

FOURACE

科利

FOURACE INDUSTRIES GROUP HOLDINGS LIMITED

科利實業控股集團有限公司

Incorporated in the Cayman Islands with limited liability
於開曼群島註冊成立之有限公司

Stock Code 股份代號：1455



Annual Report 年報

2020/21

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. LI Shu Yeh

(Chairman and chief executive officer)

Ms. LI Sen Julian

Ms. TANG Suk Yee

Independent Non-executive Directors

Mr. LIU Kai Yu Kenneth

Mr. LEUNG Wai Chuen

Mr. MAN Yun James

AUDIT COMMITTEE

Mr. LIU Kai Yu Kenneth *(Chairman)*

Mr. LEUNG Wai Chuen

Mr. MAN Yun James

REMUNERATION COMMITTEE

Mr. MAN Yun James *(Chairman)*

Mr. LI Shu Yeh

Ms. LI Sen Julian

Mr. LIU Kai Yu Kenneth

Mr. LEUNG Wai Chuen

NOMINATION COMMITTEE

Mr. LEUNG Wai Chuen *(Chairman)*

Mr. LIU Kai Yu Kenneth

Mr. LI Shu Yeh

Ms. TANG Suk Yee

Mr. MAN Yun James

AUTHORISED REPRESENTATIVES

Ms. LI Sen Julian

Mr. TSANG Kai Ming

COMPANY SECRETARY

Mr. TSANG Kai Ming

AUDITORS

PricewaterhouseCoopers

Certified Public Accountants and

Registered Public Interest Entity Auditor

22/F., Prince's Building

Central

Hong Kong

COMPLIANCE ADVISER

Innovax Capital Limited

Room 2002, 20/F

Chinachem Century Tower

178 Gloucester Road

Wanchai

Hong Kong

LEGAL ADVISER AS TO HONG KONG LAW

Jeffrey Mak Law Firm

6/F, O.T.B. Building

259–265 Des Voeux Road Central

Hong Kong

REGISTERED OFFICE

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P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit Nos. 1106–1107

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8 Kwai Cheong Road

Kwai Chung, New Territories

Hong Kong

CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 18 Shivei Pinggang Industrial Zone
Jiangshi Community, Gongming Street
Guangming New District
Shenzhen, Guangdong
China

COMPANY WEBSITE

<http://www.fourace.com>

STOCK CODE

1455

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking
Corporation Limited
HSBC Building
1 Queen's Road Central
Hong Kong

Bank of China (Hong Kong) Limited
Bank of China Tower
1 Garden Road
Hong Kong

Bank of China Shenzhen Branch
International Finance Building
2022 Jianshe Road
Luohu District
Shenzhen
Guangdong Province
China

CHAIRMAN'S STATEMENT

On behalf of the board ("**Board**") of directors ("**Directors**") of Fourace Industries Group Holdings Limited (the "**Company**" or "**Fourace**"), I am pleased to present to you the annual report ("**Annual Report**") of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 March 2021 ("**FY2021**" or the "**Reporting Period**").

Against the backdrop of the Coronavirus Disease 2019 ("**COVID-19**") pandemic, all countries and all businesses faced a difficult operating environment in the past year. Fortunately, the Company has not been affected significantly. On the contrary, the consumer market has been switched to the "stay-at-home economy" concept due to the pandemic, the consumers would rather perform hair styling and beauty care at home, in which the sales of the hair styling series and beauty care series recorded notable growth. I am pleased to announce to our Shareholders that the Group continued to be profitable in FY2021, and has achieved a record-breaking revenue.

The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 15 September 2020, (the "**Listing**"), the results of the Company improved steadily. During the Reporting Period, the Company recorded a revenue of approximately HK\$437.4 million, an increase of 20.8% year-on-year; the profit attributable to equity holders of the Company increased significantly by 33.9% to approximately HK\$58.1 million (FY2020: HK\$43.4 million). The Directors recommended a final dividend of HK\$0.038 per share.

KEEP PACE WITH INNOVATIONS AND MARCH FORWARD

In 2021, the Group saw opportunities in the crisis. On one hand, COVID-19 vaccines are now available and vaccination programmes are making progress. It is hoped that the pandemic will eventually slow down and the market will recover soon. It is expected that the economy of the core markets of the Group, including the United States, Europe, and Japan, will gradually improve and thus drive the sales of the products.

On the other hand, the operation environment under COVID-19 is facing uncertainties and restrictions, increasing difficulty in supply chain and logistics, shortage of raw material and a surge in price, the fluctuation of Renminbi exchange rate, labour shortage in the Pearl River Delta region. All these lead to higher operating costs. Having said that, with the Group's strong research and development capabilities, resilient manufacturing capabilities, extensive industry experience, along with strong relationship and trust with our customers and suppliers, we are confident that we can tackle the uncertainties and continue to provide quality products and services to our customers while maintaining the profit and maximizing the benefit to our Shareholders.

From a long-term perspective, we will continue to leverage resources to build and expand our own brand "iHA" to consolidate our position in the home appliance market and to bring growth opportunities to the Group's business by achieving a "two-wheel engines" strategy with the ODM business. The key product of our own brand "iHA" is smart toilet seat and its technical specification has been basically certified. The new product is expected to launch in 2022 in Mainland China.

During the Reporting Period, the Company has been granted the "Hong Kong Most Outstanding Leaders Awards 2021 — The Most Outstanding Domestic Appliances Manufacturer of the Year" by the CORPHUB, recognising the Company's achievement in corporate governance, financial performance and market competitiveness, innovation of products and amenities and corporate social responsibility. I am very proud of the widespread recognition for our efforts in this regard.

CHAIRMAN'S STATEMENT

On behalf of the Board, I would like to take this opportunity to express my sincere appreciation to our customers, business partners and Shareholders for their continuous support. I would like to also thank the management team and all staff members for their efforts and contribution.

Li Shu Yeh

Chairman and Chief Executive Officer

Hong Kong, 25 June 2021

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group commenced its operation in 1988 and the Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 15 September 2020 (the “**Listing**”). Based on the offer price of HK\$0.40 per offer share and a total of 312,500,000 offer shares, the net proceeds from the global offering (the “**Global Offering**”) after deduction of the underwriting fees and commissions and expenses payable by the Company in connection with the Global Offering, were approximately HK\$66.2 million.

The Group is principally engaged in the design, development and manufacturing of personal care and lifestyle electrical appliances on an ODM basis. Its customers are mainly international brand owners with products marketed mainly in the U.S., Japan, and Europe. The Group provides a wide variety of personal care electrical appliances, which can be broadly classified into three major categories, namely hair styling series, grooming series and beauty care series. In particular, the Group is specialised in hair dryers within its hair styling series which primarily target the high-end market. It also co-designs and develops with its customers and sells certain lifestyle electrical appliances such as electric irons and bread makers.

