursuant to Article 58 of the Articles of Association, any one or more Shareholders holding at the date of deposit of the requisition not less than 10% of the paid-up capital of the Company carrying the right of voting at general meetings of the Company (the “**Eligible Shareholder(s)**”) shall at all times have the right, by written requisition to the Board or the Company Secretary for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the EGM.

Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the “**Requisition**”) signed by the Eligible Shareholder(s) concerned (the “**Requisitionist(s)**”) at the headquarters and principal place of business of the Company in Hong Kong (presently at Room 204, 2/F., Empire Court, 2–4 Hysan Avenue, Causeway Bay, Hong Kong) for the attention of the Company Secretary.

The Requisition must state clearly the name(s) of the Requisitionist(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM and the proposed agenda.

The Company will check the Requisition and the identity, and shareholding of the Requisitionist(s) will be verified with the Company’s branch share registrar and transfer office in Hong Kong. If the Requisition is found to be proper and in order, the Company Secretary will ask the Board to convene an EGM and/or include the proposal(s) made or the resolution(s) proposed by the Requisitionist(s) at the EGM within two months after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Requisitionist(s) will be advised of the outcome, and accordingly, the Board or the Company Secretary will not call for an EGM nor include the proposal(s) made or the resolution(s) proposed by the Requisitionist(s) at the EGM.

If within 21 days of the deposit of the Requisition the Board or the Company Secretary fails to proceed to convene such EGM, the Requisitionist(s) himself/herself/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 or the Company Secretary to convene an EGM shall be reimbursed to the Requisitionist(s) by the Company.

Procedures for Shareholders to Send Enquiries to the Board

Shareholders may direct their enquiries about their shareholdings, share transfer/registration or notification of change of their correspondence address or dividend/distribution instructions to the Company’s branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong.

Shareholders may send their enquiries and concerns to the Board by post to the headquarters and principal place of business of the Company in Hong Kong at Room 204, 2/F., Empire Court, 2–4 Hysan Avenue, Causeway Bay, Hong Kong or by email to mansion@mansionintl.com for the attention of the Company Secretary.

Corporate Governance Report

Upon receipt of the enquiries, the Company Secretary will forward the communications relating to:

1. the matters within the Board's purview to the executive Directors;
2. the matters within a Board committee's area of responsibility to the chairman of the appropriate committee; and
3. ordinary business matters, such as suggestions, enquiries and client complaints to the appropriate management of the Company.

DIVIDEND POLICY

The Board has approved and adopted a dividend policy on 31 December 2018. It is the policy of the Board, in considering the payment of dividends, to allow Shareholders to participate in the Company's profits whilst retaining adequate reserves for the Group's future growth.

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

- (a) the Group's actual and expected financial performance;
- (b) retained earnings and distributable reserves of the Company and each of the members of the Group;
- (c) the Group's working capital requirements, capital expenditure requirements and future expansion plans;
- (d) the Group's liquidity position;
- (e) general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and
- (f) any other factors that the Board deems appropriate.

COMMUNICATION WITH THE SHAREHOLDERS

The Company has adopted a Shareholders' communication policy with the objective of ensuring that the Shareholders will have equal and timely access to information about the Company in order to enable the Shareholders to exercise their rights in an informed manner and allow them to engage actively with the Company.

Information will be communicated to the Shareholders through the Company's financial reports, AGMs and EGMs that may be convened as well as all the published disclosures submitted to the Stock Exchange.

CONSTITUTIONAL DOCUMENTS

During the FY2023, there was no change in the constitutional documents of the Company.



Directors' Report

The Directors present their report and the audited Consolidated Financial Statements.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's principal subsidiaries are set out in note 35 to the Consolidated Financial Statements.

BUSINESS REVIEW

The business review and the future development of the Group for the Year are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report. Description of the principal risks and uncertainties facing the Group can be found in the "Corporate Governance Report" of this annual report.

Save for stated below, the Company was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on it:

Code provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Some individual Directors were unable to attend the AGM held on 30 September 2022 and the EGMs held on 28 April 2023 due to other business engagements. This constitutes a deviation from code provision A.6.7 of the CG Code.

The Company Secretary had reminded the Directors to attend general meetings in future in order to establish effective communications with the Shareholders.

The Group is committed to protecting the environment and maintaining a high standard of corporate social governance. The Group's environmental policy and performance will be shown in the "Environmental, Social and Governance Report" to be published by the Company in a later time.

Save as disclosed in the section "Management Discussion and Analysis — Event after the Reporting Period", the Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2023 and up to the date hereof.

Directors' Report

RESULTS AND DIVIDEND

The results of the Group for the FY2023 are set out in the consolidated statement of profit or loss and other comprehensive income on page 71 of this annual report.

The Board has resolved not to recommend the payment of any dividend for the FY2023.

SUMMARY FINANCIAL INFORMATION

A summary of the results and assets and liabilities of the Group for the last five financial years is set out on page 132 of this annual report. This summary does not form part of the audited Consolidated Financial Statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the Group's property, plant and equipment during the FY2023 are set out in note 17 to the Consolidated Financial Statements.

SHARE CAPITAL

Details of the movements in the Company's paid up capital for the FY2023 are set out in note 32 to the Consolidated Financial Statements.

RESERVES

Details of the movements in the reserves of the Group are set out in the consolidated statement of changes in equity on pages 74 and 75 of this annual report.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 March 2022 and 2023 were as follows:

	31 March 2023 HK\$'000	31 March 2022 HK\$'000
Share premium	118,409	118,409
Accumulated losses	(158,212)	(115,167)
	(39,803)	3,242



Directors' Report

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the FY2023, the Company did not redeem its listed securities, nor did the Company or any of its subsidiaries purchase or sell such securities.

EQUITY-LINKED AGREEMENTS

Other than (i) the Rights Issue as set out in the section headed "Management Discussion and Analysis — Rights Issue"; and (ii) the share option scheme of the Company as set out in the section headed "Management Discussion and Analysis — Share Option Scheme", no equity-linked agreements that will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company or subsisting during the FY2023.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, as at the date hereof, there is sufficient public float of not less than 25% of the Company's issued Shares as required under the GEM Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

During the FY2023, sales to the Group's five largest customers accounted for approximately 67.8% of the Group's total sales for the FY2023 and sales to the largest customer included therein amounted to approximately 16.5%.

During the FY2023, purchases from the Group's five largest suppliers accounted for approximately 90.9% of the Group's total purchases for the FY2023 and purchases from the Group's largest supplier included therein amounted to approximately 19.3%.

None of the Directors or any of their close associates or any Shareholders (which to the best knowledge of the Directors, own more than 5% of the number of the issued Shares) had any interest in the Group's five largest customers and suppliers.

DONATIONS

During the FY2023, the Group did not make any charitable donations (2022: Nil).

Directors' Report

DIRECTORS

The Directors who held office during the FY2023 and up to the date hereof are:

Executive Directors

Mr. Yao Ruhe (*Chairman*)

Ms. Kam Chun Fong (appointed on 1 April 2022)

Mr. Kwan Kar Man (resigned on 1 April 2022)

Ms. Wong Ka Man

INEDs

Mr. Lang Yonghua (appointed on 1 April 2022)

Mr. Wang Rongqian (resigned on 1 April 2022)

Ms. Wong Ying Yu

Mr. Wu Chi King

Article 83 (3) of the Articles of Association provides that any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Shareholders after his/her appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election.

Article 84 of the Articles of Association provides that (1) one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation at each AGM, provided that every Director shall be subject to retirement at an AGM at least once every three years; and (2) a retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he/she retires. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and not to offer himself/herself for re-election.

Each of Ms. Wong and Mr. Yao will retire at the forthcoming AGM and all of them, being eligible, will offer themselves for re-election thereat.

INDEPENDENCE OF INEDs

The Company has received, from each of the current INEDs, a confirmation of their independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that all of the INEDs are independent.

DIRECTORS' SERVICE CONTRACTS

Each of the INEDs has entered into a letter of appointment with the Company for a term of three years.

None of the Directors proposed for re-election at the forthcoming AGM has entered into a service agreement or agreement for appointment with the Company or any of its subsidiaries which is not determinable by the employer within one year without the payment of compensation (other than statutory compensation).



Directors' Report

BIOGRAPHICAL DETAILS OF DIRECTORS

The biographical details of Directors are disclosed in the section headed "Biographical Details of Directors" on pages 13 to 14 of this annual report.

CHANGES IN DIRECTORS' INFORMATION

The changes in the Directors' information as required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules are set out below:

1. Mr. Kwan resigned as an executive Director, the Company Secretary, an Authorised Representative and the Process Agent on 1 April 2022.
2. Ms. Kam was appointed as an executive Director on 1 April 2022.
3. Mr. Wang resigned as an INED, chairman of the Remuneration Committee, and a member of each of the Audit Committee and Nomination Committee on 1 April 2022.
4. Mr. Lang was appointed as an INED, chairman of the Remuneration Committee, and a member of each of the Audit Committee and Nomination Committee on 1 April 2022.

DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST PAID INDIVIDUALS' REMUNERATION

Details of the Directors' emoluments and the five individuals with the highest emoluments are set out in notes 11 and 12 to the Consolidated Financial Statements.

EMOLUMENT POLICY

The Company has established the Remuneration Committee in compliance with the GEM Listing Rules. The primary duties of the Remuneration Committee are to review and make recommendations to the Board on the remuneration policy and other remuneration related matters, including benefits-in-kind and other compensation payable to the Directors and senior management of the Company.

Under the remuneration policy of the Company, the Remuneration Committee will consider factors such as corporate and individual performance, salaries paid by comparable companies, time commitment, responsibilities and employment conditions elsewhere in the Group in assessing the amount of remuneration payable to the Directors and senior management. The Company has adopted a Share Option Scheme as an incentive to selected participants.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transaction, arrangement or contract of significance in relation to the Group's business to which the Company, or its holding company or any of its subsidiaries or fellow subsidiaries was a party, and in which a Director and his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the FY2023 or at any time during the FY2023.

Directors' Report

COMPETING INTEREST

None of the Directors or the controlling Shareholder(s) or their respective close associates (as defined under the GEM Listing Rules) has interests in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with the businesses of the Group during the FY2023 and up to the date hereof.

PERMITTED INDEMNITY PROVISION

The Articles of Association provide that the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any Director.

The Company has arranged for appropriate insurance covering Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

The permitted indemnity provision and the Directors' and officers' liability insurance were in force during the FY2023 and are in force as at the date hereof.

RELATED PARTY TRANSACTIONS

A summary of the related party transactions entered into by the Group during the FY2023 is contained in note 36 to the Consolidated Financial Statements. None of these related party transactions constituted one-off connected transactions or continuing connected transactions, which are required to comply with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

MANAGEMENT CONTRACTS

No contracts, other than the executive Directors' employment contracts, concerning the Management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the FY2023.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

No contract of significance (whether for the provision of services to the Group or not) between the Company or any of its subsidiaries and a controlling Shareholder (as defined in the GEM Listing Rules) or any of its subsidiaries subsisted as at the end of the FY2023 or at any time during the FY2023.

TAX RELIEF

The Company is not aware of any relief on taxation available to the Shareholders by reason of their holdings of the Shares. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in or exercising of any rights in relation to the Shares, they are advised to consult their professional advisers.



Directors' Report

CORPORATE GOVERNANCE AND OTHER INFORMATION

Directors' and chief executive's interests in shares, underlying shares and debentures

As at 31 March 2023, the interests of the Directors and chief executive of the Company in Shares, underlying Shares and debentures of the Company or 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")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

Long positions in Shares and underlying Shares

Name	Capacity	Number of ordinary Shares held	Approximate percentage of the issued share capital of the Company as at 31 March 2023
Mr. Yao Ruhe	Beneficial owner	400,000	0.19%

Save as disclosed above, none of the Directors and chief executive of the Company had any interests or short position in the Shares, underlying Shares or debentures of the Company or its associated corporation as at 31 March 2023.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2023, the Company had not been notified by any persons (other than the Directors whose interests were disclosed above) who had interests or short positions in the Shares or underlying Shares which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

ARRANGEMENTS FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section "Share Option Scheme" below, at no time during the FY2023 or at the end of the FY2023 was the Company, or its holding company or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

Directors' Report

CORPORATE GOVERNANCE

The Company is committed to adopting corporate governance practices. The Company's corporate governance practices are set out in the Corporate Governance Report on pages 15 to 28 of this annual report.

The compliance officer of the Company is Ms. Carmen Wong whose biographical details are set out on page 13 of this annual report. The Company Secretary is Mr. Tse and a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

AUDIT COMMITTEE

The Audit Committee was established with effect from 26 January 2018 with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and code provision C.3.3 of the CG Code. The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment, re-appointment and removal of external auditors, review the financial statements and material advice in respect of financial reporting, and oversee internal control and risk management procedures of our Group.

The Audit Committee currently comprises three INEDs, namely Mr. Wu, Ms. Wong and Mr. Lang. Mr. Wu is the chairman of the Audit Committee.

The Consolidated Financial Statements and this report have been reviewed by the Audit Committee. No material issues were identified and reported by the Audit Committee to the Board.

INDEPENDENT AUDITOR

Reference is made to the announcement of the Company dated 30 July 2020, the ordinary resolution in respect of the proposed re-appointment of BDO Limited as the auditor of the Company was not passed at the AGM held on 30 July 2020 and the office of the Company's auditor has become vacant with effect from the conclusion of the AGM. After careful consideration, the Board has resolved to appoint Jonten Hopkins CPA Limited ("**Jonten Hopkins**") as the auditor of the Company on 30 September 2020 to fill the vacancy arising from the retirement of BDO Limited.

On 12 January 2022, Jonten Hopkins resigned, and McMillan was appointed as the auditor of the Company. Save as aforesaid, there has been no change in auditors of the Company in the three years preceding the date of this annual report. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint McMillan as the independent auditor of the Company.

By Order of the Board

Mansion International Holdings Limited

Yao Ruhe

Chairman

Hong Kong, 30 June 2023



Environmental, Social and Governance Report

ABOUT THE REPORT

This report is the fifth Environmental, Social and Governance Report (“**ESG Report**”) of Mansion International Holdings Limited (the “**Company**” or “**We**”). We are principally engaged in the sale of baby and children garments. This report intends to disclose the performance of the Company and its subsidiaries (collectively as the “**Group**”) in terms of environmental, social, and governance issues in a transparent and open manner over the last year, in response to all stakeholders’ concerns and expectations for the Group’s long-term viability. In the long run, the Group will strengthen the data collection and reporting system for environmental management, social responsibility, and governance performance, gradually expanding the disclosure scope and improving the quality and comprehensiveness of the ESG Report.

REPORTING SCOPE

This ESG Report details the ESG performance of the Group for the financial year ended 31 March 2023 (the “**Reporting Period**”). We apply the concept of materiality in planning and developing the ESG Report. Unless otherwise indicated, the ESG Report covers the Group and its subsidiaries.

REPORTING STANDARDS

The Stock Exchange of Hong Kong Limited (the “**SEHK**”) amended the “Environmental, Social and Governance Reporting Guide” (“**ESG Reporting Guide**”), which is the Appendix 20 of the Rules Governing the Listing of Securities on GEM (the “**GEM Listing Rules**”) in 2019. The amendments set out the mandatory disclosures of ESG issues. This report is prepared in accordance with the “Mandatory Disclosure Requirements” provisions and the “Comply or Explain” principles of the latest ESG Reporting Guide set out in Appendix 20 of the GEM Listing Rules made by the SEHK.

REPORTING PRINCIPLES

This report is prepared in accordance with the reporting principles of Materiality, Balance, Quantitative and Consistency, by which the Company applies a consistent methodology for setting forth relevant materiality level, quantitatively measurement and reporting scope and format, with consideration of relevancy and significance of ESG factors in relation to the Group.