BUSINESS REVIEW

During the Reporting Period, COVID-19 pandemic has swept across the world while Sino-US trade war continued, resulting in a severe recession in the world economy. The prices of the raw materials rose due to the tight supply and it puts a strain on the Group’s cost. Moreover, as its products are mainly exported overseas, pricing and settlement are based on USD. During the Reporting Period, the continuous appreciation of Renminbi caused a currency exchange loss for the Group.

Fortunately, the Group has not been affected significantly. It is mainly due to the increased influence to the entire consumer market of the “stay-at-home economy” concept, stimulating consumer desire for personal care electrical appliances. The performance of personal care electrical appliances segment was stronger among the core businesses of the Group, in which the sales of the hair styling series and beauty care series recorded notable growth. Hair styling series is the main income source of the personal care electrical appliances segment. During the Reporting Period, the revenue of the hair styling series increased by 15.7% compared with the previous financial year; while that of the beauty care series surged by 1,697.1%, mainly due to the substantial growth in orders caused by increasing demand for the Group’s beauty care products in the Japan market.

Regarding the lifestyle electrical appliance business, the Group strives to maintain a high standard of quality and targets the high-end market. During the Reporting Period, the Group actively explored and developed the market of daily necessities and started developing its own brand “**4HA**”. Considering the growing market demand of smart toilet seats in Mainland China, and supported by over 30 years of extensive industry experience, ODM and research and development capabilities, the Group targeted to realise a two-wheel engines strategy with the ODM business. During the Reporting Period, the Group planned to launch the smart toilet seats under its own brand, targeting the high-end market, and has identified the technical specification. The new product is expected to launch in 2022 in Mainland China.

MANAGEMENT DISCUSSION AND ANALYSIS

For FY2021 and FY2020, the Group's revenue breakdown by products category as follows:

	Year ended 31 March 2021 HK\$'000	Year ended 31 March 2020 HK\$'000	Year-on-year changes (%)
Personal Care Electrical Appliances			
— hair styling series	346,114	299,196	+15.7
— grooming series	44,316	36,171	+22.5
— beauty care series	23,326	1,298	+1,697.1
Sub-total:	413,756	336,665	+22.9
Lifestyle Electrical Appliances	4,330	5,769	-24.9
Others	19,360	19,660	-1.5
Total:	437,446	362,094	+20.8

Furthermore, the core markets included the United States and Japan, recorded a steady and explosive growth respectively. During the Reporting Period, the sales from Japan market increased by 42.7% year-on-year, representing an increase of 6 percentage point to 38.9% in geographical proportion; while the sales in Europe market increased by 41.8% year-on-year, resulting in a 20.8% growth year-on-year in the overall sales. Regarding the production capacity, the Group's production plant is located in Shenzhen, Mainland China. It was planned to enhance the production capacity by acquiring new and replacing some of the existing plastic injection moulding machines. However, affected by the COVID-19 pandemic, the Group has to postpone the plan to another appropriate time. For FY2021 and FY2020, the Group's sales breakdown by geographical distribution as follows:

	Year ended 31 March 2021 Sales proportion (%)	Year ended 31 March 2020 Sales proportion (%)
United States	47.0	54.2
Japan	38.9	32.9
Europe	9.6	8.2
Other locations	4.5	4.7
Total:	100.0	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, save as disclosed in the prospectus of the Company dated 31 August 2020 (the “**Prospectus**”), the Group has not experienced additional impact on or major change to its business and operation due to COVID-19 pandemic and the Sino-US trade war.

The Company has been granted the “Hong Kong Most Outstanding Leaders Awards 2021 — The Most Outstanding Domestic Appliances Manufacturer of the Year” by the CORPHUB, recognising the Company’s achievement in corporate management and governance, financial performance and market competitiveness, innovation of products and amenities and corporate social responsibility.

PROSPECTS

The continuous spread of COVID-19 pandemic around the world has caused uncertainties in the global economy and business environment. However, Mainland China has achieved a victory in the fight against the pandemic. Its gross domestic product (GDP) expanded by 2.3% in 2020 and was the only major economy in the world to see positive growth. Moreover, both Mainland China’s 14th Five-Year Plan and the eight key tasks for its economy in 2021 have underpinned consumption as one of the main themes. Supported by the inner circular economy, the consumer market in Mainland China has been stimulated and is developing. As a result, it drives the overall demands.

Looking ahead, the Group will continue to focus on its core business to maintain the steady growth of business by maintaining the order of current products while developing new products actively to obtain more orders. After the Listing of the Company on the Stock Exchange, the Group has enhanced its competitiveness, which help to establish and strengthen the business relationship with the customers, so as to increase its market share and strengthen its market position in the industry.

The Group targets to develop new personal care and lifestyle electrical appliances under its own brand “**4IR**”. The first product will be the smart toilet seat, which is expected to launch in Mainland China in 2022. The Group is in the active process of establishing its sales and marketing team, and is searching for sales partners actively. Meanwhile, the Group will make full use of its technologies to explore other products having the potential of developing as a product under its own brand to expand this business segment.

In terms of production and research and development capabilities, in view of the increasing demand of its products, the Group is looking for appropriate opportunities when the COVID-19 pandemic slows down to upgrade its production facilities, including purchasing and replacing new plastic injection moulding machines, and upgrading the automation level of the production line to expand and enhance its production capacity and to increase sales. At the same time, the Group will devote more resources to enhance its construction as well as the research and development capabilities of its technical team, in order to improve its product design, research and development capabilities, providing its customers with unique selling points and innovative products. Not only can this further strengthen the Group’s long and stable relationship with its customers, but also enhance its market position, increase its market share in the personal care and lifestyle electrical appliance segments.

Meanwhile, the Group has been exploring business opportunities to expand and diversify its business, thereby creating new sources of income and maximizing the return of the Group and shareholders in the long run.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The total revenue of the Group increased by approximately HK\$75.3 million or 20.8% from approximately HK\$362.1 million for FY2020 to approximately HK\$437.4 million for FY2021. Such increase was mainly attributable to the increase in the sales of both hair styling series and beauty care series of the personal care electrical appliances.

Gross profit and gross profit margin

The Group's gross profit increased by approximately HK\$19.2 million or 17.6% to approximately HK\$128.0 million for the FY2021 (FY2020: approximately HK\$108.8 million). The increase was attributable to the increase in revenue, particularly in the hair styling series of the personal care electrical appliances. The gross profit margin slightly decreased by 0.7 percentage point to 29.3% for the Reporting Period (FY2020: 30.0%) which was mainly attributable to decreased in the profit margin of the beauty care series of the personal care electrical appliances.

Administrative expenses

The administrative expenses of the Group decreased by approximately HK\$1.9 million or 4.4% to approximately HK\$41.6 million for FY2021 (FY2020: approximately HK\$43.5 million). Such decrease was due to the Listing expenses of approximately HK\$7.0 million recorded for FY2021 when compared to approximately HK\$12.9 million recorded for FY2020.

Finance costs

The Group's finance costs represented interest on bank borrowings. The Group recorded finance costs of HK\$74,000 during the Reporting Period (FY2020: approximately HK\$245,000).

Income tax expenses

The Group's income tax expenses increased by approximately HK\$2.1 million or 17.9% to approximately HK\$13.8 million for FY2021 (FY2020: approximately HK\$11.7 million). The effective tax rate of the Group for FY2021 was approximately 19.2% (FY2020: approximately 21.3%). The lower effective tax rate for FY2021 compared to FY2020 was mainly due to less Listing expenses which were not deductible for tax purpose was incurred during the Reporting Period.

Net profit

Profit attributable to the equity holders of the Company increased by approximately HK\$14.7 million or 33.9% from approximately HK\$43.4 million for FY2020 to approximately HK\$58.1 million for FY2021. The Group's net profit margin increased from 12.0% to 13.3% during the same periods. Setting aside the Listing expenses of approximately HK\$7.0 million and HK\$12.9 million for FY2021 and FY2020 respectively, the adjusted net profit attributable to the equity holders of the Company would have been approximately HK\$65.1 million and HK\$56.3 million respectively, representing an increase of 15.6% as compared to FY2020.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES

Capital Institutions, Liquidity and Financial Resources

During the Reporting Period, the Group has funded the operations primarily with net cash generated from its operations, bank borrowings and the Global Offering, and the funds were primarily used for purchase of raw materials, various operating expenses and capital expenditure. During the Reporting Period, the liquidity of the Group was closely monitored by the Board and the Group reviews its working capital and finance requirements on a regular basis.

Liquidity

As at 31 March 2021, the Group maintained cash and bank balances of approximately HK\$166.0 million (as at 31 March 2020: approximately HK\$56.4 million). The increase in cash and bank balances was mainly attributable to the net proceeds of approximately HK\$66.2 million from the Global Offering and the increase in total revenue of approximately HK\$75.3 million for the year ended 31 March 2021.

Borrowings, Charge on Assets and Gearing Ratio

As at 31 March 2021, the borrowings of the Group amounted to approximately HK\$2.1 million (as at 31 March 2020: approximately HK\$4.0 million), which were denominated in Hong Kong dollar with a floating interest rate and effective rate per annum of approximately 1.8% as at 31 March 2021 (as at 31 March 2020: 3.7%). The total balance of bank borrowing as at 31 March 2021 were repayable on demand and were secured by (i) a legal charge over an industrial property of the Group held for its own use in Hong Kong with net book value amounted to approximately HK\$3.9 million as at 31 March 2021 (as at 31 March 2020: approximately HK\$4.1 million); (ii) a legal charge over an industrial property of the Group held for earning rental income in Hong Kong with net book value amounted to approximately HK\$690,000 as at 31 March 2021 (as at 31 March 2020: approximately HK\$725,000); (iii) a charge over a deposit by the Group placed with the bank amounted to approximately US\$642,000 as at 31 March 2021 (equivalent to approximately HK\$5.0 million) (same as at 31 March 2020); and (iv) corporate guarantee by the Company.

As at 31 March 2021, the Group had banking facilities of approximately HK\$40.0 million, of which approximately HK\$37.9 million was unutilised. The Group are not committed to draw down the unutilised amount. The Group intended to utilise such facilities for its working capital purposes, including purchase of raw materials to support its business operation.

As at 31 March 2021, the gearing ratio of the Group was 0.6% (as at 31 March 2020: 2.1%). The decrease in gearing ratio was due to increase in Group's total equity from net proceeds of Global offering and the decrease of borrowings. The gearing ratio is calculated by dividing the Group's interest-bearing borrowing by Group's total equity as at the end of the respective financial period and multiplied by 100%.

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to foreign currency exchange risk. The value and convertibility of Renminbi are subject to changes in the PRC government's policies and depend on domestic and international economic and political developments, as well as the supply and demand forces of Renminbi in the local market. As the Group is not involved in any currency hedging activities, any fluctuation in the exchange rate or any shortage of foreign currency may have an adverse impact on operating costs and financial condition.

CAPITAL COMMITMENT

As at 31 March 2021, the Group had capital commitments contracted but not provided for property, plant and equipment amounted to approximately HK\$0.2 million (as at 31 March 2020: approximately HK\$1.5 million).

CONTINGENT LIABILITIES

As at 31 March 2021, the Group did not have any material contingent liabilities (as at 31 March 2020: nil).

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

During the Reporting Period, the Group did not hold any significant investment nor did the Group carry out any material acquisitions and disposals of subsidiaries, associates and joint ventures.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS AND EXPECTED SOURCE OF FUNDING

Saved as disclosed in the Prospectus and this report, the Group had no future plans for material investments or capital assets as at 31 March 2021. The Group will continue to monitor the industry closely and review its business expansion plans regularly, so as to take necessary measures in the Group's best interests.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2021, the Group had a total of 781 employees (as at 31 March 2020: 662). The employees' remuneration depends on their particular duties and their performance. The Group's general workers are paid according to the Shenzhen minimum wage standard, and the basic salary of our management, engineering, and technical staff are generally determined with reference to the same industry standards and they may be entitled allowance and bonus based on their performance evaluation. The Group conducts employee performance review annually to evaluate and adjust our employees' remuneration. The Group enters into individual employment agreements with the employees, with terms covering, among other things, positions, salaries, working hours, annual leave and other benefits. During the Reporting Period, the Group's total staff costs amounted to approximately HK\$81.5 million (as at 31 March 2020: approximately HK\$75.9 million).

EVENTS AFTER THE END OF THE REPORTING PERIOD

Up to the date of this report, there are no important events occurred after the reporting period that may affect the Group.

FINAL DIVIDEND

The Board recommended a final dividend of HK3.8 cents per share (FY2020: nil) to shareholders whose names appear on the register of members of the Company on 18 August 2021 (the "**Proposed Final Dividend**"). The Proposed Final Dividend is subject to the approval of the shareholders of the Company at the annual general meeting expected to be held on 9 August 2021. The Proposed Final Dividend is expected to be paid on or before 31 August 2021. As at the date of this report, the Board was not aware that any Shareholder had waived or agreed to any arrangement to waive dividends.

DIRECTORS AND SENIOR MANAGEMENT

CHAIRMAN, EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER

Mr. Li Shu Yeh (李舒野) (“Mr. SY Li”), aged 74, was appointed as the chairman, executive Director and chief executive officer of the Company on 29 March 2019.

Mr. SY Li is primarily responsible for formulating the overall sales and marketing strategies and business development and making major decisions of the Group. He co-founded the Group on 9 March 1988 and is the father of Ms. SJ Li, an executive Director.

Mr. SY Li has more than 35 years of experience in the small household electrical appliances and personal care electrical appliances industry. He has been a director of Fourace Industries Limited (科利實業有限公司) (“**HK Fourace**”), an indirectly wholly-owned subsidiary of the Company, since 9 March 1988, responsible for the overall management, strategic planning and decision-making of HK Fourace.