This report includes quantitative environmental and social Key Performance Index (“**KPI**”) to help stakeholders understand the Group’s ESG performance. Wherever possible, information about the standards, techniques, references, and sources of key emission of these KPIs is provided. To make ESG performance more comparable between years, the Group has used consistent reporting and calculation procedures as far as reasonably practicable. For any changes in methodologies, the Group has presented and explained in detail in the corresponding sections.

The Group is dedicated to accurately and truthfully disclosing all material ESG matters. The data in this report is produced and published using current regulations, practices, government documents, and reports. Furthermore, the Board has endorsed and approved this report. The Board is dedicated to monitoring and publishing the Group’s sustainability performance through the annual release of the ESG Report and is responsible for overseeing and managing all ESG topics.

Environmental, Social and Governance Report

SUSTAINABLE GOVERNANCE STRUCTURE

We established a top-down ESG organizational structure to apply the Group's sustainable development concept. The Board is responsible for developing ESG strategies, assessing and identifying the Group's ESG risks, and guaranteeing risk management and internal control effectiveness. ESG work and report evaluation are carried out by employees from several areas within the Group.

The Group is dedicated to achieving several aspects of corporate social responsibility, including energy conservation, greenhouse gas reduction, employee training and development, environmental compliance, and providing a safe and healthy work environment.

The Board

The Board strives to integrate sustainable development into the Group's business development and has taken on the following responsibilities:

- Assessing and determining the Group's ESG-related risks and opportunities.
- Ensuring that the Group has an appropriate and effective risk management and internal control system.
- Developing the Group's management policies, plans, priorities, and goals.
- Monitoring ESG's work progress and performance on a regular basis.
- Approving the disclosed information in the Group's ESG Report.

The Board assesses, identifies, and manages sustainable development risks on a regular basis, and tries to create long-term value for stakeholders by identifying possibilities while adhering to regulatory standards and industry best practices. Furthermore, the Board examines and adjusts the implementation of various ESG objectives on a regular basis to ensure that the impact of business development on the environment and society can be minimized.

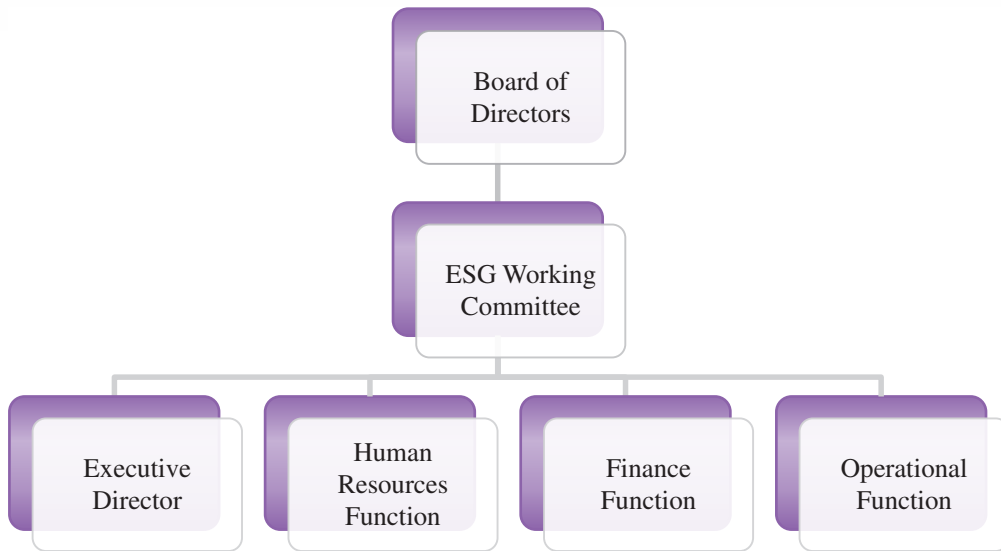
ESG Working Committee

The Group has established an ESG Working Committee, consisting of four members, (currently an Executive Director, and several managements from Human Resources, Finance and Operations Functions/Departments), to assist the Board in managing the Group's ESG affairs. The ESG Working Committee is a management-level group that is responsible for driving our ESG initiatives, collecting and calculating ESG KPIs, overseeing and reporting ESG related matters across our major businesses and operations.



Environmental, Social and Governance Report

The ESG Working Committee is empowered by the Board through a <ESG Working Committee Terms of Reference> under which it shall directly be instructed and reporting to the Board. It organizes meetings on a regular basis to identify, assess, and monitor the Group’s ESG risk, as well as to examine the Group’s internal control system’s implementation and effectiveness. It also assesses and evaluates the Group’s ESG performance in relation to ESG goals and targets.



STAKEHOLDER ENGAGEMENT

In order to understand the aspiration and concerns from the stakeholders in connection with the environmental and social activities of the Group, we have maintained interaction with them via various effective communication channels, with a view to perfecting our sustainability strategies in the interest of stakeholders and our ability to grow progressively. The Group’s identified stakeholders and our main communication channels are listed in the following table:

Key Stakeholders	Areas of Concern	Communication Channels
Stock Exchange	<ul style="list-style-type: none"> Compliance with listing rules 	<ul style="list-style-type: none"> Announcements in the Stock Exchange website Discussions and meetings as necessary Emails and other correspondences
Government and regulatory bodies	<ul style="list-style-type: none"> Laws and regulations Taxation 	<ul style="list-style-type: none"> Site visits and audits Regular declarations Public Notice of new laws and regulations in the Gazette Reports and other publication in their websites

Environmental, Social and Governance Report

Key Stakeholders	Areas of Concern	Communication Channels
Shareholders and investors	<ul style="list-style-type: none"> Return on investment Information disclosure Protection on rights and interests of shareholders and fair treatment of shareholders 	<ul style="list-style-type: none"> Annual and other general meeting of members Annual reports, announcements and other disclosures/publications Company website/Disclosures on the Stock Exchange website Group email managed by designated employees
Employees	<ul style="list-style-type: none"> Salaries and welfares Protection on Employee's rights and interests Health and safety Feedback opportunities 	<ul style="list-style-type: none"> Regular meetings Employee trainings Intranet and emails Regular employee activities
Customers	<ul style="list-style-type: none"> Product quality Customer satisfaction Business ethics After sales services 	<ul style="list-style-type: none"> Website Regular business visits Participation in kid exhibitions and events Bidirectional customer evaluations
Suppliers	<ul style="list-style-type: none"> Long-term and sustainable business relationship Fair competition 	<ul style="list-style-type: none"> Supplier contracts, emails, teleconference, interview Bidirectional supplier evaluation
Media	<ul style="list-style-type: none"> Corporate governance Environmental protection 	<ul style="list-style-type: none"> Correspondence and discussion on concerned topics
Community	<ul style="list-style-type: none"> Environmental protection Contribution to the community 	<ul style="list-style-type: none"> Voluntary activities Community visits

We aim to collaborate with our stakeholders to improve our ESG performance and create greater value or the wider community continuously.



Environmental, Social and Governance Report

MATERIALITY ASSESSMENT

Through constant connection with our stakeholders, the Group have accumulated crucial facts and information. Based on materiality, quantitative metrics, balance, and consistency, our senior management examined and analyzed the importance of ESG problems to the Group's stakeholders for the Reporting Period, as well as the scope and structure of this report. The Group gather insights of how to strengthen its sustainable governance through the process of engaging its stakeholders.

We also take into consideration of the provisions set out in the "ESG Reporting Guide" as well as the latest industry sustainability trends. Below tabled the relevant and important ESG issues we have identified:

ESG Aspects	Sub-aspects	ESG Issues
A. Environmental	A1 — Emissions	<ul style="list-style-type: none"> Greenhouse gas ("GHG") emissions
	A2 — Use of Resources	<ul style="list-style-type: none"> Waste management Energy consumption Water consumption Paper consumption
	A3 — The Environmental and Natural Resources	<ul style="list-style-type: none"> Management risks related to environment and natural resources
B. Social	B1 — Employment	<ul style="list-style-type: none"> Equal opportunities Employee's benefits
	B2 — Health and Safety	<ul style="list-style-type: none"> Occupational health and safety
	B3 — Development and Training	<ul style="list-style-type: none"> Employee development and training
	B4 — Labour Standards	<ul style="list-style-type: none"> Prevention of child labour and forced labour
	B5 — Supply Chain Management	<ul style="list-style-type: none"> Supplier selection and assessment Green procurement
	B6 — Product Responsibility	<ul style="list-style-type: none"> Product quality control Product recall Customer satisfaction Protection of intellectual property rights and customer data
	B7 — Anti-corruption	<ul style="list-style-type: none"> Anti-corruption and whistle-blowing policies Concluded legal cases regarding corruption
	B8 — Community Investment	<ul style="list-style-type: none"> Anti-corruption trainings Community engagement

Environmental, Social and Governance Report

Among these ESG issues, we further evaluate and prioritize them by their relevancy and significance. Below tabled the top ten most relevant and important ESG issues of our Group:

Concerned ESG issues		Relevant ESG Provision
1.	GHG emissions	A1 – Emissions
2.	Waste management	A1 – Emissions
3.	Energy consumption	A2 – Use of Resources
4.	Water consumption	A2 – Use of Resources
5.	Equal opportunities	B1 – Employment
6.	Occupational health and safety	B2 – Health and Safety
7.	Employee development and training	B3 – Development and Training
8.	Supplier selection and assessment	B5 – Supply Chain Management
9.	Customer satisfaction	B6 – Product Responsibility
10.	Anti-corruption practices	B7 – Anti-corruption

The Board has reviewed and approved the assessment of the ESG Working Committee and has integrated the concerned ESG issues into the overall risk management framework and incorporated into regular internal review or internal audit plan on a rotation basis.

STAKEHOLDER'S FEEDBACK

Stakeholders' feedbacks on our ESG matters are highly welcomed. We will consider stakeholders' comments serious and take relevant actions (if any) to improve our overall ESG performance.

The Group discloses the latest business information regularly to investors and the public. We also welcome investors and shareholders to share their views with the board of directors of the Company by email us at mansion@mansionintl.com.

A. ENVIRONMENTAL

Manufacturing safe products for infants and toddlers is one of our main business activities. In addition to generating revenue for its shareholders and providing the best products, the Group also aims to operate as a socially responsible corporate. The Group's senior management has placed environmental protection as one of the business priorities, and has established an internal environmental policy, which lays the foundations on limiting the Group's impacts to the local environment according to different parts of its operations.

In summary, environmental topics relevant to the Group's activities during the Reporting Period have been identified, mainly relating to the consumption of electricity, diesel, petrol, paper and water. The Group's manufacturing business does not involve in significant pollutions of air, water, or land, regulated under Hong Kong laws and regulations, and thus is not attributed to any material impact in these aspects. In addition, the Group's internal environmental protection awareness programme consistently reminds and encourages its employees and clients to work together to improve environmental performance.



Environmental, Social and Governance Report

A1: Emissions

Air Pollutant Emission

The Group's transportation team is responsible for delivering products to various locations diligently, on time, and in a safe manner. Vehicles, including trucks and automobiles, were utilized as the major transportation medium, which consumed diesel and petrol during the process. During the Reporting Period, the total air pollutant emissions recorded are 52.80 kg NO_x (2022: 53.0 kg), 0.38 kg SO_x (2022: 0.39 kg) and 5.02 kg RSP (2022: 5.09 kg), respectively.

GHG Emissions

In addition to the effort in monitoring air pollutant emission, the Group is also exploring measures to reduce its indirect carbon emission, particularly on overall carbon footprint. The Group estimated its carbon footprint for the year through aggregated items such as diesel, electricity and petrol consumption from our operation locations. The overall emissions result were then estimated using conversion factors (carbon intensity factor) for reporting purpose, taking into account emissions of carbon dioxide and other greenhouse gases associated with energy consumption, such as methane (CH₄) and nitrous oxide (N₂O). With such information available, the Group looks to further investigate and will work with our employees and external stakeholders on enhancing the overall performance to minimize our carbon footprint.

In addition to energy consumption (Scopes 1 and 2), Scope 3 emissions associated with paper disposed in landfills and energy associated with water processing have been considered in determining the overall GHG emissions of the Group. During the Reporting Period, the total GHG emissions recorded is 194.0 t CO₂-e (2022: 190.72 t CO₂-e). In line with our Group's objective to minimize GHG emissions, we have implemented energy saving practices at our clinics that are mentioned under the section of "Use of Resources".

The significant increase in the greenhouse gas emissions is due to the usage of vehicle from sales and marketing team increased during the Reporting Period.

Waste Management

As a socially responsible corporation that manufactures children products, the Group tries its best effort in managing waste generation to ensure wastes are kept at a minimum and are handled with proper procedures. Our manufacturing operation procedure follows closely with our environmental policy, which is designed to:

- Minimise our chemical consumption and emission during the operation, if any, to improve the overall manufacturing efficiency and ensure the well-being of our workers;
- Avoid polluted chemical effluent emission from manufacturing or daily sewage, and ensure the compliance to local environmental standards;
- Avoid noise pollution to the nearby neighbourhood;
- Minimize, or if possible, avoid the use of chemical substances that can pose potential dangers to our customers; and
- Limit the inventory of potentially hazardous substances stored on-site.

Environmental, Social and Governance Report

During production, we have incorporated our environmental protection philosophy to reduce waste from production sources as much as possible. The Group exerts additional attention to waste handling procedure, ensuring the safety of its employees and to the compliance of all applicable laws and regulation.

Hazardous Waste

Hazardous wastes generated by our Group are stored in a separate, well-ventilated storage location for collection. A registered waste handling company, Zhongshan Baoly Industrial Solid Hazardous Waste Storage and Transportation Management Co. Ltd, is engaged to perform regular collection of the Group's hazardous waste for safe disposal. During the Reporting Period, there is no hazardous wastes (2022: nil), mainly due to the disposal in Mansion Success Holdings Limited and its subsidiaries which carried out the business of manufacturing of children wear in the PRC.

Non-hazardous Waste

The Group's daily non-hazardous waste is collected, properly stored and regularly picked up by a registered waste collection company. Our Group also took the initiative to limit waste generation by promoting reduction measures throughout the Group's operations. This includes encouraging the reduction of paper usage as well as appropriate use of recycled paper in the workplaces. Some of our policies to reduce paper consumption include:

- Encouraging computer-based administration procedures;
- Adopting to an electronic filing system;
- Using electronic communication channels for information sharing;
- Adopting to double-sided printing and photocopying; and
- Reusing paper that are used on one side for drafting, photocopying and fax deliveries.

During the Reporting Period, these non-hazardous wastes were approximately 2.6 tonnes (2022: 3.2 tonnes).

A2: Use of Resources

As an environmentally-friendly corporation, the Group actively promotes green practices in all of premises, attempting to reduce its consumption of resources, particularly on electricity and water consumption. Our environmental policy, with regards to resource consumption, is developed based on the "4Rs" strategy, emphasizing on "Replace, Reduce, Reuse and Recycle". Our employees are constantly reminded to the implement 4Rs strategy throughout the Group's operation, and even directly work with our supply chain partners to avoid wastages and reduce overall consumption.

The Group understands that its operations consumes a fair amount of resources, in the form of electricity and water, which can lead to significant impacts to the environment. With this in mind, the Group manages its utilities consumption and tries to conserve and minimize the ecological footprint associated with our consumption practices.



Environmental, Social and Governance Report

Energy Consumption

The Group works diligently with its employees to promote the 4Rs initiative, driving for efficient usage of electricity in its premises. Notices on energy saving policies can be found in common areas and in the working area, and energy conservation tips are promoted through internal circulation to raise the staff awareness on limiting energy consumption. Other energy saving initiatives implemented in our facilities include the following:

- Adjusting air conditioners' temperature to 25.5 °C;
- Switching off all electronic devices during lunch hours and when leaving office;
- Procuring equipment with high energy efficiency ratings whenever possible; and
- Setting computers on energy saving modes.