Mr. SY Li was the chief engineer at Manuick Industrial Company Limited, a manufacturer of electrical appliances from August 1986 to February 1988, responsible for management of engineering technologies, supervision of product design and quality control and management of the manufacturing departments.

Mr. SY Li was the chief engineer of Sun Cupid Industries Limited, a company principally engaged in the manufacture of small electrical appliances on an original equipment manufacturing (OEM)/original design manufacturing (ODM) basis exporting to multinational customers, from March 1980 to June 1986, responsible for new projects development, electrical design and monitoring safety standard of products.

Mr. SY Li obtained his bachelor’s degree in mechanical engineering from the Beijing College of Petroleum* (北京石油學院) (currently known as China University of Petroleum, Beijing* (中國石油大學(北京))) in the PRC in July 1970.

EXECUTIVE DIRECTORS

Ms. Li Sen Julian (李晨) (“Mr. SJ Li”), aged 45, is the executive Director. She was appointed as an executive Director on 29 March 2019 and is primarily responsible for supervising the overall operations and financial management of the Group. Ms. SJ Li joined the Group in August 2001. Since 17 August 2017 and has been a director of HK Fourace. Ms. SJ Li is the daughter of Mr. SY Li, the chairman, executive Director and chief executive officer.

Ms. SJ Li first joined the Group on 2 August 2001 as a sales assistant, responsible for customer management. From August 2003 to June 2006, she served as an assistant general manager of the Group, responsible for customer communications, project management and product pricing. Ms. SJ Li has been the general manager of the Group since June 2006, responsible for the overall supervision of the sales department, quality management and customer relations. Ms. SJ Li has more than 19 years of experience in the personal care electrical appliances industry.

Ms. SJ Li obtained her bachelor’s degree in clinical medicine from Tianjin Medical University (天津醫科大學) in the PRC in July 2001.

DIRECTORS AND SENIOR MANAGEMENT

Ms. TANG Suk Yee (鄧淑儀) (“Ms. SY Tang”), aged 54, is the executive Director. She was appointed as the executive Director on 29 March 2019. Ms. SY Tang is primarily responsible for the overall operations and management of Shenzhen Fourace Electrical Appliances Co., Ltd.* (深圳科利電器有限公司) (“**Shenzhen Fourace**”), an indirect wholly-owned subsidiary of the Company. Ms. SY Tang joined the Group on 6 June 1988. Ms. SY Tang has more than 30 years of experience in the personal care electrical appliances industry.

Ms. SY Tang first joined the Group on 6 June 1988 as a secretary, where she accumulated experiences of customer management, administration, shipping and operations. Since August 2000, she has served as an assistant factory manager of the Group, responsible for monitoring production progress and shipping. She has been a director of HK Fourace since 17 August 2017 and the executive director and legal representative of Shenzhen Fourace since 22 May 2015, responsible for the overall progress management of the productions of the Group.

Ms. SY Tang completed her tertiary education at Sacred Heart Canossian Convent Commercial School in Hong Kong in June 1985.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LIU Kai Yu Kenneth (廖啟宇) (“Mr. Liu”), aged 51, was appointed as the independent non-executive Director and joined the Group on 21 August 2020. Mr. Liu is the chairman of the audit committee and a member of the nomination committee and remuneration committee of the Company. He is primarily responsible for the provision of independent advice to the Board. He has over 20 years of experience in corporate finance and accounting and auditing.

Mr. Liu worked at Hong Kong Exchanges and Clearing Limited, the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) (stock code: 388), from June 2004 to October 2016, with his last position as assistant vice president in IPO Transactions, Listing & Regulatory Affairs Division, responsible for vetting initial public offering applications. Prior to that, he worked at VC CEF Capital Limited (now known as VC Capital Limited) from September 2000 to May 2003, with his last position as an assistant manager in the corporate finance department, responsible for the provision of corporate finance advices to clients, financial analysis, due diligence, document drafting and negotiation of terms. He worked as an audit officer in the internal audit department of Kowloon-Canton Railway Corporation from January 2000 to September 2000, an assistant manager of the audit and control division of the Hong Kong branch of Banque Nationale de Paris from August 1996 to September 1997, an accountant at Ernst & Young from August 1994 to May 1996, and a junior accountant in the audit department of Kwan Wong Tan & Fong (merged with Deloitte Touche Tohmatsu in 1997) from May 1994 to August 1994, responsible primarily for audit and internal control.

Mr. Liu has been an independent non-executive director and an independent director of Hangzhou Tigermed Consulting Co. Ltd., the shares of which are listed on the Main Board of the Stock Exchange (stock code: 3347) and the ChiNext of the Shenzhen Stock Exchange (stock code: 300347), since April 2020; the independent non-executive director of Tianli Education International Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1773), since June 2018; and the independent non-executive director of Sisram Medical Ltd., the shares of which are listed on Main Board of the Stock Exchange (stock code: 1696), since August 2017.

Mr. Liu has been a member of the Hong Kong Institute of Certified Public Accountants since July 1999 and a fellow of the Association of Chartered Certified Accountants since April 2004.

Mr. Liu obtained his bachelor of engineering degree in mechanical engineering from Imperial College of Science, Technology and Medicine of the University of London in the United Kingdom in August 1991. He received his master of business administration degree in international banking and finance from the University of Birmingham in the United Kingdom in December 1998.

DIRECTORS AND SENIOR MANAGEMENT

Mr. LEUNG Wai Chuen (梁偉泉) (“Mr. Leung”), aged 55, was appointed as the independent non-executive Director and joined the Group on 21 August 2020. Mr. Leung is the chairman of the nomination committee and a member of the audit committee and remuneration committee of the Company. He is primarily responsible for the provision of independent advice to the Board. He has over 26 years of experience in auditing, accounting and financial management and company secretarial matters.

Mr. Leung has been the company secretary of Grand Ming Group Holdings Limited, a company the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1271) and principally engages in providing building construction services where he has been responsible for the overall company secretarial matters since 2013. From November 2017 to August 2019, Mr. Leung served as a non-executive director of MOS House Group Limited, a company the shares of which are listed on the Stock Exchange (stock code: 1653) with a principal business of retail and supply of overseas manufactured tiles in Hong Kong, during which he was responsible for supervising and providing strategic advice to the group. He worked as a chief financial officer at Tang Palace (China) Holdings Limited (stock code: 1181), a company the shares of which are listed on the Main Board of the Stock Exchange from 2009 to 2012, and served the same at Sinobest Technology Holdings Ltd (currently known as OKH Global Ltd., the shares of which are listed on the Main Board of the Singapore Exchange (stock code: S3N)) from 2005 to 2008 where he was primarily responsible for their overall financial and accounting management. Mr. Leung served at Neo-Neon Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1868), as a financial controller from December 2008 to May 2009 and as a non-executive director from June 2009 to September 2010, responsible for supervising and providing strategic advice to the group. Mr. Leung also served as a financial controller at WLS Holdings Limited, the shares of which are listed on the GEM of the Stock Exchange (stock code: 8021) from 2001 to 2004, where he was responsible for overseeing their financial matters. From 2000 to 2001, he was an accountant at China Overseas Land & Investment Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 688) where he was primarily responsible for its financial reporting management. Prior to this, Mr. Leung then held senior finance or audit positions in several private companies from 1992 to 2000. From 1989 to 1992, Mr. Leung served as an accountant and subsequently an audit senior at Price Waterhouse (now known as PricewaterhouseCoopers), an international accounting firm, where he was primarily responsible for auditing.

Mr. Leung has been an independent non-executive director of E Lighting Group Holdings Limited, the shares of which are listed on the GEM of the Stock Exchange (stock code: 8222), since September 2014.

Mr. Leung has been a member of the Hong Kong Institute of Certified Public Accountants since December 1993, a fellow of the Association of Chartered Certified Accountants of the United Kingdom since October 1998, an associate of the Hong Kong Institute of Chartered Secretaries (formerly known as the Hong Kong Institute of Company Secretaries) since November 2004 and The Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators) since November 2004 respectively.

Mr. Leung obtained his bachelor of social sciences degree from the University of Hong Kong in December 1989. He received his master of business administration degree jointly awarded by the University of Wales and the University of Manchester in the United Kingdom in July 2001 through distance learning and his master of business (logistics management) degree from the Royal Melbourne Institute of Technology (now known as RMIT University) in Australia in September 2007 through distance learning.

DIRECTORS AND SENIOR MANAGEMENT

Mr. MAN Yun James (文恩) (“Mr. Man”), aged 64, was appointed as the independent non-executive Director and joined the Group on 21 August 2020. Mr. Man is the chairman of the remuneration committee and a member of the nomination committee and audit committee of the Company. He is primarily responsible for the provision of independent advice to the Board. He has over 25 years of experience in manufacturing of electrical appliances.

Mr. Man worked at Manuick Industrial Company Limited, a manufacturer of electrical appliances, from March 1984 to January 2004, with his last position as a director, responsible for administration and management of factory affairs, supervision of research and development and design of new products, quality control and customers relations. From May 1981 to March 1984, he served as an electrical engineer of Sun Cupid Industries Limited, a company principally engages in the manufacture of small electrical appliances on an OEM/ODM basis exporting to multinational customers, where he was responsible for customer relations, product design, development of products and safety and quality control. Mr. Man had worked as an engineer in several private companies from January 1979 to May 1981, responsible primarily for development of products and safety and quality control.

Mr. Man obtained his bachelor of science degree in engineering from The University of Hong Kong in Hong Kong in November 1978.

SENIOR MANAGEMENT

Mr. TSANG Kai Ming (曾啟明) (“Mr. KM Tsang”), aged 58, has been the chief financial officer and company secretary of the Company since 29 March 2019, responsible for financial management and control, corporate finance, treasury, investor relations and company secretarial matters of the Group. Mr. KM Tsang joined the Group in November 2018 as a financial controller.

Mr. KM Tsang has more than 30 years of experience in finance and accounting. Prior to joining the Group, he worked in various companies, responsible mainly for finance and accounting. He worked as the financial controller in Bloom & Grow Limited from June 2015 to June 2018; the financial controller and company secretary in Hung Fook Tong Group Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1446), from September 2010 to May 2015; as the group internal audit manager in Popular Holdings Limited, the shares of which are listed on the main board of the Singapore Exchange (stock code: P29), from October 2008 to January 2010; as the senior internal audit and compliance manager in Print-Rite Management Company Limited from November 2007 to October 2008; as the internal audit manager in Hung Hing Printing Group Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 0450), from July 2000 to November 2007; in Vitasoy International Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 0345), from January 1991 to January 1996, with his last position as internal audit manager; as the finance & accounting manager in Magsec Investments (Far East) Limited from March 1990 to November 1990; in Shui On Investment Company Limited (currently known as Shui On (Holdings) Limited) and Shui On Leisure Enterprises Limited from June 1988 to February 1990, with his last position as senior internal auditor; and as the cost accountant in Amphenol East Asia Limited from August 1987 to June 1988.

Mr. KM Tsang has been an associate of the Hong Kong Institute of Certified Public Accountants since April 1992 and a fellow of the Association of Chartered Certified Accountants since May 1997.

Mr. KM Tsang obtained his bachelor’s degree in commerce from The University of Southern Queensland (part-time programme) in Australia in April 1999. He obtained a master of management degree from The University of Western Sydney in Australia in October 1998.

DIRECTORS AND SENIOR MANAGEMENT

Ms. SHIU Pui Fun (邵佩芬) (“Mr. Shiu”), aged 50, is an assistant general manager of the Group, responsible for human resources planning, purchase control and logistics management of the Group. She has over 28 years of experience in the personal care electrical appliances industry. Ms. Shiu joined the Group in November 1990.

From November 2018 to 29 March 2019, Ms. Shiu was responsible for the overall logistic and procurement management, import and export and supervision of human resources of the Group. Ms. Shiu has served as the supervisor of Shenzhen Fourace since May 2015, responsible for overall compliance. Ms. Shiu has been the financial director and an assistant factory manager of the Group from August 2000 to October 2018, responsible for the supervision of the accounts departments in Hong Kong and Shenzhen of the Group and logistics of the Group. Ms. Shiu was promoted as a manager of the finance department of the Group in June 1993, responsible for supervision of the accounting departments of the Group and preparation of financial reports. She first joined HK Fourace as an accounts clerk in November 1990, responsible for book keeping.

Ms. Shiu completed her secondary education at the FDBWA Szeto Ho Secondary School in Hong Kong in April 1988.

Mr. LONG Xiao Ge (隆小鵠) (“Mr. Long”), aged 39, is a chief engineer of the Group, responsible for supervising development, safety certification and structural engineering of new products of the Group. He has over 12 years of experience in the design and product engineering of personal care electrical appliances. Mr. Long first joined the Group in July 2006 as a project engineer of Shenzhen Bao’an District Gongming Jiangshi Fourace Electrics Factory* (深圳市寶安區公明將石科利電器廠) (“**Fourace Factory**”), responsible for testing, research and design of new products and progress management of moulds. He was then promoted to a principal engineer of Fourace Factory in August 2010, responsible for trial testing and supervision of structure and specifications of products. Since July 2014, Mr. Long has been a chief engineer of Fourace Factory, responsible for monitoring progress of development of new products, improving technical aspects of existing products, structural engineering and safety certification of new products.

Mr. Long completed his higher education (majoring in mechatronics) at the Hunan Institute of Engineering* (湖南工程學院) (merged from Xiangtan Electrical and Mechanical Higher Education College* (湘潭機電高等專科學校) and Hunan Textile Higher Education College* (湖南紡織高等專科學校) in June 2000) in the PRC in July 2002.