During the Reporting Period, the total energy consumption accounted to 102,859 kWh (2022: 233,623 kWh).

Water Consumption

In addition to its effort on energy conservation, the Group also worked with its employees to promote a water conservation culture. Notices were posted to remind the staff to:

- Turn off tap after use;
- Avoid unnecessary flush;
- Perform regular maintenance on water taps; and
- Avoid water wastage in up-flow water dispenser.

The daily wastewater generated by the Group's manufacturing facilities are first biologically treated prior to discharge to the sewer system, in compliance with local regulations. During the Reporting Period, as the Group utilized the local water supply system, we did not find any problems in obtaining suitable water sources, the total consumption of the water is 106 m³ (2022: 394 m³).

The reduction of the consumption in electricity and water is due to the disposal in Mansion Success Holdings Limited and its subsidiaries which carried out the business of manufacturing of children wear in the PRC.

Environmental, Social and Governance Report

Product Packaging

Our consumption of packaging material consists mainly of plastic bags and small paper boxes, used for shipping purposes. In addition, in accordance with our environmental policy, the team is advised to implement a “light but effective” package as much as possible to avoid wastage. The effort has worked smoothly in operation, and it was also well-received by staff members in our packaging lines.

During the Reporting Period, the major packaging materials consumed by the Group are as follows:

Major packaging materials	For the year ended 31 March	
	2023	2022
Plastic bag	4 tonnes	3 tonnes
Paper box	5 tonnes	6 tonnes

Overall Compliance Status

The Group was not aware of any incidents of non-compliance with laws and regulations that have a significant impact concerning air and greenhouse gas emissions, discharges into water or land, or generation of hazardous and non-hazardous waste during the Reporting Period.

A3: The Environment and Natural Resources

The Group strives to contribute to the environmental protection and minimise the environmental impact associated with our business activities. During the packaging process, we reduce the carbon emissions by reusing cartons and other packaging materials. In day-to-day operation, the Group motivates its employees to save energy and create a green working environment.

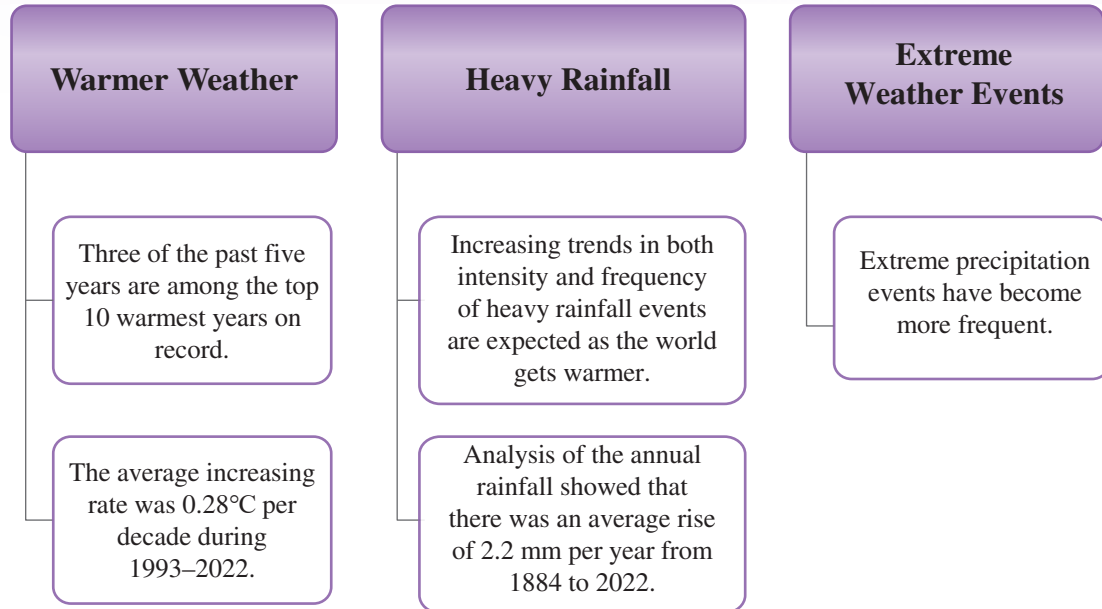
We will continue to assess the environmental risks of our business, review the environmental practices and adopt preventive measures as necessary to reduce the risks and ensure the compliance with relevant laws and regulations.



Environmental, Social and Governance Report

A4: Climate Change

The typical effects of climate change in Hong Kong include:



As the Group is engaged in the sale of baby and children garments, the Board, as advised by the ESG Working Committee, considers that those typical climate change effects have relatively lighter impacts on the Group.

Considerations of TCFD Recommendations

Nevertheless, the Company takes reference to the recommendations and approach set out by The Task Force of Climate-related Financial Disclosure (“**TCFD**”) in assessing the climate changes impacts on the Group. Thus, the Group has assessed the climate-related impacts from risks and opportunities aspects.

Climate-change-related Risks

The Group divides climate-change-related risks into two major categories: (1) risks related to the transition to a low-carbon economy and (2) risks related to the physical impacts of climate change.

Transition risks that may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change in the course of transitioning to a lower-carbon economy. There are four sub-risks, namely Policy and Legal Risks, Technology Risk, Market Risk and Reputation Risk.

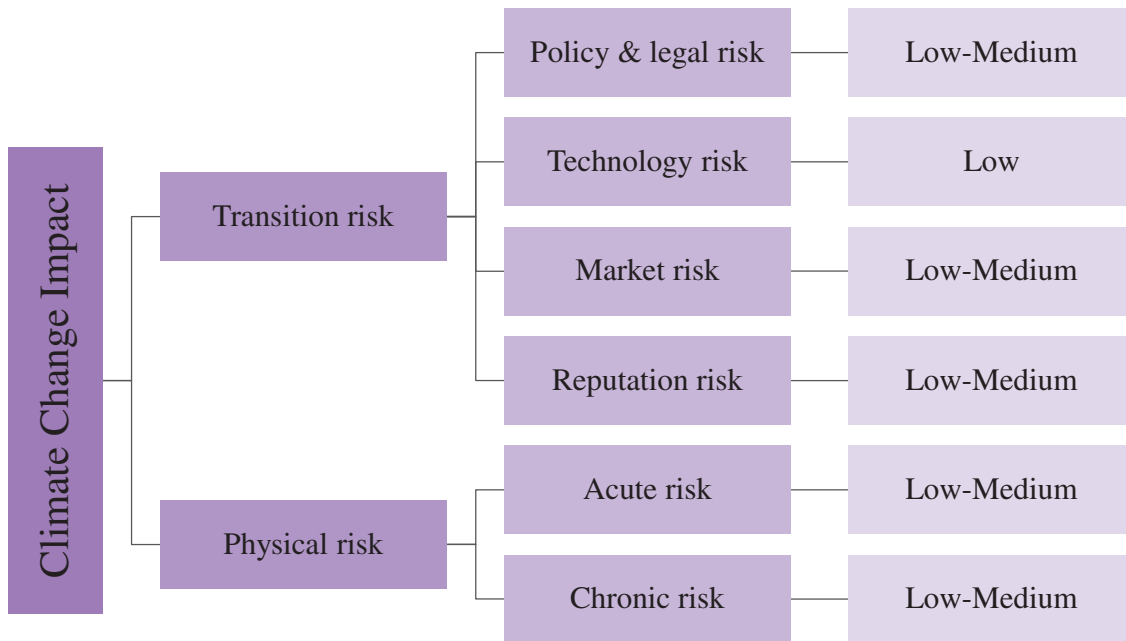
Physical risks that may have financial implications for the Group, such as direct damage to assets and indirect impacts from supply chain disruption, which can be driven by acute events (“**Acute Events**”) or longer-term chronic shifts (“**Chronic Shift**”) in climate patterns.

Environmental, Social and Governance Report

Climate-change-related Opportunities

The Group also takes into consideration of climate-change-related opportunities and divides them into five major categories related to resource efficiency and cost savings, the adoption of low-emission energy sources, the development of new products and services, access to new markets, and building resilience along the supply chain.

The overall-risk rating of climate-change-related risks and opportunities of the Group is considered low as presented below:



Environmental, Social and Governance Report

Climate Change Impact Assessment

To the best judgement of the Group, the Group is considered to be subjected to the following climate change impacts to which the Group has developed relevant action plans to manage them as presented in below table. The Group is committed to monitor and update our climate changes impact from time to time.

Type	Climate-Related Risks and Opportunities	Measures or approach	Potential Climate Change Impact on the Group
Transition Risk	<ul style="list-style-type: none"> Policy and Legal Technology 	The Group is of the view that there are no regulatory or policies or technology changes required or on the trend that would have significant impact on the Group.	<ul style="list-style-type: none"> Remote The risks and impacts are considered remote.
	<ul style="list-style-type: none"> Market Reputation 	Customers may have higher expectations of our products from an environmentally friendly perspective.	<ul style="list-style-type: none"> Possible There is a possible impact on the reputation of our Company.
Physical Risk	<ul style="list-style-type: none"> Acute events Chronic shifts 	The Group is of the view that it is not subject to physical risks brought alone from climate change. However, the Group will take a monitoring approach and will continuously monitor the change in physical risks.	<ul style="list-style-type: none"> Remote The risks and impacts are considered remote.
Opportunities	<ul style="list-style-type: none"> Resource Efficiency Energy Source Products & Services 	The Group is of the view that there are no regulatory or market policies or technology changes required or on the trend that would have significant impact on the Group.	<ul style="list-style-type: none"> Remote The opportunities and benefits are considered remote.
	<ul style="list-style-type: none"> Market Resilience 	Customers may have higher expectations of our image and products from an environmentally friendly perspective.	<ul style="list-style-type: none"> Possible There is a possible market if we can build an environmental supply chain.

Environmental, Social and Governance Report

ENVIRONMENTAL KEY PERFORMANCE INDICATORS

Emission Type	Indicator	FY2023	FY2022
Exhaust gas	Nitrogen Oxides (NO _x) — kg	52.80	53.1
	Sulphur Oxides (SO _x) — kg	0.38	0.4
	Respirable suspended particulates (RSP) — kg	5.02	5.1
Greenhouse gas ¹	Direct emissions — Scope 1 ⁴ (t CO ₂ -e)	66.2	69.1
	Indirect emissions — Scope 2 ⁵ (t CO ₂ -e)	92.5	89.9
	Indirect emissions — Scope 3 ⁶ (t CO ₂ -e)	35.0	31.7
	Total	193.7	190.7
	Intensity ²	2.5	2.5

Major resource consumed	Unit	FY2022	FY2021	2023	2023
				Intensity ²	Intensity ³
Electricity — processing	kWh	102,859	223,623	1,311.9	3,959.7
Water — processing	cm ³	106	394	1.4	6.7
Hazardous waste	kg	Nil	Nil	N/A	N/A
Non-hazardous waste					
— Paper	tonnes	0.5	0.4	0.01	0.01
— Food waste	tonnes	2.1	2.8	0.03	0.05
Packaging material — plastic bag	tonnes	4	3	0.05	0.09
Packaging material — paper box	tonnes	5	6	0.06	0.11

Notes to above table:

- GHG emissions data is presented in terms of carbon dioxide equivalent and are based on, but not limited to, “Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong” 2010 Edition and Appendix II: Reporting Guidance on Environmental KPIs” issued by the Hong Kong Stock Exchange.
- Intensity is calculated by the emissions by the Group’s revenue in million for the Reporting Period (approximately HK\$78.4 million).
- Intensity is calculated based on the number of employees. At the end of the Reporting Period, 46 employees were employed by the Group.
- Major source of Scope 1 emission came from usage of diesel and petrol for our vehicles.
- Major source of Scope 2 emission came from usage of purchased electricity.
- Major source of Scope 3 emission came from processing fresh water and sewage by government departments.



Environmental, Social and Governance Report

B. SOCIAL

B1: Employment

Our business involves working with a large number of professionals. As one of the guiding principles, the Group uses its best efforts to offer the most competitive compensation to its staff, and treats all of its staff equally and fairly. The Group will monitor and improve in these areas as needed, and will continue our growth sustainably and in a socially responsible manner.

Employees

As a socially responsible company, the Group treats our employees as the most precious asset and it is one of our top priorities to provide a safe and equal-working environment. The Group understands that the success of a sustainable growth relies on the contributions and dedication from its employees, and thus instilled a culture of professionalism throughout its operation. The Group's employee handbook clearly stated the employee conduct, working hours, communication channels with management, promotion and remuneration. The Group also employed a Remuneration Policy, stating that employees will be compensated with a fair and equitable manner, and the opportunity to grow and excel with the Group through continuous learning at all levels. The Group's senior management shall continue communicating with employees to ensure this culture can be implemented consistently in all levels of the Group.

The Group rewards its employees with competitive remuneration (including performance bonus), along with promotional opportunities, compensation and benefits packages to attract and to retain talents. Remuneration is determined with reference to the prevailing market condition as well as the competency, qualifications and experience of individual employee. Performance bonus will be paid to employees as a recognition of their contributions to the Group. Employees are entitled to Mandatory Provident Fund ("MPF") and medical insurance. Employees are also entitled to statutory holidays and different types of paid leave including annual leave, sick leave, marital leave, maternity leave, paternity leave, compensation leave, compassionate leave and injury leave. In case overtime work is required, employees are provided with appropriate overtime pay or compensatory time off. The Group always cares about its employees and has put an effort to optimise their working period. We have enforced a flexi-hour working hours scheme to encourage colleagues to focus on a healthy work-life. In addition, policies on remuneration, benefits, training and occupational health and safety are regularly reviewed, and the Group employs an Award and Penalty System, under which employees with outstanding customer services are recognized and encouraged through awards on an annual basis. Disciplinary action, on the other hand, would be taken in case of any serious misconducts.

Remuneration Committee

To ensure the Group's remuneration scheme remains competitive, the Group established the Remuneration Committee on 26 January 2018. The principal duties of the Remuneration Committee are to provide feedback and make recommendations to the Board on the overall remuneration policy and structure relating to all Directors, senior management and general staff within our Group. In addition, the committee shall ensure that none of our Directors or any of their associates determine their own remuneration. As at the date of the report, there is a total of three members in the Remuneration Committee, and namely Mr. Wu Chi King, Mr. Lang Yonghua and Ms. Wong Ying Yu, where Mr. Lang Yonghua acts as the chairman of the committee.

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The Remuneration Committee will meet regularly to review the policy for the remuneration of the Group, assess the performance, and recommend remuneration packages of executive directors and senior management of the Group.

Retirement Benefit Scheme

The Group participates in Mandatory Provident Fund Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance (collectively, the “**pension scheme**”) for all qualifying employees employed in Hong Kong.

During the Reporting Period, total pension scheme contributions paid by the Group amounted to approximately HK\$380,000 which had been recognised as expenses and included in staff costs in the consolidated statement of profit or loss and other comprehensive income.

Equal Opportunities, Diversity and Anti-Discrimination

The Group respects equal opportunities, adopting similar approach on employee conduct, recruitment, promotion, training and development, job advancement, compensation and benefits and all other aspects of employment practices. The Group’s employee handbook states clearly that any action deprived of opportunities on the basis of gender, ethnic background, religion, colour, sexual orientation, age, marital status, family status, retirement, disability or pregnancy shall all be prohibited. The Group has zero tolerance over any sexual harassment and discrimination behaviour, and any employee misconduct is subject to internal disciplinary action with no exception.

During the Reporting Period, , the Group has complied with relevant laws and regulations, including the below listed, that has a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, other benefits and welfare and preventing child and forced labour.

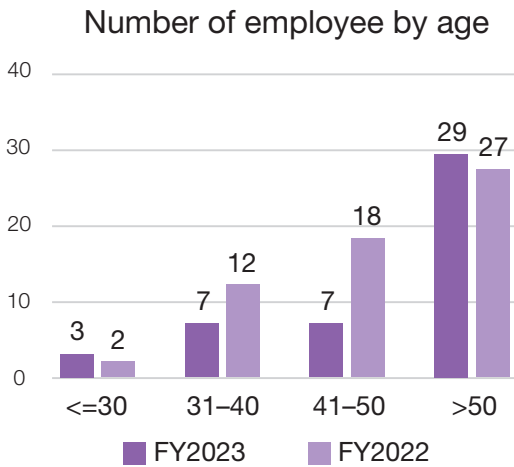
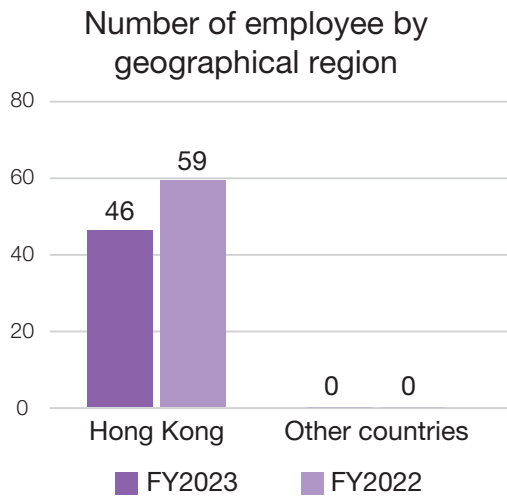
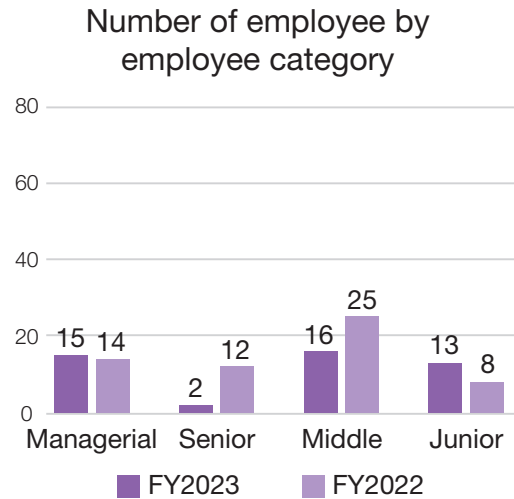
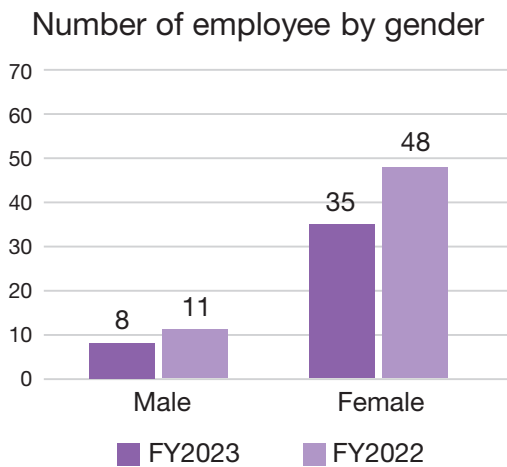
- ✓ Employment Ordinance, Chapter 57;
- ✓ Mandatory Provident Fund Schemes Ordinance, Chapter 485;
- ✓ Occupational Safety and Health Ordinance, Chapter 509;
- ✓ Minimum Wage Ordinance, Chapter 608;
- ✓ Employment of Children Regulations;
- ✓ The Sex Discrimination Ordinance (Cap. 480 of the Laws of Hong Kong);
- ✓ The Disability Discrimination Ordinance (Cap. 487 of the Laws of Hong Kong);
- ✓ The Family Status Discrimination Ordinance (Cap. 527 of the Laws of Hong Kong); and
- ✓ The Race Discrimination Ordinance (Cap. 602 of the Laws of Hong Kong).



Environmental, Social and Governance Report

Workforce Diversity and Distribution

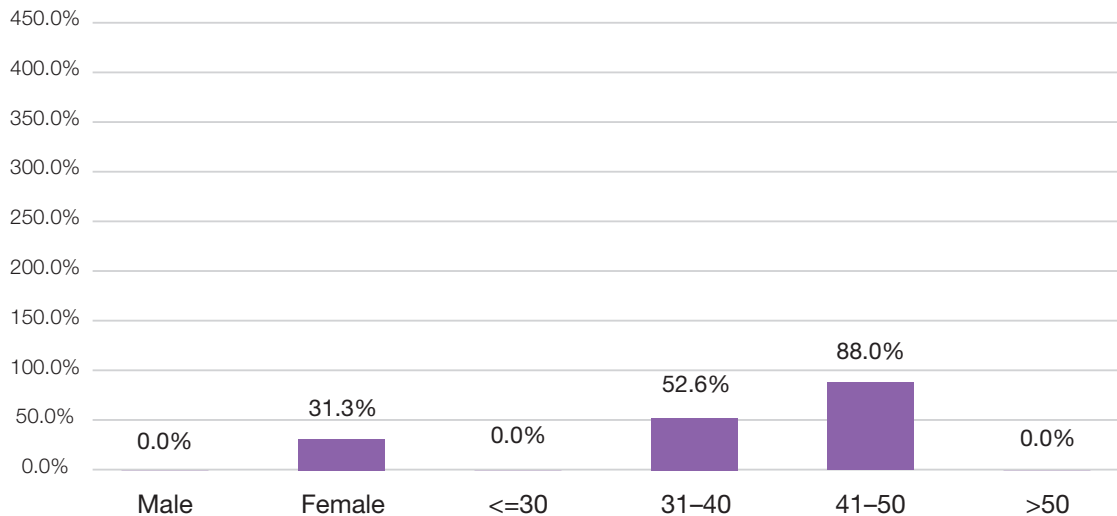
Due to the nature of our business, female staff make up the majority of our workforce. Though, the Group appreciates the importance of cultural diversity and employs in a wide range of ages, genders, and ethnicities, as the Group understands diversity of employees provides a valuable mix of perspectives, skills, experience and knowledge for addressing contemporary business issues. As at 31 March 2023, the Group has a total full-time workforce of 46 employees (2022: 59) in which 35 are full-time employees (2022: 49), with breakdowns presented:



Environmental, Social and Governance Report

The overall employee turnover rate of the year is 22.0%, with further breakdowns by different categories presented. The ESG Working Committee has made an assessment and considered our turnover relatively healthy and stable.

Employee turnover rate (By category)



Note: The turnover rate is arrived based on dividing the number of leavers over the year by the averaged total of employee of 2022 and 2023 reporting periods.

B2: Health and Safety

The Group understands that health and safety are of major concern to our employees, and we strive to provide a safe and healthy working environment while complying relevant laws and regulations. The Group employed an Environmental Operational Health and Safety policy, which maintains a high occupational safety and health standard, to ensure a comfortable safe occupation workspace for our employees. A workspace health monitoring programme was implemented to monitor Indoor Air Quality (“IAQ”) and presence of airborne dusts and chemicals (such as methanol and ethylene glycol). Noise levels at manufacturing sites are also regularly performed to ensure a safe working environment. For example, our Group implemented a smoke-free environment in all of our premises, ensuring IAQ is maintained at the excellent levels. It is also required for our manufacturing sites to be provided with adequate ventilation systems.

The Group has also appointed an Environmental Health and Safety officer (“EHS officer”), who is responsible for maintaining a clear communication between the senior management and the employees. In addition, the EHS officer is also responsible for monitoring the Group’s EHS goals and standard, and employee safety throughout the operation. The EHS officer also has the duty of identifying any potential hazards that may arise during daily operation, and ensuring the regular maintenance of safety equipment.



Environmental, Social and Governance Report

Our manufacturing sites are inspected annually to identify any potential occupational hazards. Annual occupational health examinations are mandatory for workers whose positions involve handling of chemicals for monitoring their health and identification of the development of any occupational sicknesses.

In the past three years, we have not encountered any work-related fatalities.

The following table indicates our rate of work-related injuries, to which the Directors consider satisfactory.

Work-related injuries table	FY2023	FY2022	FY2021
Rate of work-related injuries (assuming 300 working days)	0%	0%	0.03%
Resulting loss of working days	0	0	7

Our Effort on COVID-19 Control

The Group has taken the following preventive measures for office management against the COVID-19:

- Ensure the air-conditioning system is well maintained. Clean the air filter regularly;
- Office windows should be opened from time to time to allow for better ventilation;
- Maintain a clean and hygienic working environment. At least once a day, clean and disinfect commonly used equipment, including telephones, using a diluted solution of household bleach (1 part bleach: 99 parts water). Wipe again with a towel soaked in clean water;
- If cleaning vomits, use a diluted solution of household bleach (1 part bleach: 49 parts water). Rinse the area with clean water and wipe dry;
- Keep carpets, doors and windows clean;
- Ensure toilet facilities are properly maintained;
- Provide liquid soap, disposable towels and/or a hand dryer in toilets; and
- Remind staff members suffering from fever or cough to stay away from work and consult a doctor immediately.

The Group is sensitive to concerns of staff, especially those in the frontline. We stay in close touch with their staff and allay their concerns. The Group provide face masks and hand sanitizers for employees.

Overall Health and Safety Compliance Status

During the Reporting Period, the Group has complied with relevant laws and regulations, that has a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards.

Environmental, Social and Governance Report

B3: Development and Training

Training and development form an important part of the Group's human capital management strategy. It is valued as essential to the personal growth of employees, improving the Group's overall business performance.

The Group's training programmes are designed to suit our business needs and help our employees to improve their knowledge and relevant skills. An annual comprehensive training programme, tailor-made by the Human Resource department and the head of departments shall be proposed at the beginning of the year for approval by management. Monthly revision will be performed to ensure programmes are properly implemented and the proposed progress are met. The head of the department shall report a summary report at the end of the year. In addition, new recruits are also required for an orientation training programme, and with the purpose of debriefing the Company's policies, business and culture.

For the retail staff in Hong Kong, our orientation training programme includes customer service, daily operations in shop, inventory management and product order procedure. During the Reporting Period, the Company also provided training for our directors to develop and refresh their regulatory knowledge and duties as directors and to ensure that they can continue to contribute positively to the board.

Some statistics of our training programme provided to our directors/employees is presented below:

	FY2023	FY2022
Total Training Hours (man-hours)	30	30
Average Training Hours per Director/Employee	3	3

B4: Labour Standards

The Group's Human Resources Department strictly abides by the Labour Laws of Hong Kong and follows a Recruitment Guideline throughout the recruitment process. The Group provides a clear guideline on attendance system about working hours, rest and leave entitlement, labour protection and working conditions. Further information can be found in our employee handbook, which is distributed and available to all of our employees.

As a company that manufactures products for children, our Group is extra cautious on operation practices, avoiding any form of child labour activity. Our Group prohibits any of such acts taking place in our Group to safeguard young children, and enforced a number of preventive procedures during recruitment. As part of our recruitment procedure, our staff will require the interviewee to present legal documents of identification as proof of age. Our interviewer will also perform a face-to-face identification meeting, counter-checking information provided to ensure our hired employee is at the indicated age as presented.

In addition, the Group offers a fair compensation to our employee, prohibiting any form of slavery or forced act of labour, and employees shall be paid fairly according to contributions provided. Periodic revision shall also be performed to keep the Group's remuneration level as competitive and fair for all level of employees.

As a result, no child nor forced labour was present in the Group's operations during the Reporting Period, and the Group complied with all applicable labour standards related Hong Kong laws and regulations, including but not limited to the Employment Ordinance (Cap. 57 of the Laws of Hong Kong).



Environmental, Social and Governance Report

Employees, Customers, Suppliers and Other Stakeholders

The Group values relationship with employees, customers and suppliers, and treats it as an important aspect of its business. The Group also maintains an open engagement channel with its employees through revision meetings as it brings insight to its operation performance. It was proven to be effective in understanding the latest operation performance and to better improve the quality of our services. The Group is also dedicated to build a close working relationship with suppliers, and conducts regular performance revision and appraisal to build a closer working relationship with its clients.

The Group also believes effective communication should include a timely and accurate information disclosure. Not only it brings valuable information to the shareholders and investors, which is beneficial for investor relations, but also invites constructive feedback for perfecting the Group's operation.

The Group will continue its open communication approach, and it will sustain a successful long-term working relationship with its stakeholders in the future.

B5: Supply Chain Management

The Group is highly attentive to its brand reputation and introduces the environmental value into the suppliers and subcontractors procurement procedure, aiming to support environmental protection through habitat protection, bio-diversity, and other related environmental issues. Our procurement department ensures suppliers and subcontractors comply with relevant local and international standards, and follow up with periodic performance assessment. Evaluation is conducted on new and existing suppliers (annually) on product and service quality, and only approved suppliers and sub-contractors shall be added to our selected group of service providers for future cooperation.

B6: Product Responsibility

As our product users are infants and toddlers, the Group pays extra attention to product safety, ensuring no chemical harmful materials shall be included in our raw material list or used during our production process. The Group stays strictly abiding to all international laws and regulations and standards provided by our clients, and as listed as follows:

- Consumer Goods Safety Ordinance (Chapter 456 of the Laws of Hong Kong);
- Consumer Goods Safety Regulation (Chapter 456A of the Laws of Hong Kong);
- Toys and Children's Products Safety Ordinance (Chapter 424 of the Laws of Hong Kong);
- Toys and Children's Products Safety (Additional Safety Standards or Requirements) Regulation (Chapter 424C of the Laws of Hong Kong); and
- Other relevant laws and regulations.

The Group will continue a close monitoring throughout the manufacturing process, enforcing the highest standards, and ensuring our products are safe and sound and as the perfect companion for children.

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When the Group receives an unfavourable feedback, the customer services will record the case in a log sheet and take all necessary action to remedy the problem, including but not limited to a refund, change the type of products and exchange the problematic product. All refunds to customers are subject to the approval of our chief executive officer or head of finance. The number of unfavourable feedback for the Reporting Period was 8 (2022: 10). After the matter is settled, the customer services will update the feedback log sheet. All the relevant documents will be filed properly.

During the Reporting Period, there is no products sold or shipped subject to recalls for safety and health reasons and the Group was not aware of any violation of the laws and regulations in relation to the food safety.

Protection of Copyright and Consumers Privacy

The Group takes all necessary actions to protect the copyright of brand owners and the privacy of our customers. All data management users from the Group are subjected to a list of terms and conditions on information collected and for business purpose only. The Group forbids unauthorised distribution of materials, and we reserve the right to take legal actions on violating parties. Should there be any issue of copyright matters, the Group encourages inquiries via email and our legal team will provide advices and follow-up where necessary.

The Group is not aware of in breach of any law and regulation relating to Consumer Data Protection and Privacy of Hong Kong during the Reporting Period.

Intellectual Property Rights

We respect intellectual property rights, such as trademarks, patents, and copyrights, among others. The Group kept a complete record of its intellectual property rights and will seek legal advice and take appropriate action if any of its intellectual property rights are infringed upon. If our staff is discovered to be in violation of applicable rules and regulations, they may not only face disciplinary action, but they may also be prosecuted and face criminal or civil liability, as stated in the Group's staff handbook.

During the Reporting Period, we believe that we have taken all reasonable measures to protect our intellectual property rights and deter any such infringement. We were unaware of any infringement (i) by us of any intellectual property rights owned by third parties; or (ii) by any third parties of any intellectual property rights owned by us.

Overall Product Responsibility Compliance Status

During the Reporting Period, there were no material breach with relevant law and regulations relating to advertising, labelling and privacy matters recorded pertaining to our products and services. The Group has complied with relevant laws and regulations that have a significant impact on the Group relating to safety, advertising, labelling and privacy matters relating to products and services provided and method of redress.



Environmental, Social and Governance Report

B7: Anti-Corruption

The Group commits to managing all business without undue influence and has regarded honesty, integrity and fairness as its core values. All directors and employees are required to strictly follow the Code of Conduct and Staff Regulations to prevent potential bribery, extortion, fraud and money laundering. The Group has established a Whistleblowing Procedure to build a direct channel with the senior management, reporting on any form of non-compliance action.