Mr. HE Jian (賀健) (“Mr. He”), aged 48, is a chief engineer of the Group, responsible for supervising development and safety certification of new products of the Group. He has over 20 years of experience in the design and product engineering of personal care electrical appliances. Mr. He first joined the Group in March 1997 as an engineer of Fourace Factory, responsible for development and engineering of new hair dryer products, improving existing products and trial testing. He was then promoted as a principal engineer of Fourace Factory responsible for supervision of the overall design and specifications of the products. Since March 2008, Mr. He has been a chief engineer of Fourace Factory, responsible for monitoring progress of development of new products, safety certification and resolving technical difficulties.

Mr. He completed his tertiary education (majoring in mechanical engineering) at the Shandong Industrial University* (山東工業大學) (currently known as Shandong University (山東大學)) in the PRC in July 1993.

REPORT OF THE DIRECTORS

The board ("**Board**") of Directors of the Company is pleased to present its report together with the audited consolidated financial statements of the Group for FY2021.

PRINCIPAL ACTIVITIES

The Group principally engaged in the design, development and manufacturing of personal care and lifestyle electrical appliances on an ODM basis. There were no significant changes in the nature of the Group's principal activities during FY2021.

RESULTS

The results of the Group for FY2021 are set out in the consolidated statement of comprehensive income on page 46 of this annual report.

DIVIDENDS

The Board recommended a final dividend of HK3.8 cents per share to shareholders whose names appear on the register of members of the Company on 18 August 2021 (the "**Proposed Final Dividend**").

The Proposed Final Dividend is subject to the approval of the shareholders of the Company (the "**Shareholders**") at the annual general meeting expected to be held on 9 August 2021. The Proposed Final Dividend is expected to be paid on or before 31 August 2021.

As at the date of this annual report, the Board was not aware that any Shareholder had waived or agreed to any arrangement to waive dividends.

BUSINESS REVIEW

Business review of the Group is provided in the Management Discussion and Analysis on page 6 of this annual report.

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last four financial years is set out on page 104 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 March 2021 are set out in note 16 to the consolidated financial statements.

The property interests held by the Group in the PRC as at 30 June 2020 have been valued by an independent property valuer and the amount of such valuation of the properties is HK\$5.2 million. The revaluation surplus has not been recorded in the consolidated financial statements of the Group as the Group's property, plant and equipment are stated at cost less accumulated depreciation and impairment loss. If the revaluation surplus were recorded in the Group's consolidated financial statements, addition annual depreciation and amortisation of approximately HK\$6,000 would be charged against the consolidated statement of profit or loss and other comprehensive income.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year ended 31 March 2021 are set out in note 17 to the consolidated financial statements.

BORROWINGS

Details of movements in the borrowings of the Group during the year ended 31 March 2021 are set out in note 28 to the consolidated financial statements.

REPORT OF THE DIRECTORS

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 March 2021 are set out in note 22 to the consolidated financial statements.

TAX RELIEF

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the shares of the Company.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 March 2021 are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 March 2021, the Company's reserves available for distribution under the Companies Laws of the Cayman Islands, consisted of retained earnings amounted to HK\$249.7 million.

EQUITY-LINKED AGREEMENTS

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 during the year ended 31 March 2021 or subsisted at the end of the year.

SIGNIFICANT RELATIONSHIP WITH STAKEHOLDERS

Employees

As of 31 March 2021, the Group had a total number of 781 employees. During the Reporting Period, relationship between the Company and the employees remained stable. The Company did not experience any strikes or other labor disputes which would have material impact on the business activities of the Company.

Customers

The Group endeavours to maintain longstanding relationship with customers by continuous active communication. By engaging in the meetings with the customers and obtaining feedbacks from them, the Group is able to gain a deeper understanding of the customers' requirements and develop desirable products that satisfy the customers needs. As such, the Group has established and maintained long term and strong relationships with the customers.

Suppliers

The Group follows a stringent standard to select its suppliers and only purchase from the suppliers enlisted in the Group's internal list of pre-approved suppliers. Further, the Group conducts a review of the approved list of suppliers annually. The Group is keen on developing and maintaining the business relationships with the suppliers. During the Reporting Period, the Group has maintained good business relationships with the suppliers and has not encountered any material difficulty in sourcing raw materials for our production.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

For FY2021, sales to the Group's five largest customers combined accounted for 99.0% of the total revenue of the Group (FY2020: 98.5%) and sales to the largest customer included therein accounted for 48.9% of the total revenue of the Group. Purchases from the Group's five largest suppliers combined accounted for 33.1% of the total purchases for FY2021 and purchases from the largest supplier included therein accounted for 12.3% of the total purchases for FY2021.

Saved as disclosed herein, none of the Directors, their associates, or any Shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued share capital during the Reporting Period) had any beneficial interest in the top five customers and suppliers of the Group.

DIRECTORS

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

Executive Directors

Mr. LI Shu Yeh (*Chairman and chief executive officer*) (*appointed on 29 March 2019*)

Ms. LI Sen Julian (*appointed on 29 March 2019*)

Ms. TANG Suk Yee (*appointed on 29 March 2019*)

Independent non-executive Directors

Mr. LIU Kai Yu Kenneth (*appointed on 21 August 2020*)

Mr. LEUNG Wai Chuen (*appointed on 21 August 2020*)

Mr. MAN Yun James (*appointed on 21 August 2020*)

Pursuant to Article 84(1) of the Articles of association of our Company ("**Articles**"), at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years and shall then be eligible for re-election.

In accordance with the Article 84(1) and code provision A.4.3 of the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), Ms. LI Sen Julian and Ms. TANG Suk Yee will retire and, being eligible, will offer themselves for re-election at the Annual General Meeting.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management are set out in the section headed "Directors and Senior Management" on pages 12 to 16 of this annual report.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed herein, at no time during the year ended 31 March 2021 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate; and none of the Directors, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year ended 31 March 2021.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

Executive Directors

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from the date of Listing until terminated by not less than one month notice in writing served by either party on the other.

The current basic annual salaries of the executive Directors payable under their service contracts are as follows:

Name	Annual salary HK\$
Mr. Li Shu Yeh	1.5 million
Ms. Li Sen Julian	1.08 million
Ms. Tang Suk Yee	0.6 million

Independent Non-executive Directors

Each of the independent non-executive Directors has entered into an appointment letter with the Company under which each of them has agreed to act as the independent non-executive Directors for term of three years commencing from the date of Listing, which shall be renewed and extended automatically for successive terms of three years upon expiry of then current term until terminated by either party giving not less than one month's written notice to the other expiring at the end of the term of their appointment or any time thereafter. The appointments are subject to the provisions of the Articles with regard to vacation of office of Directors, removal and retirement by rotation of Directors. Independent non-executive Directors, Mr. Liu Kai Yu Kenneth, Mr. Leung Wai Chuen and Mr. Man Yun James are entitled to a director's fee of HK\$252,000 per annum, respectively. Save for directors' fees, none of the independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Save as disclosed herein, none of the Directors has or is proposed to have a service contract with the Company or any of the subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

All the Directors are subject to retirement by rotation and re-election at an annual general meeting at least once every three years in accordance with the Articles.