Overall Anti-Corruption Compliance Status

During the Reporting Period, the Group was in compliance with the Prevention of Bribery Ordinance (Cap. 201) and no legal cases regarding corrupt practices was brought against the Group or its directors or employees.

B8: Community Investment

The Group understands that it is significant for its business to both bring profit to shareholders, at the same time being socially responsible to care, serve and give back to our community wherever it is needed. The senior management consistently seeks for opportunities to support social initiatives and the Group will continue its effort in supporting the communities and giving back to those that are in need.

Environmental, Social and Governance Report

SOCIAL KEY PERFORMANCE INDICATORS

KPIs		Unit	FY2023	FY2022	
Workforce	Gender				
	Male	person	11	11	
	Female	person	35	48	
	Type of employment				
	Permanent	person	46	49	
	Part-time	person	0	10	
	Age				
	≤ 30	person	3	2	
	31–40	person	7	12	
	41–50	person	7	18	
>50	person	29	27		
Turnover Rate	Gender				
	Male	%	0.0	21	
	Female	%	31.3	63	
	Type of employment				
	Permanent	%	33	49	
	Part-time	%	0	121	
	Age				
	≤ 30	%	0	400	
	31–40	%	52.6	43	
	41–50	%	88	40	
>50	%	0	79		
Training	Level of Employees				
	Managerial	hours	30	30	
	Senior	hours	N/A	N/A	
	Middle	hours	N/A	N/A	
	Junior	hours	N/A	N/A	
Training rate	Gender				
	Male	%	60	80	
	Female	%	40	20	
	Level of Employees				
	Managerial	%	100	100	
	Senior	%	N/A	N/A	
	Middle	%	N/A	N/A	
	Junior	%	N/A	N/A	
	Suppliers	China	supplier(s)	7	13
		Hong Kong	supplier(s)	10	7

Note: The turnover rate is arrived based on dividing the number of leavers over the year by the averaged total of employee of 2022 and 2023 reporting periods.



Environmental, Social and Governance Report

SEHK ESG Reporting Guide General Disclosures		Reference Section/Remark	Comply or Explain
A. Environmental			
A1 Emissions	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.	A. Environmental	Complied
KPI A1.1	The types of emissions and respective emissions data.	Environmental Key Performance Indicators	Complied
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).	Environmental Key Performance Indicators	Complied
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	We do not provide any hazardous waste during the Reporting Period.	Complied
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Key Performance Indicators	Complied
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	We are assessing if any emission target can be feasibly set.	Explained
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	A1: Emissions	Complied
A2 Use of Resources	Policies on the efficient use of resources, including energy, water and other raw materials.	A2: Use of Resources	Complied
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).	Environmental Key Performance Indicators	Complied
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environmental Key Performance Indicators	Complied

Environmental, Social and Governance Report

SEHK ESG Reporting Guide General Disclosures		Reference Section/Remark	Comply or Explain
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	A2: Use of Resources	Complied
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.	We do not have problem in sourcing water in our operation.	Explained
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Environmental Key Performance Indicators	Complied
A3 The Environment and Natural Resources	Policies on minimising the issuer's significant impact on the environment and natural resources.	A3: The Environment and Natural Resources	Complied
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	A3: The Environment and Natural Resources	Complied
Aspect A4	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	A4: Climate Change	Complied
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.	A4: Climate Change	Complied
B. Social			
B1 Employment	Policies and 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.	B1: Employment	Complied
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Social Key Performance Indicators	Complied
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Social Key Performance Indicators	Complied



Environmental, Social and Governance Report

SEHK ESG Reporting Guide General Disclosures		Reference Section/Remark	Comply or Explain
B2 Health and Safety	Information on: a) the policies; and b) compliance and material non-compliance with relevant standards, rules and regulations on providing a safe working environment and protecting employees from occupational hazards.	B2: Health and Safety	Complied
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	B2: Health and Safety	Complied
KPI B2.2	Lost days due to work injury.	B2: Health and Safety	Complied
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	B2: Health and Safety	Complied
B3 Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	B3: Development and Training	Complied
KPI B3.1	The percentage of employees trained by gender and employee category.	Social Key Performance Indicators	Complied
KPI B3.2	The average training hours completed per employee by gender and employee category.	Social Key Performance Indicators	Complied
B4 Labour Standard	Information on: a) the policies; and b) compliance and material non-compliance with relevant standards, rules and regulations on preventing child or forced labour.	B4: Labour Standards	Complied
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	B4: Labour Standards	Complied
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	B4: Labour Standards	Complied
B5 Supply Chain Management	Policies on managing environmental and social risks of supply chain.	B5: Supply Chain Management	Complied

Environmental, Social and Governance Report

SEHK ESG Reporting Guide General Disclosures		Reference Section/Remark	Comply or Explain
KPI B5.1	Number of suppliers by geographical region.	Social Key Performance Indicators	Complied
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.	B5: Supply Chain Management	Complied
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	B5: Supply Chain Management	Complied
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	B5: Supply Chain Management	Complied
B6 Product Responsibility	Information on: a) the policies; and b) compliance 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.	B6: Product Responsibility	Complied
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	We do not have any recalls	Explained
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	B6: Product Responsibility	Complied
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	Intellectual Property Rights	Complied
KPI B6.4	Description of quality assurance process and recall procedures.	B6: Product Responsibility	Complied
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Protection of Copyright and Consumers Privacy	Complied



Environmental, Social and Governance Report

SEHK ESG Reporting Guide General Disclosures		Reference Section/Remark	Comply or Explain
B7 Anti-corruption	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.	B7: Anti-Corruption	Complied
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	None noted. For detail, please refer to B7: Anti-Corruption	Complied
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	B7: Anti-Corruption	Complied
KPI B7.3	Description of anti-corruption training provided to directors and staff.	B7: Anti-Corruption	Complied
B8 Community Investment	Policies on community engagement to understand the community's needs where it operates and to ensure its activities take into consideration communities' interests.	B8: Community Investment	Complied
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	We do not have any contributions	Explained
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	B8: Community Investment	Complied

Independent Auditor's Report



TO THE MEMBERS OF MANSION INTERNATIONAL HOLDINGS LIMITED

民信國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Mansion International Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as “**the Group**”) set out on pages 71 to 131, 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 (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. 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 1) allowance for inventories and 2) impairment of trade and other receivables.



Independent Auditor's Report

KEY AUDIT MATTERS (CONTINUED)

Allowance for inventories

Refer to significant accounting policies in note 4, critical accounting judgements and key sources of estimation uncertainty in note 5 and its relevant disclosures in note 20 to the consolidated financial statements.

We identified the impairment assessment of inventories as a key audit matter because the assessment of provision for stock required significant management judgment and involved high level of estimation uncertainty.

The Group makes allowance for inventories based on an assessment of the 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 cost. The management of the Group reviewed the inventory ageing report at the end of the reporting period to identify inventories that are no longer saleable above cost in the market and estimated the net realisable value for those items based primarily on the latest invoice prices and current market conditions.

As at 31 March 2023, the carrying amount of inventories was HK\$3,863,000 and allowance for inventories of HK\$402,000 was charged to profit or loss for the year then ended.

How our audit addressed the key audit matter

Our key procedures in relation to evaluating the allowance for inventories included:

- Understanding and evaluating the Group's provision policy on inventories;
- Obtaining the inventory ageing report and testing the accuracy of the inventory ageing analysis on a sampling basis;
- Identifying long aged inventories, analysing the level of the aged inventory and their associated provisions and assessing whether allowance for inventories was properly provided for; and
- Evaluating net realisable value of inventories, on a sample basis, with reference to subsequent usage and sales information and performing testing, by tracing to the supporting documents.

Impairment of trade and other receivables

Refer to the summary of significant accounting policies in note 4, critical accounting judgements and key sources of estimation uncertainty in note 5 and the disclosures of trade and other receivables in notes 21 and 22 to the consolidated financial statements.

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 trade and other receivables and the corresponding uncertainty inherent in such estimates, we considered this as a key audit matter.

Independent Auditor's Report

KEY AUDIT MATTERS (CONTINUED)

How our audit addressed the key audit matter

Our procedures in relation to evaluating the impairment of trade and other receivables included:

- Understanding and evaluating the Group's credit policy on trade and other receivables;
- Selecting samples to assess the reasonableness of management judgement on whether the credit risk on other receivables has occurred significantly since initial recognition and whether credit impairment has occurred;
- With the assistance of auditor's expert, 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 trade and other 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.

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 THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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



Independent Auditor's Report

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 responsibility or 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, 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 HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, 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.

Independent Auditor's Report

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

- 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.

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

30 June 2023



Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Revenue	7	78,437	74,483
Cost of sales		(54,099)	(42,991)
Gross profit		24,338	31,492
Other income, gains and losses	8	5,021	(1,559)
(Impairment losses)/reversals of impairment losses on trade receivables		(658)	522
Allowance for inventories		(402)	(1,350)
Selling and distribution costs		(12,918)	(17,763)
Administrative expenses		(20,835)	(31,943)
Finance costs	9	(554)	(820)
Loss before tax	10	(6,008)	(21,421)
Income tax expense	14	-	-
Loss for the year		(6,008)	(21,421)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		-	(871)
Exchange differences reclassified to profit or loss on disposal of foreign operations		-	3,093
Other comprehensive income for the year, net of tax		-	2,222
Total comprehensive income for the year		(6,008)	(19,199)
Loss per share:			
Basic and diluted (HK\$)	16	(0.03)	(0.27)

Consolidated Statement of Financial Position

As at 31 March 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Non-current assets			
Property, plant and equipment	17	4,052	2,943
Right-of-use assets	18	155	2,877
Deposits	22	222	1,060
		<u>4,429</u>	<u>6,880</u>
Current assets			
Inventories	20	3,863	6,786
Trade receivables	21	21,894	4,078
Deposits, prepayments and other receivables	22	1,860	7,257
Cash and bank balances		1,373	19,682
		<u>28,990</u>	<u>37,803</u>
Current liabilities			
Trade payables	23	3,523	2,879
Contract liabilities	24	38	97
Accruals and other payables	25	6,632	5,779
Amounts due to directors	26	163	1,173
Loan from a director of a subsidiary	27	544	–
Other borrowings	28	11,727	11,727
Lease liabilities	29	155	3,927
Provisions	30	188	1,296
		<u>22,970</u>	<u>26,878</u>
Net current assets		<u>6,020</u>	<u>10,925</u>
Total assets less current liabilities		<u>10,449</u>	<u>17,805</u>
Non-current liabilities			
Lease liabilities	29	–	1,133
Provisions	30	–	215
		<u>–</u>	<u>1,348</u>
Net assets		<u>10,449</u>	<u>16,457</u>



Consolidated Statement of Financial Position

As at 31 March 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Equity			
Equity attributable to owners of the Company			
Share capital	32	42,305	42,305
Reserves		(31,856)	(25,848)
Total equity		10,449	16,457

Approved and authorised for issue by the board of directors on 30 June 2023 and are signed on its behalf by:

Mr. Yao Ruhe
Director

Ms. Wong Ka Man
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2023

	Attributable to owners of the Company							Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000 (note (i))	Statutory reserve HK\$'000 (note (ii))	Share-based payments reserve HK\$'000 (note (iii))	Other reserve HK\$'000 (note (iv))	Exchange reserve HK\$'000 (note (v))	Accumulated losses HK\$'000	
At 1 April 2021	9,215	93,224	288	-	5,995	(2,222)	(129,119)	(22,619)
Total comprehensive income for the year	-	-	-	-	-	2,222	(21,421)	(19,199)
Share-based payments	-	-	-	1,038	-	-	-	1,038
Issue of share under share option scheme (note 32(b))	1,361	2,580	-	(1,038)	-	-	-	2,903
Rights issue and placing of new shares (note 32(d))	31,729	23,796	-	-	-	-	-	55,525
Issuing expenses of rights issue and placing of new shares (note 32(d))	-	(1,191)	-	-	-	-	-	(1,191)
Disposals of subsidiaries	-	-	(288)	-	(5,987)	-	6,275	-
At 31 March 2022 and 1 April 2022	42,305	118,409	-	-	8	-	(144,265)	16,457
Total comprehensive income for the year	-	-	-	-	-	-	(6,008)	(6,008)
At 31 March 2023	42,305	118,409	-	-	8	-	(150,273)	10,449

Notes:

(i) *Share premium*

Share premium is the excess of the proceeds received over the nominal value of the shares of the Company issued at a premium, less the amount of expenses incurred in connection with the issue of the shares.

(ii) *Statutory reserve*

The statutory reserve represents the amount transferred from profit after taxation of the subsidiaries established in the People's Republic of China (the "PRC") in accordance with the relevant PRC laws until the PRC statutory reserve reaches 50% of the registered capital of the respective subsidiaries. The statutory reserve can be applied either in setting off the accumulated losses or increasing capital.

(iii) *Share-based payments reserve*

The share-based payments reserve represents the fair value of the actual or estimated number of unexercised share options granted to eligible person of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 4(r) to the consolidated financial statements.



Consolidated Statement of Changes in Equity

For the year ended 31 March 2023

(iv) *Other reserve*

The other reserve of the Group represents the (a) difference between the nominal value of the Company's issued shares, pursuant to the reorganisation and the nominal value of the share capital and (b) capital contribution to subsidiaries by previous shareholders of the subsidiaries.

(v) *Exchange reserve*

The exchange reserve represents gains/losses arising on retranslating the net assets of foreign operations into presentation currency.

Consolidated Statement of Cash Flows

For the year ended 31 March 2023

	2023 HK\$'000	2022 HK\$'000
Cash flows from operating activities		
Loss before tax	(6,008)	(21,421)
Adjustments for:		
Bank interest income	(1)	(2)
Covid-19-related rent concessions	(148)	(851)
Finance costs	554	820
Impairment losses/(reversals of impairment losses) on trade receivables	658	(522)
(Gain)/loss on disposals of subsidiaries	(3,611)	2,562
Losses on disposals of property, plant and equipment	69	98
Depreciation of property, plant and equipment	849	1,007
Depreciation of right-of-use assets	1,541	8,717
Gain on early termination of lease	(633)	–
Gain on disposal of club debentures	–	(47)
Share-based payments	–	1,038
Allowance for inventories	402	1,350
Write-off of other receivables	16	–
Write-off of prepayments	88	–
Operating loss before working capital changes	(6,224)	(7,251)
Decrease in inventories	2,521	12,643
(Increase)/decrease in trade receivables	(18,474)	4,091
Decrease in deposits, prepayments and other receivables	5,509	1,675
Increase/(decrease) in trade payables	2,739	(6,022)
Decrease in contract liabilities	(59)	(13,749)
Increase/(decrease) in accruals and other payables	1,489	(6,436)
(Decrease)/increase in amounts due to directors	(1,010)	1,173
Decrease in provisions	(1,068)	(15,467)
Net cash used in operations	(14,577)	(29,343)
Hong Kong Profits Tax refunded	–	385
Net cash used in operating activities	(14,577)	(28,958)



Consolidated Statement of Cash Flows

For the year ended 31 March 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Cash flows from investing activities			
Interest received		1	2
Purchases of property, plant and equipment		(2,158)	(3,393)
Proceeds from disposal of property, plant and equipment		111	5
Proceeds from disposal of club debentures		–	867
Net cash (outflow)/inflow arising on disposals of subsidiaries	37(a)	(106)	49
Net cash used in investing activities		(2,152)	(2,470)
Cash flows from financing activities			
Interest paid		(554)	(820)
Repayment of other borrowings		–	(3,536)
Proceeds from other borrowings		–	3,360
Proceeds from loan from a director of a subsidiary		764	–
Repayment of loan from a director of a subsidiary		(220)	–
Repayment of lease liabilities		(1,570)	(8,559)
Proceeds from issue of shares from exercise of share options		–	2,903
Proceeds from issue of shares by rights issue and placing		–	55,525
Issuing expenses of rights issue and placing of new shares		–	(1,191)
Net cash (used in)/generated from financing activities		(1,580)	47,682
Net (decrease)/increase in cash and cash equivalents		(18,309)	16,254
Cash and cash equivalents at beginning of year		19,682	3,417
Effect of exchange rate changes on cash and cash equivalents		–	11
Cash and cash equivalents at end of year, represented by cash and bank balances		1,373	19,682

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

1. GENERAL INFORMATION

Mansion International Holdings Limited (the “**Company**”) was incorporated as an exempted company with limited liability in the Cayman Islands. Its issued shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The address of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company is an investment holding company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in the sale of baby and children garments. The principal activities of the subsidiaries are set out in note 35 to the consolidated financial statements.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with 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 (“**HKASs**”) 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 discussed 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 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.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

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 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	1 January 2024
Amendments to HKAS 1 — Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16 — Lease Liability in a Sales 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The significant accounting policies applied in the preparation of these 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. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Company. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. 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, to determine whether it has control. 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 the Group obtains control and continue to be consolidated until the date when such 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 determined on the date when control is lost; and (ii) the carrying amount of the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated amounts in other comprehensive income.

All intragroup transactions, balances, income and expenses and profits and losses 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.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

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



Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (Continued)

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

(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) 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 values 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Foreign currency translation (Continued)

(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 for each statement of profit or loss and other comprehensive income 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 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 and of borrowings 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 the consolidated profit or loss as part of the gain or loss on disposal.

(d) Property, plant and equipment

Property, plant and equipment are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment 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 the 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 costs less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates used for this purpose are as follows:

Buildings	5–10%
Leasehold improvement	10–50% or over the lease term of the leases
Plant and machinery	33.33–50%
Furniture, fixtures and office equipment	33.33–50%
Motor vehicles	20%



Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) *Property, plant and equipment (Continued)*

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 in the year in which the item is derecognised.

(e) *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 a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

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 office premises. When the Group enters into a lease in respect of 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.

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. 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leases (Continued)

The Group as a lessee (Continued)

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.

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.

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 modifications, 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.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis and comprise all costs of purchase and, where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition. 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.

(g) 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.

(h) Recognition and derecognition of financial instruments

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

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 fair value through profit or loss ("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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) *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 instruments

Debt held by the Group are classified into amortised cost, if the investment 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.

(j) *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.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less allowance for credit loss.

(k) *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 statement of cash flow. Cash and cash equivalents are assessed for ECL.

(l) *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.

(m) *Trade and other payables*

Trade and other payables are stated initially at 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.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(o) 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.

(p) 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 when the goods have been shipped to the wholesaler's specific location (delivery). Following delivery, the wholesaler has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the wholesaler as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

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. 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.

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVTOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) *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.

(r) *Share-based payments*

The Group issues equity-settled share-based payments to certain directors and employees. Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

(s) *Government grants*

Government grants are 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.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) *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 it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on 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, 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) *Taxation (Continued)*

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.

(u) *Related parties*

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Company or of 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. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (A).
- (vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group which it is a part, provides key management personnel services to the Company or to a parent of the Company.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) *Borrowing costs*

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

(w) *Impairment of non-financial assets*

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 measured at amortised cost such as trade 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 based on 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

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;
- 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.

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.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Significant increase in credit risk (Continued)

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.

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 reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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, as determined based on 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.

(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 pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the 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.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

(a) **Significant increase in credit risk**

ECL on financial assets other than trade receivables 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.

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 judgment 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\$4,052,000 (2022: HK\$2,943,000) and HK\$155,000 (2022: HK\$2,877,000) respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

(b) Allowance for inventories

Allowance for inventories is made based on the ageing and estimated net realisable value of inventories. 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.

Allowance for inventories of approximately HK\$402,000 was charged to profit or loss for the year ended 31 March 2023 (2022: HK\$1,350,000).

(c) Impairment of trade receivables

The management of the Group estimates the amount of impairment losses for ECL on trade receivables based on the credit risk of trade receivables. The amount of the impairment losses 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 losses may arise.

As at 31 March 2023, the carrying amount of trade receivables was approximately HK\$21,894,000 (net of allowance for doubtful debts of HK\$673,000) (2022: HK\$4,078,000 (net of allowance for doubtful debts of HK\$15,000)).



Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

6. SEGMENT INFORMATION

The Group determines its operating segments based on the internal reports reviewed by the executive directors, who are the chief operating decision-maker (“**CODM**”), that are used to allocate resources and assess performance.

As the Company plan to provide more reliable and relevant accounting information in financial reports, the CODM adjust the statistical calibre of segment reports. As such, the segments were combined as sales of baby and children garments.

Sale of baby and children garments including our own brand “Mides” and complementary third party brand products through self-operated retail stores and department store counters in Hong Kong, and wholesale in United Kingdom and the PRC, including Hong Kong, Macau and Taiwan.

Since there is only one operating segment of the Group, no segment information is presented other than entity-wide disclosures.

The Group’s revenue from external customers are divided into the following geographical location of customers:

	2023 HK\$'000	2022 HK\$'000
PRC includes Hong Kong, Macau and Taiwan	73,630	64,958
United Kingdom	4,807	9,525
	78,437	74,483

Over 90% of the Group’s non-current assets are located in Hong Kong for the years ended 31 March 2023 and 2022. Accordingly, no further geographical information of non-current assets to be disclosed.

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2023 HK\$'000	2022 HK\$'000
Customer A	12,900	12,139
Customer B	N/A*	10,978
Customer C	10,800	N/A*
Customer D	10,700	N/A*
Customer E	10,362	N/A*
Customer F	8,300	N/A*

* Transaction from these customers did not exceed 10% of the Group’s revenue in the respective year.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

7. 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
Revenue recognised at a point in time within the scope of HKFRS 15		
Sales of baby and children garments	78,437	74,483

8. OTHER INCOME, GAINS AND LOSSES

	2023 HK\$'000	2022 HK\$'000
Bank interest income	1	2
Government grants (note)	707	–
Sundry income	94	–
COVID-19-related rent concessions	148	851
Gain on disposal of club debentures	–	47
Losses on disposals of property, plant and equipment	(69)	(98)
Gain/(loss) on disposals of subsidiaries	3,611	(2,562)
Gain on early termination of lease	633	–
Net foreign exchange gains	–	201
Write-off of other receivables	(16)	–
Write-off of prepayments	(88)	–
	5,021	(1,559)

Note:

Government grants represent subsidies from the Government of the Hong Kong Special Administrative Region under the Employment Support Scheme. At the end of the reporting period, there is no unfulfilled conditions nor other contingencies attached to the government grants.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

9. FINANCE COSTS

	2023 HK\$'000	2022 HK\$'000
Interests on a loan from a director of a subsidiary	15	–
Interests on other borrowings	503	441
Interests on lease liabilities	36	379
	554	820

10. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging (crediting):

	2023 HK\$'000	2022 HK\$'000
Employee benefit expenses (excluding the directors' remuneration):		
– Salaries, allowances and other benefits	11,089	16,297
– Share-based payments	–	918
– Pension scheme contributions	380	620
Total staff costs	11,469	17,835
Auditor's remuneration	520	520
Cost of inventories recognised as an expenses	54,099	42,991
Depreciation of property, plant and equipment	849	1,007
Depreciation of right-of-use assets	1,541	8,717
Losses on disposals of property, plant and equipment	69	98
(Gain)/loss on disposals of subsidiaries	(3,611)	2,562
Gain on disposal of club debentures	–	(47)
Gain on early termination of lease	(633)	–
Expenses relating to short-term lease	1,743	3,989
Variable lease expenses	4,585	412
Net foreign exchange gains	–	(201)
Impairment losses/(reversals of impairment losses) on trade receivable	658	(522)
Allowance for inventories	402	1,350

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

11. DIRECTORS' REMUNERATION

Directors' remuneration during the year is as follows:

Year ended 31 March 2023	Fees, salaries, allowances and other benefits HK\$'000	Discretionary bonus HK\$'000	Share-based payments HK\$'000	Pension scheme contributions HK\$'000	Total HK\$'000
<i>Executive Directors:</i>					
Ms. Wong Ka Man	96	-	-	-	96
Mr. Yao Ruhe (note (ii))	120	-	-	-	120
Ms. Kam Chun Fong (note (ix))	60	-	-	-	60
Mr. Kwan Kar Man (note (i))	-	-	-	-	-
<i>Independent non-executive Directors:</i>					
Mr. Wu Chi King (note (vi))	120	-	-	-	120
Ms. Wong Ying Yu (note (vii))	60	-	-	-	60
Mr. Lang Yonghua (note (x))	60	-	-	-	60
Mr. Wang Rongqian (note (v))	-	-	-	-	-
	516	-	-	-	516
Year ended 31 March 2022	Fees, salaries, allowances and other benefits HK\$'000	Discretionary bonus HK\$'000	Share-based payments HK\$'000	Pension scheme contributions HK\$'000	Total HK\$'000
<i>Executive Directors:</i>					
Mr. Cheung Desmond Lap Wai (note (viii))	200	-	-	-	200
Mr. Kwan Kar Man (note (i))	10	-	-	-	10
Ms. Wong Ka Man	100	-	60	-	160
Mr. Yao Ruhe (note (ii))	-	-	60	-	60
<i>Independent non-executive Directors:</i>					
Mr. Cho Chi Kong (note (iii))	-	-	-	-	-
Mr. Tan Yik Chung Wilson (note (iv))	15	-	-	-	15
Mr. Wang Rongqian (note (v))	100	-	-	-	100
Mr. Wu Chi King (note (vi))	91	-	-	-	91
Ms. Wong Ying Yu (note (vii))	45	-	-	-	45
	561	-	120	-	681



Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

11. DIRECTORS' REMUNERATION (CONTINUED)

Notes:

- (i) Mr. Kwan Kar Man resigned on 1 April 2022.
- (ii) Mr. Yao Ruhe was appointed on 12 May 2021.
- (iii) Mr. Cho Chi Kong resigned on 1 June 2021.
- (iv) Mr. Tan Yik Chung Wilson resigned on 27 April 2021.
- (v) Mr. Wang Rongqian resigned on 1 April 2022.
- (vi) Mr. Wu Chi King was appointed on 28 June 2021.
- (vii) Ms. Wong Ying Yu was appointed on 28 June 2021.
- (viii) Mr. Cheung Desmond Lap Wai resigned on 16 February 2022.
- (ix) Ms. Kam Chun Fong was appointed on 1 April 2022.
- (x) Mr. Lang Yonghua was appointed on 1 April 2022.

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).

Save for disclosed in note 36 to the consolidated financial statements, no 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

12. FIVE HIGHEST PAID INDIVIDUALS

No director included in the five highest paid individuals of the Group during the year (2022: Nil). Details of the emoluments in respect of the remaining five (2022: five) individuals are as follows:

	2023 HK\$'000	2022 HK\$'000
Salaries, allowances and other benefits	4,425	4,703
Pension scheme contributions	78	102
	<u>4,503</u>	<u>4,805</u>

The emoluments fell within the following band:

	Number of individuals	
	2023	2022
Nil to HK\$1,000,000	3	4
HK\$1,000,001 to HK\$1,500,000	1	–
HK\$1,500,001 to HK\$2,000,000	1	–
HK\$3,000,001 to HK\$3,500,000	–	1

During the years ended 31 March 2023 and 2022, no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

13. RETIREMENT BENEFIT SCHEMES

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% (2022: 5%) of the salaries and wages subject to a monthly maximum amount of HK\$1,500 (2022: HK\$1,500) per employee and vest fully with employees when contributed into the MPF Scheme.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

14. INCOME TAX EXPENSE

Under the two-tiered profits tax rates regime in Hong Kong profits tax, the first HK\$2,000,000 of profits of the qualifying corporation are taxed at 8.25%, and profits above HK\$2,000,000 are taxed at 16.5% of the estimated assessable profits for the years ended 31 March 2023 and 2022.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the year ended 31 March 2022.

No provision for Hong Kong Profits Tax and Enterprise Income Tax is required since the Group has no assessable profit for the year (2022: Nil).

The income tax expense for the year can be reconciled to the loss before tax for the consolidated statement of profit or loss and other comprehensive income as follows:

	2023 HK\$'000	2022 HK\$'000
Loss before tax	(6,008)	(21,421)
Tax at the applicable tax rate at 16.5% (2022: 16.5%)	(991)	(3,534)
Tax effect of non-taxable income	(871)	(45)
Tax effect of non-deductible expenses	1,174	1,810
Tax effect of temporary difference not recognised	(157)	(560)
Tax effect of tax losses not recognised	855	2,251
Tax effect of utilisation of tax losses not previously recognised	(10)	–
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	–	78
Income tax expense	–	–

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

15. DIVIDEND

No dividend was declared and paid during the years ended 31 March 2023 and 2022.

16. LOSS PER SHARE

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

	2023 HK\$'000	2022 HK\$'000
Loss for the year		
Loss for the year attributed to the owners of the Company	<u>(6,008)</u>	<u>(21,421)</u>
	2023	2022
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>211,524,720</u>	<u>78,241,154</u>

No diluted loss per share were presented as there were no potential ordinary shares in issue for the year ended 31 March 2023 and the effect of share options did not give rise to dilution effect for the year ended 31 March 2022.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost:					
As at 1 April 2021	5,299	1,164	8,166	811	15,440
Additions	80	–	3,313	–	3,393
Disposals	(4,652)	–	(1,063)	(117)	(5,832)
Disposals of subsidiaries	–	–	(29)	(280)	(309)
Exchange realignment	–	–	–	8	8
As at 31 March 2022 and 1 April 2022	727	1,164	10,387	422	12,700
Additions	158	–	2,000	–	2,158
Disposals	(257)	–	(1,886)	(422)	(2,565)
Disposal of a subsidiary	–	(1,164)	(4,172)	–	(5,336)
As at 31 March 2023	628	–	6,329	–	6,957
Accumulated depreciation and impairment losses:					
As at 1 April 2021	5,009	1,164	7,982	574	14,729
Depreciation	166	–	787	54	1,007
Disposals	(4,560)	–	(1,062)	(107)	(5,729)
Disposals of subsidiaries	–	–	(26)	(230)	(256)
Exchange realignment	–	–	–	6	6
As at 31 March 2022 and 1 April 2022	615	1,164	7,681	297	9,757
Depreciation	63	–	781	5	849
Disposals	(221)	–	(1,862)	(302)	(2,385)
Disposal of a subsidiary	–	(1,164)	(4,152)	–	(5,316)
As at 31 March 2023	457	–	2,448	–	2,905
Net carrying amount:					
As at 31 March 2023	171	–	3,881	–	4,052
As at 31 March 2022	112	–	2,706	125	2,943

During the year, due to the existence of impairment indicator, the Group assessed the recoverable amount of the CGU and no impairment loss was recognised in the consolidated profit or loss in respect of property, plant and equipment and right-of-use assets attributable to that CGU (2022: Nil). Details of the impairment assessment are disclosed in note 18(c) to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

18. RIGHT-OF-USE ASSETS

	Office premises	Warehouse and retail stores	Total
	HK\$'000	HK\$'000	HK\$'000
	(note (a))	(note (a))	
As at 1 April 2021	2,397	4,365	6,762
Additions	–	4,832	4,832
Depreciation	(2,397)	(6,320)	(8,717)
As at 31 March 2022 and 1 April 2022	–	2,877	2,877
Additions	–	958	958
Depreciation	–	(1,541)	(1,541)
Disposal of a subsidiary	–	(1)	(1)
Termination	–	(2,138)	(2,138)
As at 31 March 2023	–	155	155

	2023	2022
	HK\$'000	HK\$'000
Depreciation of right-of-use asset	1,541	8,717
Interest expenses on lease liabilities	36	379
Expenses relating to short-term leases	1,743	3,989
COVID-19-related rent concessions (note (b))	(148)	(851)
Gain on early termination of lease	(633)	–
Variable lease payments not included in the measurement of lease liabilities (note (a))	4,585	412



Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

18. RIGHT-OF-USE ASSETS (CONTINUED)

Notes:

- (a) The Group has obtained the right to use of other properties as offices, warehouses and retail stores through tenancy agreements. The leases typically run for an initial period of two to three years (2022: two to three years).