REMUNERATION OF THE DIRECTORS

Details of remuneration of the Directors during the year ended 31 March 2021 are set out in note 12 to the consolidated financial statements.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the three independent non-executive Directors, a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent in accordance with Rule 3.13.

DIRECTORS INTERESTS IN COMPETING BUSINESS

Each of the Directors confirms that he/she does not have any interest in a business, apart from the business of the Group, which competes or is likely to compete, directly or indirectly, with the business of our Group and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed herein, none of the Directors had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during or at the end of the year.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, Directors, managing directors, alternate Directors, auditors, secretary and other officers for the time being of the Company and the trustees for the time being acting in relation to any of the affairs of the Company, and their respective executors or administrators, shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their executors or administrators, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts.

The Company has also arranged appropriate directors' and officers' liability insurance for the Directors and officers of the Group.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "**Share Option Scheme**") on 21 August 2020, which has become effective upon the Listing on 15 September 2020. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. No option had been granted by the Company under the Share Option Scheme since its adoption and up to 31 March 2021.

The total number of securities available for issue under the Share Option Scheme as at 31 March 2021 was 125,000,000 Shares which represented approximately 10% of the issued share capital of the Company at 31 March 2021.

1. Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable the Board to grant share options to selected eligible persons as incentives or rewards for their contribution or potential contribution to the growth and development of the Group.

2. Eligibility of participants of the Share Option Scheme

The Board may, at its absolute discretion and on such terms as it may think fit, grant share options to any eligible person to subscribe at a price calculated in accordance with paragraph 3 below for such number of shares as it may determine in accordance with the terms of the Share Option Scheme. An eligible person ("**Eligible Person**") is (a) any director or proposed director (whether executive or non-executive, including any independent non-executive director), employee or proposed employee (whether full time or part time) of, or (b) any individual for the time being seconded to work for any member of the Group; or (c) any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group.

The basis of eligibility of any of the Eligible Persons to the grant of share options shall be determined by the Board from time to time on the basis of his contribution or potential contribution to the development and growth of the Group, provided that no share option shall be granted to any person which would result in the Company being required under applicable securities laws and regulations to issue a prospectus or other offer document in respect thereof, or will result in the breach by the Company or the Directors of any applicable securities laws and regulations or any filing or other requirements arising.

REPORT OF THE DIRECTORS

3. Exercise price per share for the exercise of a share option

The exercise price per share payable on the exercise of a share option is to be determined by the Board provided always that it shall be at least the higher of:

- (i) the closing price of the shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant (which is deemed to be the date of Board meeting for approving the grant of options), which must be a business day; and
- (ii) (the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five (5) business days immediately preceding the date of offer of grant,

provided that the exercise price per Share shall in no event be less than the nominal amount of the share.

4. Acceptance of offers

An offer for the grant of share options must be accepted within thirty (30) days inclusive of the day on which such offer was made. The amount payable by the grantee of a share option to the Company on acceptance of the offer for the grant of a share option is HK\$1.00.

5. Maximum number of shares

Subject to any refreshment of the Scheme Mandate (as defined below) or approval of Shareholders in general meeting, the maximum number of shares issuable upon the exercise of all share options to be granted under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the shares in issue as at the date on which the Share Option Scheme becomes effective i.e. the date of Listing (i.e. 125,000,000 shares) ("**Scheme Mandate**").

6. Maximum entitlement of each Eligible Person

The maximum number of shares issued and to be issued upon the exercise of the share options granted under the Share Option Scheme and any other share option schemes of the Company to any Eligible Person(s) (including cancelled, exercised and outstanding share options), in any 12-month period up to the date of grant shall not exceed 1% of the number of shares in issue, unless (i) a circular containing the information required by the Listing Rules is despatched to the Shareholders; (ii) the Shareholders approve the grant of the share options in excess of the 1% limit referred to in this paragraph; and (iii) the relevant Eligible Person and his associates shall abstain from voting. The number and terms (including the exercise price) of share options to be granted to such Eligible Person(s) shall be fixed before Shareholders' approval.

7. Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten (10) years commencing on the date on which the Share Option Scheme becomes effective and shall expire at the close of business on the day immediately preceding the tenth anniversary thereof unless terminated earlier by Shareholders in general meeting.

Since the adoption of the Share Option Scheme and during the year ended 31 March 2021, no options have been granted by the Company under the Share Option Scheme.

REPORT OF THE DIRECTORS

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 March 2021.

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

So far as the Directors are aware, as at 31 March 2021, the interests and short positions of the Directors and chief executive of the Company in the equity or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO), or which are required, pursuant to Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 of Listing Rules to be notified to the Company and the Stock Exchange or which are required pursuant to section 352 of the SFO to be entered in the register referred to therein, were as follows:

Name of Director/ Chief Executive	Nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding interest
Mr. Li Shu Yeh (Note 2)	Interest in controlled corporation (Note 3)	468,750,000 Shares (L)	37.5%

Notes:

1. The letter “L” denotes the person’s long position in the shares of the Company (the “Shares”).
2. As at 31 March 2021, Ace Champion Inc. (“Ace Champion”) is legally and beneficially owned by Mr. Li Shu Yeh as to 100% of its equity interest. Mr. Li Shu Yeh is deemed to be interested in the Shares in which Ace Champion is interested in pursuant to Part XV of the SFO.
3. Ace Champion, a limited liability company incorporated in the British Virgin Islands, is the legal and beneficial owner of 468,750,000 Shares, representing approximately 37.5% of the issued share capital of the Company as at 31 March 2021.

Save as disclosed above and so far as the Directors are aware, as at 31 March 2021, none of the Directors or the chief executive of the Company had any interests and/or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

REPORT OF THE DIRECTORS

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

As at 31 March 2021, the following persons, other than the directors or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the shares of the Company.