The Group leases 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.

- (b) During the years ended 31 March 2023 and 2022, lessors of warehouse and retail stores provided rent concessions to the Group through rent reductions.

These rent concessions occurred as a direct consequence of Covid-19 pandemic and met all of the conditions in HKFRS 16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modifications. The effects on changes in lease payments due to forgiveness or waiver by the lessors for the relevant lease of approximately HK\$148,000 (2022: HK\$851,000) were recognised as negative lease payments.

- (c) For the year ended 31 March 2023, no significant impairment loss on right-of-use assets and property, plant and equipment allocated to the CGU is recognised by the Group (2022: Nil).

The recoverable amounts of CGUs are determined based on the higher of fair values less cost of disposal and value in use calculation. The recoverable amount of the CGU has been determined based on value in use calculations. These calculations use cash flow projections based on the most recent financial forecasts approved by the directors of the Company covering the period from one to five years which is assessed with reference to the useful life of the allocated assets. The key assumptions for the cash flow projections are those regarding the discount rates, annual projected revenue over five-year period and growth rates. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The annual projected revenue over five-year period and growth rates are based on past performance and expectations of market development. The key assumptions used for the cash flow projections of the CGUs in 2023 are a discount rate of 16.67% (2022: 13.84%). As at 31 March 2023, the recoverable amount of the CGU is higher than its carrying amount (2022: Nil).

19. DEFERRED TAX ASSETS

As at 31 March 2023, no deferred tax asset has been recognised in respect of the unused tax losses amounting to approximately HK\$26,429,000 (2022: HK\$36,995,000) due to the unpredictability of future profit streams of the Hong Kong subsidiaries. The unused tax losses do not expire under current tax legislation.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

20. INVENTORIES

	2023 HK\$'000	2022 HK\$'000
Finished goods	3,863	6,786

Allowance for inventories of approximately HK\$402,000 (2022: HK\$1,350,000) was charged to profit or loss during the year ended 31 March 2023.

21. TRADE RECEIVABLES

	2023 HK\$'000	2022 HK\$'000
Trade receivables, gross	22,567	4,093
Less: allowance for credit losses	(673)	(15)
Trade receivables, net	21,894	4,078

The following is an aged analysis of trade receivables net of allowance for credit losses presented based on the invoice dates at the end of the reporting period:

	2023 HK\$'000	2022 HK\$'000
Within 30 days	1,308	3,667
31 days to 120 days	11,981	426
121 days to 1 year	9,278	–
	22,567	4,093
Less: allowance for credit losses	(673)	(15)
	21,894	4,078

The Group's trading terms with wholesales customers are mainly on credit. The credit terms generally range from 30 to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

22. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2023 HK\$'000	2022 HK\$'000
Non-current		
Rental and utilities deposits	222	1,060
Current		
Rental and utilities deposits	1,741	3,227
Prepayments	112	3,969
Other receivables	7	61
	1,860	7,257

23. TRADE PAYABLES

	2023 HK\$'000	2022 HK\$'000
Trade payables	3,523	2,879

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2023 HK\$'000	2022 HK\$'000
Within 30 days	539	751
31 days to 1 year	2,819	667
More than 1 year	165	1,461
	3,523	2,879

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For the year ended 31 March 2023

24. CONTRACT LIABILITIES

The contract liabilities represented the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied as of each reporting period.

	2023 HK\$'000	2022 HK\$'000
Billing in advance of sale of goods to customers	38	97

The following is the movement in contract liabilities during the year:

	2023 HK\$'000	2022 HK\$'000
Balance as at beginning of the year	97	12,975
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(97)	(12,975)
Increase in contract liabilities as a result of billing in advance of sale of goods	38	97
Balance as at end of the year	38	97

The Group has applied the practical expedient to its sales contracts for the sale of baby and children garment and therefore the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sale of baby and children garment that had an original expected duration of one year or less.



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25. ACCRUALS AND OTHER PAYABLES

	2023 HK\$'000	2022 HK\$'000
Other payables	1,060	135
Accrued expenses	5,572	5,644
	<u>6,632</u>	<u>5,779</u>

26. AMOUNTS DUE TO DIRECTORS

The amounts due are unsecured, interest free and repayable on demand.

27. LOAN FROM A DIRECTOR OF A SUBSIDIARY

On 20 October 2022 and 8 December 2022, the Group entered into agreements with a director of a subsidiary to borrow loans of HK\$624,000 and HK\$140,000 respectively. The maturity date of these loans was 31 March 2023. As of 31 March 2023, the outstanding balance of approximately HK\$544,000 was unsecured, bearing interest at the rate of 5% per annum and repayable on demand.

28. OTHER BORROWINGS

On 17 May 2019, the Group entered into an agreement with a former director of the Company, who resigned on 24 April 2020, to borrow a loan of HK\$20,000,000 with maturity date on 30 June 2021. As of 31 March 2023, the outstanding balance of approximately HK\$8,367,000 (2022: HK\$8,367,000) was unsecured, bearing interest at the rate of 4% per annum and repayable on demand.

On 3 August 2021, the Group entered into another agreement with the same former director of the Company to borrow a loan of HK\$3,360,000 with maturity date on 2 August 2022. As of 31 March 2023, the outstanding balance of approximately HK\$3,360,000 (2022: HK\$3,360,000) was unsecured, bearing interest at the rate of 5% per annum and repayable on demand (2022: matured on 2 August 2022).

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29. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Lease liabilities payable:				
Within one year	156	4,117	155	3,927
Within a period of more than one year but not exceeding two years	–	1,187	–	1,133
	156	5,304	155	5,060
Less: future finance charges	(1)	(244)	N/A	N/A
Present value of lease liabilities	155	5,060	155	5,060
Less: Amount due for settlement with 12 months shown under current liabilities			(155)	(3,927)
Amount due for settlement after 12 months shown under non-current liabilities			–	1,133

The incremental borrowing rates applied to lease liabilities range from 4.25% to 4.37% (2022: from 4.25% to 4.37%).



Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

30. PROVISIONS

	2023 HK\$'000	2022 HK\$'000
Analysed for reporting purpose as:		
Non-current liabilities	–	215
Current liabilities	188	1,296
	<u>188</u>	<u>1,511</u>

	Long service payment HK\$'000	Reinstatement cost HK\$'000	Litigation HK\$'000 (note)	Total HK\$'000
At 1 April 2021	554	1,100	15,324	16,978
Utilisation of provision	–	(143)	(15,324)	(15,467)
As at 31 March 2022 and 1 April 2022	554	957	–	1,511
Disposal of a subsidiary	(215)	(40)	–	(255)
Utilisation of provision	(339)	(729)	–	(1,068)
As at 31 March 2023	–	188	–	188

Note:

On 28 April 2021, Mei Li Hua Children Garment Company Limited (“Mei Li Hua”), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company, received two arbitral awards made by the Arbitration Court of the Zhongshan City Labour Human Resources Disputes Arbitration Commission on 12 April 2021 and 20 April 2021 respectively, in relation to two claims from 200 employees and 86 employees against Mei Li Hua in Arbitration Court for wages and benefit compensation. After assessment by the management, a full provision was made for the year ended 31 March 2021 accordingly. During the year ended 31 March 2022, the provisions was fully settled and Mei Li Hua was disposed.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

31. SHARE OPTION SCHEME

The Company has adopted the share option scheme on 28 December 2017 and has been amended on 28 April 2023 (the “**Share Option Scheme**”). The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

Details of the Share Option Scheme are as follows:

(i) **Purposes**

The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to the Group.

(ii) **Eligible participants**

The eligible participants include directors (including independent non-executive directors) and employees of any member of the Group (including persons who are granted options under this Share Option Scheme as an inducement to enter into employment contracts with any member of the Group).

(iii) **Total number of Shares available for issue**

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme or awards of the Group must not in aggregate exceed 10% of the total number of Shares in issue as at 28 April 2023, being the date of approval of the refreshment of 10% general scheme limit under the Share Option Scheme by the Shareholders (i.e. 21,152,472 Shares, representing approximately 10% of the total number of Shares in issue as at 28 April 2023).

(iv) **Maximum entitlement of each participant**

The total number of Shares issued and to be issued upon exercise of the options or awards granted under the Share Option Scheme (including both exercised and outstanding options or awards) to each participant in any 12-month period must not exceed 1% of the Shares in issue for the time being (the “**Individual Limit**”). Any further grant of options or awards to a participant in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to the Shareholders and the Shareholders’ approval in the general meeting of the Company with such participant and his/her associates abstaining from voting.

Where any grant of options or awards to a substantial Shareholder or an independent non-executive director or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled 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 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 million, such further grant of options or awards must be approved by the Shareholders.

(v) **Period of the Share Option Scheme**

The Share Option Scheme will remain in force for a period of ten years commencing on 28 December 2017, being the date of adoption of the Share Option Scheme, to 27 December 2027.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

31. SHARE OPTION SCHEME (CONTINUED)

(vi) Time of acceptance of the offer

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

(vii) Minimum period for which an option must be held before it can be exercised

The vesting period for options shall not be less than 12 months. Options granted to employee participants may be subject to a shorter vesting period under the following circumstances:

- (a) grants of Options with performance-based vesting conditions as determined by the Board, in lieu of time-based vesting criteria;
- (b) grants of Options with a mixed or accelerated vesting schedule such as where the awards may vest evenly over a period of 12 months; and
- (c) grants of Options with a total vesting and holding period of more than 12 months.

(viii) Consideration for the option

A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

(ix) Subscription price for Shares

The subscription price for the Shares under the Share Option Scheme will be a price determined by the director, but shall not be less than the highest of: (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the offer of the grant; and (c) the nominal value of a Share.

(x) Transfer or assignment

An option is personal to the grantee and shall not be transferable or assignable. Subject to the Stock Exchange granting the necessary waiver, a grantee may transfer any options to a vehicle (such as a trust or a private company) for the benefit of the grantee and any family members of such grantee including but not limited to for estate planning and/or tax planning purposes that would continue to meet the purpose of the Share Option Scheme and comply with other requirements of Chapter 23 of the GEM Listing Rules.

(xi) Termination of the Share Option Scheme

The Company may by resolution in the general meeting at any time terminate the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

No option has been granted, exercised, cancelled or lapsed under the Share Option Scheme during the year ended 31 March 2023. The Company did not have any outstanding share options, warrants, derivatives or securities which are convertible or exchangeable into Shares as at 31 March 2023 and up to the date of this report.

As at 31 March 2023, there were no shares available to be granted under the Share Option Scheme of the Company. As at the date of this report, there were 21,152,472 shares available to be granted under the Share Option Scheme of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

31. SHARE OPTION SCHEME (CONTINUED)

An aggregate of 2,000,000 and 4,807,380 share options with exercise price of HK\$0.3 and HK\$0.479 per share ("Share Options") entitling two directors and certain employees to subscribe for 2,000,000 and 4,807,380 shares of the Company were granted on 9 July 2021 and 5 October 2021 respectively. Details of the Share Options during the years ended 31 March 2023 and 2022 are set out below:

	Date of grant	Exercisable period (both dates inclusive)	Exercise price per share HK\$	Outstanding at 1 April 2021	Granted during the year	Number of share options			Outstanding as at 31 March 2022, 1 April 2022 and 31 March 2023
						Lapsed during the year	Cancelled during the year	Exercised during the year	
Executive Director									
Ms. Wong Ka Man (note a)	9 July 2021	9 July 2021 to 8 July 2031	0.3	-	400,000	-	-	(400,000)	-
Mr. Yao Ruhe (note a)	9 July 2021	9 July 2021 to 8 July 2031	0.3	-	400,000	-	-	(400,000)	-
Employees (note b)	9 July 2021	9 July 2021 to 8 July 2031	0.3	-	1,200,000	-	-	(1,200,000)	-
Employees (note c)	5 October 2021	5 October 2021 to 4 October 2031	0.479	-	4,807,380	-	-	(4,807,380)	-
				-	6,807,380	-	-	(6,807,380)	-

Notes:

- The total of 800,000 shares were exercised by the eligible directors on 30 July 2021 and the shares were issued and allotted on 3 August 2021.
- The total of 400,000 share options were exercised by an eligible employee on 28 July 2021 and the shares were issued and allotted on 30 July 2021. The rest of 800,000 share options were exercised by the eligible employees on 30 July 2021 and the shares were issued and allotted on 3 August 2021.
- The total of 4,807,380 share options were exercised by the eligible employees on 15 October 2021 and 19 October 2021 respectively and the shares were issued and allotted on 18 October 2021 and 22 October 2021 respectively.
- The share price at the date of exercise for share options exercised were HK\$0.42, HK\$0.53, HK\$0.48 and HK\$0.485 on 30 July 2021, 3 August 2021, 18 October 2021 and 22 October 2021 respectively.

These fair values were calculated using the Binomial Option Pricing Model. The inputs into the model are as follows:

	Share Options		
	9 July 2021	9 July 2021	5 October 2021
Grantees	directors	employees	employees
Weighted average share price	0.3	0.3	0.455
Weighted average exercise price	0.3	0.3	0.479
Expected volatility	123%	123%	127%
Exercise multiple	2.8	2.2	2.2
Expected life	10 years	10 years	10 years
Risk free rate	1.192%	1.192%	1.328%
Expected dividend yield	Nil	Nil	Nil
Number of shares granted	800,000	1,200,000	4,807,380
Estimated fair value at the measurement date	119,000	131,000	788,000



Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

31. SHARE OPTION SCHEME (CONTINUED)

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous years from the Company was listed on 26 January 2018.

ValQuest Advisory (Hong Kong) Limited is an independent firm of professional valuer appointed by the Company to carry out the fair value of above Share Options.

The equity-settled share-based payment charged to the profit or loss was approximately HK\$1,038,000 for the year ended 31 March 2022.

32. SHARE CAPITAL

	Notes	Number of shares		Amount
		At HK\$0.01 per share	At HK\$0.2 per share	HK\$'000
Authorised ordinary shares:				
As at 1 April 2021		2,000,000,000	–	20,000
Share consolidation	(a)	(2,000,000,000)	100,000,000	–
Increase of authorised ordinary shares	(c)	–	400,000,000	80,000
As at 31 March 2022, 1 April 2022 and 31 March 2023		–	500,000,000	100,000
Issue and fully paid ordinary shares:				
As at 1 April 2021		921,476,000	–	9,215
Share consolidation	(a)	(921,476,000)	46,073,800	–
Issue of ordinary shares under share option scheme	(b)	–	6,807,380	1,361
Rights Issue and placing of new shares	(d)	–	158,643,540	31,729
As at 31 March 2022, 1 April 2022 and 31 March 2023		–	211,524,720	42,305

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

32. SHARE CAPITAL (CONTINUED)

Notes:

- (a) On 15 June 2021, an ordinary resolution was passed at the extraordinary general meeting of the Company that every twenty issued and unissued existing shares of a par value of HK\$0.01 each in the share capital of the Company be consolidated into one consolidated share of a par value of HK\$0.2 each in the share capital of the Company (the "Share Consolidation"). The Share Consolidation became effective on 17 June 2021.

For details, please refer to the announcements of the Company dated 14 May 2021 and 15 June 2021 and the circular of the Company dated 24 May 2021.

- (b) During the year ended 31 March 2022, 6,807,380 share options were exercised to subscribe for 6,807,380 ordinary shares of the Company at the consideration of approximately HK\$2.9 million of which approximately HK\$1.4 million was credited to share capital and the balance of approximately HK\$2.5 million was credited to the share premium account. Amount of approximately HK\$1 million has been transferred from share options reserve to the share premium account in accordance with the accounting policy adopted by the Company.
- (c) On 16 December 2021, an ordinary resolution was passed at the extraordinary general meeting of the Company that the authorised share capital of the Company was increased from HK\$20,000,000 divided into 100,000,000 shares to HK\$100,000,000 divided into 500,000,000 shares by the creation of an additional 400,000,000 unissued shares.
- (d) On 8 February 2022, the Company allotted and issued 112,853,469 new shares on the basis of three rights share for every one share held by qualifying shareholders at the subscription price of HK\$0.35 per rights share ("Rights Issue"). The Company also allotted and issued 45,790,071 new shares for the unsubscribed rights shares at the placing price of HK\$0.35 per placing share. The gross proceeds from the Rights Issue was approximately HK\$55.5 million and costs incurred for the Rights Issue amounted to approximately HK\$1.2 million.

For details, please refer to the announcements of the Company dated 5 November 2021, 16 December 2021, 25 January 2022 and 7 February 2022, the circular of the Company dated 25 November 2021 and prospectus of the Company dated 4 January 2022.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2023 HK\$'000	2022 HK\$'000
Non-current asset			
Investments in subsidiaries		–	–
Current assets			
Deposits, prepayments and other receivables		6	164
Amounts due from subsidiaries		13,796	38,007
Cash and bank balances		86	18,467
		13,888	56,638
Current liabilities			
Accruals and other payables		3,018	1,713
Amounts due to directors		1	1,011
Other borrowings		8,367	8,367
		11,386	11,091
Net current assets		2,502	45,547
Net assets		2,502	45,547
Equity			
Share capital	32	42,305	42,305
Reserves	34	(39,803)	3,242
Total equity		2,502	45,547

Approved and authorised for issue by the board of directors on 30 June 2023 and are signed on its behalf by:

Mr. Yao Ruhe
Director

Ms. Wong Ka Man
Director

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

34. RESERVES

Details of the movements of the Group's reserves are presented in the consolidated statement of changes in equity. Movements on the Company's reserves are as follows:

The Company	Share premium	Share-based payments reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 April 2021	93,224	–	(79,510)	13,714
Total comprehensive loss for the year	–	–	(35,657)	(35,657)
Share-based payments	–	1,038	–	1,038
Issue of share under share option scheme (note 32(b))	2,580	(1,038)	–	1,542
Rights issue and placing of new shares (note 32(d))	23,796	–	–	23,796
Issuing expenses of rights issue and placing of new shares (note 32(d))	(1,191)	–	–	(1,191)
As at 31 March 2022 and 1 April 2022	118,409	–	(115,167)	3,242
Total comprehensive loss for the year	–	–	(43,045)	(43,045)
As at 31 March 2023	118,409	–	(158,212)	(39,803)



Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries as at 31 March 2023 and 2022 are as follows:

Name	Place of incorporation/ establishment and kind of legal entity	Place of operation and principal activity	Issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company	
				2023	2022
Directly owned subsidiaries:					
Flair Elite Limited	BVI, limited liability company	HK, Trading of children wear	US\$1	100%	100%
LFC Partners Limited	BVI, limited liability company	HK, Investment holding	HK\$1	100%	100%
All I Adore Limited	HK, limited liability company	HK, Trading of children wear	HK\$10,000	100%	100%
Indirectly owned subsidiaries:					
Mantex Supplies Company Limited [⊗]	HK, limited liability company	HK, Wholesale of children wear	HK\$694,000	–	100%
Babies Trendyland Limited	HK, limited liability company	HK, Trading of children wear	HK\$1,000,000	100%	100%
Babies SPHC Limited	HK, limited liability company	HK, Trading of children wear	HK\$300,000	100%	100%
Babies A2 Limited	HK, limited liability company	HK, Trading of children wear	HK\$300,000	100%	100%
Babies B1 Limited	HK, limited liability company	HK, Trading of children wear	HK\$300,000	100%	100%
Babies D1 Limited	HK, limited liability company	HK, Trading of children wear	HK\$300,000	100%	100%
Mi'Des Associated Partners Limited	BVI, limited liability company	HK, Inactive	US\$2	100%	100%

[⊗] This subsidiary was disposed during the year ended 31 March 2023.

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

36. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere to the consolidated financial statement, the Group entered into the following transactions with its related parties during the year:

Compensation of key management personnel

The emoluments of executive directors who are also identified as members of key management of the Group during the year are set out in note 11 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

37. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Disposals of subsidiaries

During the year ended 31 March 2022, the Company had entered into a sale and purchase agreement with an independent third party (the “**Buyer 1**”) to dispose its wholly-owned subsidiary, Mansion Success Holdings Limited (“**Mansion Success**”). Through this disposal, 100% directly held subsidiary by Mansion Success and its 100% indirectly held subsidiary (collectively referred to as the “**Disposal Group**”) were also disposed accordingly, at a cash consideration of approximately HK\$50,000. The Disposal Group carried out the business of manufacturing of children wear in the PRC. The disposal was completed on 13 August 2021, on which date control of the Disposal Group was passed to the Buyer 1.

Net liabilities at the date of disposal were as follows:

	HK\$'000
Property, plant and equipment	53
Prepayments	215
Cash and bank balances	1
Other payables	(106)
Tax payables	(644)
	<hr/>
Net liabilities disposed of	(481)
Release of foreign currency translation reserve	3,093
Loss on disposals of subsidiaries	(2,562)
	<hr/>
Total consideration	50
	<hr/>
Net cash inflow arising on disposal:	
Cash consideration received	50
Cash and cash equivalents disposed of	(1)
	<hr/>
	49
	<hr/>



Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

37. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(a) Disposals of subsidiaries (Continued)

During the year ended 31 March 2023, Flair Elite Limited, a direct wholly-owned subsidiary of the Company had entered into a sale and purchase agreement with an independent third party (the “**Buyer 2**”) to dispose its wholly-owned subsidiary, Mantex Supplies Company Limited (“**Mantex Supplies**”) at a cash consideration of HK\$1. The Mantex Supplies carried out the business of wholesale of children wear. The disposal was completed on 1 April 2022, on which date control of the Mantex Supplies was passed to the Buyer 2.

Net liabilities at the date of disposal were as follows:

	HK\$'000
Property, plant and equipment	20
Right-of-use assets	1
Deposits, prepayments and other receivables	622
Cash and bank balances	106
Trade payables	(2,095)
Accruals and other payables	(636)
Lease liabilities	(1,374)
Provisions	(255)
	<hr/>
Net liabilities disposed of	(3,611)
Gain on disposal of a subsidiary	3,611
	<hr/>
Total consideration	–
	<hr/>
Net cash outflow arising on disposal:	
Cash and cash equivalents disposed of	(106)
	<hr/>

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

37. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities arising from financing activities. 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 from financing activities.

	Other borrowings HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
As at 1 April 2021	11,903	9,638	21,541
Proceeds from other borrowings	3,360	–	3,360
Repayment of other borrowings	(3,536)	–	(3,536)
Borrowing costs paid	(441)	–	(441)
Capital element of finance lease rentals paid	–	(8,559)	(8,559)
Interest element of finance lease rentals paid	–	(379)	(379)
Interest expenses	441	379	820
Commencement of new leases	–	4,832	4,832
Covid-19-related rent concessions	–	(851)	(851)
	<u>11,727</u>	<u>5,060</u>	<u>16,787</u>
As at 31 March 2022	11,727	5,060	16,787



Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

37. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities: (Continued)

	Loan from a director of a subsidiary HK\$'000	Other borrowings HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
As at 1 April 2022	–	11,727	5,060	16,787
Proceeds from loan from a director of a subsidiary	764	–	–	764
Repayment of loan from a director of a subsidiary	(220)	–	–	(220)
Borrowing costs paid	(15)	(503)	–	(518)
Capital element of finance lease rentals paid	–	–	(1,570)	(1,570)
Interest element of finance lease rentals paid	–	–	(36)	(36)
Interest expenses	15	503	36	554
Commencement of new leases	–	–	958	958
Termination	–	–	(2,771)	(2,771)
Covid-19-related rent concessions	–	–	(148)	(148)
Disposal of a subsidiary	–	–	(1,374)	(1,374)
As at 31 March 2023	544	11,727	155	12,426

(c) Total cash outflow for leases

Amounts included in the consolidated statement of cash flow for leases comprise the following:

	2023 HK\$'000	2022 HK\$'000
Within operating cash flows	6,328	4,401
Within financing cash flows	1,606	8,938
	7,934	13,339

These amounts relate to the lease rental paid.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

38. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amount and fair value of financial assets and liabilities:

	2023 HK\$'000	2022 HK\$'000
Finance assets		
At amortised cost:		
Trade receivables	21,894	4,078
Deposits and other receivables	1,970	4,348
Cash and bank balances	1,373	19,682
	<u>25,237</u>	<u>28,108</u>
	2023 HK\$'000	2022 HK\$'000
Finance liabilities		
At amortised cost:		
Trade payables	3,523	2,879
Accruals and other payables	6,632	5,779
Amounts due to directors	163	1,173
Loan from a director of a subsidiary	544	–
Other borrowings	11,727	11,727
	<u>22,589</u>	<u>21,558</u>



Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

39. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate 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 arise.

(b) Credit risk and impairment assessment

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's maximum exposure to credit risk is the carrying amounts of bank balances, trade receivables, deposits and other receivables.

For the operation and management of retail stores, the Group has no significant concentrations of credit risk. Most of the sales transactions were settled in cash basis and by credit card payment. Credit terms are only offered to corporate customers with whom the Group has established an ongoing relationship.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers and the Group regularly follows up on receivables outstanding beyond their stipulated time threshold for payments. The Group does not require collateral in respect of financial assets.

Exposure to credit risk

At the end of each reporting period, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the consolidated statement of financial position.

For the operation of wholesales business, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, the Group has a certain concentration of credit risk as 21% (2022: 75%) of the trade receivables was due from the Group's largest customer.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk and impairment assessment (Continued)

Trade receivables

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECL.

As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's non-credited impaired trade receivables which exposure to credit risk and ECL for trade receivables under the simplified approach:

As at 31 March 2023:

		Gross carrying amount HK\$'000	ECL HK\$'000	Net carrying amount HK\$'000
Not past due and less than 30 days past due	0.06%	5,126	(3)	5,123
31–120 days past due	2.77%	11,562	(320)	11,242
121 days to 1 year past due	5.96%	5,879	(350)	5,529
Total		22,567	(673)	21,894

As at 31 March 2022:

		Gross carrying amount HK\$'000	ECL HK\$'000	Net carrying amount HK\$'000
Not past due and less than 30 days past due	0.05%	3,667	(2)	3,665
31–120 days past due	3.05%	426	(13)	413
Total		4,093	(15)	4,078

Expected loss rates are based on actual loss experience in the past. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk and impairment assessment (Continued)

Trade receivables (Continued)

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. The Group closely monitors the financial standing of these debtors on a going basis to ensure that the Group is exposed to minimal credit risk.

The following table shows the movement in loss allowance that has been recognised for trade receivables under simplified approach and on an individual basis.

	Lifetime ECL Non-credit impaired HK\$'000	Lifetime ECL Credit- impaired HK\$'000	Total HK\$'000
At 1 April 2021	1,082	2,628	3,710
– Impairment losses recognised	15	10	25
– Impairment losses reversed	(547)	–	(547)
– Transferred to credit-impaired	(535)	535	–
– Disposals of subsidiaries	–	(807)	(807)
– Written off	–	(2,355)	(2,355)
– Exchange alignment	–	(11)	(11)
At 31 March 2022 and 1 April 2022	15	–	15
– Impairment losses recognised	658	–	658
At 31 March 2023	673	–	673

Deposits and other receivables

The Group determines ECL for deposits paid and other receivables based on 12-month ECL which take into account the historical default experiences and forward-looking information, as appropriate, for example, the Group considers the consistently low historical default rates of counterparties. It is concluded that credit risk inherent in the Group's outstanding deposits paid and other receivables are insignificant. The Group has assessed that deposits paid and other receivables do not have a significant increase in credit risk since initial recognition and risk of default is insignificant, therefore the ECL for these deposits paid and receivables were immaterial under the 12-month ECL method and no loss allowance was recognised during both years.

Cash at bank

The Group's bank deposits were deposited with major financial institutions in Hong Kong, which management believes are of high credit quality without significant credit risk.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

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

	Within 1 year or on demand HK\$'000	Between 1 and 2 years HK\$'000	Total HK\$'000
At 31 March 2023			
Trade payables	3,523	–	3,523
Accruals and other payables	6,632	–	6,632
Amounts due to directors	163	–	163
Loan from a director of a subsidiary	544	–	544
Other borrowings	11,727	–	11,727
Lease liabilities	156	–	156
	Within 1 year or on demand HK\$'000	Between 1 and 2 years HK\$'000	Total HK\$'000
At 31 March 2022			
Trade payables	2,879	–	2,879
Accruals and other payables	5,779	–	5,779
Amounts due to directors	1,173	–	1,173
Other borrowings	11,839	–	11,839
Lease liabilities	4,117	1,187	5,304

(d) Interest rate risk

The Group's other borrowings, loan from a director of a subsidiary and lease liabilities bear interests at fixed interest rates and therefore are subject to fair value 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.

(e) Fair value

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 as at 31 March 2023 and 2022.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

40. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt (which represent total debts including other borrowings, lease liabilities, loan from a director of a subsidiary and amounts due to directors) net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, accumulated losses and other reserves.

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
Other borrowings	11,727	11,727
Lease liabilities	155	5,060
Amounts due to directors	163	1,173
Loan from a director of a subsidiary	544	–
Less: Cash and bank balances	<u>(1,373)</u>	<u>(19,682)</u>
Net debts/(excess cash and bank balances)	<u>11,216</u>	<u>(1,722)</u>
Total equity	<u>10,449</u>	<u>16,457</u>
Gearing ratio	<u>107%</u>	<u>(10%)</u>

The management reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on the recommendations of the management, the Group will balance its overall capital structure through the new shares issues as well as the issue of new debt or the redemption of existing debt. No change was made in the objectives, policies or processes for managing capital during the years ended 31 March 2023 and 2022.

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. During the years ended 31 March 2023 and 2022, the Group has maintained a sufficient public float to comply with the GEM Listing Rules from the date of the Listing.

41. CONTINGENT LIABILITIES

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

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years are set out below.

CONSOLIDATED RESULTS

	Year ended 31 March				
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
Revenue	78,437	74,483	87,278	183,363*	230,825
Loss before tax	(6,008)	(21,421)	(10,395)	(32,567)	(18,928)
Income tax (expense)/credit	–	–	–	(1,053)*	159
Net loss for the year	(6,008)	(21,421)	(10,395)	(33,620)	(18,769)
Net loss from ordinary activities for the year	(6,008)	(21,421)	(64,845)	(60,348)	(18,769)
Continuing operations	(6,008)	(21,421)	(10,395)	(33,620)	–
Discontinued operations	–	–	(54,450)	(26,728)	–

* Comparative figures for the year ended 31 March 2020 were restated as a result of the discontinued operation mentioned in note 13 to the consolidated financial statements for the year ended 31 March 2021.

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 March				
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
Non-current assets	4,429	6,880	9,308	22,284	53,654
Current assets	28,990	37,803	41,420	123,819	140,160
Current liabilities	(22,970)	(26,878)	(70,243)	(106,298)	(128,148)
Net current assets/(liabilities)	6,020	10,925	(28,823)	17,521	12,012
Non-current liabilities	–	(1,348)	(3,104)	(30,024)	(686)
Net assets/(liabilities)	10,449	16,457	(22,619)	9,781	64,980