Name of Director/ Chief Executive	Nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding interest
Ace Champion (Note 2)	Beneficial owner	468,750,000 Shares (L)	37.5%
Forever Golden (Note 3)	Beneficial owner	468,750,000 Shares (L)	37.5%
Ms. Sit Hor Wan (Note 4)	Interest in controlled corporation	468,750,000 Shares (L)	37.5%
Ms. Chan Pan Pan (Note 5)	Interest of spouse	468,750,000 Shares (L)	37.5%
Mr. Loo Kin Kuen Stephen (Note 6)	Interest of spouse	468,750,000 Shares (L)	37.5%

Notes:

1. The letter "L" denotes the person's long position in the Shares.
2. Ace Champion, a limited liability company incorporated in the British Virgin Islands, is the legal and beneficial owner of 468,750,000 Shares, representing approximately 37.5% of the issued share capital of the Company as at 31 March 2021.
3. Forever Golden Inc. ("**Forever Golden**"), is a limited liability company incorporated in the British Virgin Islands, is the legal and beneficial owner of 468,750,000 Shares, representing approximately 37.5% of the issued share capital of the Company.
4. The entire issued share capital of Forever Golden is beneficially owned by Ms. Sit Hor Wan, who is deemed to be interested in all the Shares held by Forever Golden by virtue of Part XV of the SFO.
5. Ms. Chan Pan Pan is the spouse of Mr. Li Shu Yeh. Therefore, Ms. Chan Pan Pan is deemed to be interested in the Shares in which Mr. Li Shu Yeh is interested under Part XV of the SFO.
6. Mr. Loo Kin Kuen Stephen is the spouse of Ms. Sit Hor Wan. Therefore, Mr. Loo Kin Kuen Stephen is deemed to be interested in the Shares in which Ms. Sit Hor Wan is interested under Part XV of the SFO.

Save as disclosed above, the Company had not been notified of any other persons (other than the directors or chief executive of the Company) who, as at 31 March 2021, had interests or short positions in the shares and underlying shares of the Company would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the shares of the Company.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS

During the year ended 31 March 2021, the Group has not entered into any connected transaction or continuing connected transactions which requires disclosure in accordance with Chapter 14A of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group are set out in Note 32 to the consolidated financial statements.

EMOLUMENT POLICY

The employees' remuneration depends on their particular duties and their performance. The Company's general workers are paid according to the Shenzhen minimum wage standard, and the basic salary of the management, engineering, and technical staff are generally determined with reference to the same industry standards and they may be entitled allowance and bonus based on their performance evaluation. The Company conducts employee performance review annually to evaluate and adjust the employees' remuneration. The Company enters into individual employment agreements with the employees, with terms covering, among other things, positions, salaries, working hours, annual leave and other benefits. The Group has the Share Option Scheme in place to enable the Board to grant share options to selected Eligible Persons as incentives or rewards for their contribution or potential contribution to the growth and development of the Group. For details in relation to the Share Option Scheme, please refer to the paragraph headed "Share Option Scheme" from pages 21 to 22 of this annual report.

The emoluments of Directors are determined based on the skill, knowledge, duties and responsibilities. Each Director and senior management are determined by reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

None of the Directors waived any emoluments for the year ended 31 March 2021.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules at all times from the date of Listing to 31 March 2021.

CHANGE IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information of Directors subsequent to the date of the Prospectus is set out below:

Save as otherwise set out in this report, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B of the Listing Rules.

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

Except for the new issue of Shares under the Global Offering, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2021.

DONATIONS

During the Reporting Period, the Group made charitable and other donations amounting to HK\$6,000.

REPORT OF THE DIRECTORS

EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the Reporting Period and up to the date of this report.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The net proceeds from the Global Offering were approximately HK\$66.2 million. During the period from the date of Listing to 31 March 2021, the net proceeds from the Global Offering had been applied as follows:

Business objective as stated in the prospectus of the Company dated 31 August 2020 (the "Prospectus")	Percentage of total net proceeds	Planned use of actual net proceeds (Note 1) HK\$ million	Actual use of net proceeds during the period from the date of Listing to 31 March 2021 HK\$ million	Proceeds unused (Note 2) HK\$ million	Estimated timeline for the utilisation of the unutilized net proceeds (Note 3)
Expanding and upgrading the Company's production facilities to enhance the Company's production capabilities	54.5%	36.1	–	36.1	By June 2022 (Note 4)
Enhancing the Company's research and engineering capabilities	24.8%	16.4	–	16.4	By March 2023 (Note 4)
Introducing new products carrying the Company's "iHA" brand	12.9%	8.5	–	8.5	By September 2022 (Note 4)
Enhancing the Company's sales and marketing efforts in the global market including the PRC market	3.5%	2.3	–	2.3	By December 2022 (Note 4)
Upgrading the Company's information technology system and design-aided software	4.3%	2.9	–	2.9	By September 2022 (Note 4)
	100%	66.2	–	66.2	

REPORT OF THE DIRECTORS

Notes:

1. The net proceeds from the Global Offering, after deduction of the underwriting fees and expenses paid by the Company in connection with the Global Offering were approximately HK\$66.2 million. The Company has allocated the difference between the estimated and actual net proceeds to each business objective in the same proportion as the original funds applied as shown in the Prospectus.
2. As at 31 March 2021, net proceeds not yet utilized were deposited with certain licensed banks in Hong Kong.
3. The expected timeline for utilising the unutilised net proceeds for the business objectives is based on the best estimation of the future market conditions made by the Group. It is subject to change based on the current and future development of the market conditions.
4. The Company remains committed to the original allocation of the net proceeds from the Global Offering as disclosed in the Prospectus.

As affected by the persistent outbreak of the COVID-19 pandemic since the beginning of 2020, the Company's original plan and timeframe for the utilization of net proceeds from the Global Offering have been generally delayed. For FY2021, the Company was of the view that it would be beneficial to the Company to adopt a more prudent strategy towards business expansion, including expansion and upgrading of production capabilities and information technology system, enhancement of research and engineering capabilities and development of OBM business together with relevant marketing efforts. It is considered that the originally planned timeline of the use of proceeds should be appropriately adjusted to maintain flexibility for better accommodation of the changing market conditions, industry environment and the actual condition of the Company.

The Company has sourced quotations from various suppliers of machines and equipment and is currently in the process of further negotiation with potential suppliers with a view of confirming a proposal satisfactory to the Company. Also, faced with uncertainties brought by persistent COVID-19 pandemic and to align with the actual business needs of the Group, the Company has taken a slower pace in applying listing proceeds to enhance its research and engineering capabilities. Despite that, the Company had arranged its engineers and design team to conduct preparation works such as testing on and improve the design and functions of its smart toilet seat product. As for the launch of the Company's own brand, the Company is of the view that it may not be in the best interest of the Company to boost its sales and marketing functions as scheduled having considered the overall consumer sentiment. Further, the Company has obtained quotations from information technology system and software providers during FY2021. The management is in the process of reviewing and finalizing the proposals with the service providers.

REPORT OF THE DIRECTORS

AUDIT COMMITTEE

The Company established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. As at 31 March 2021, the Audit Committee has three members, comprising three independent non-executive Directors, namely Mr. Liu Kai Yu Kenneth (Chairman of the Audit Committee), Mr. Leung Wai Chuen and Mr. Man Yun James. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including a review of the annual results and the audited consolidated financial statements for the year ended 31 March 2021 of the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors’ securities transactions. Having made specific enquiries with all the Directors, each of the Directors has confirmed that he/she has complied with the Model Code since the date of Listing and up to the date of this report.

CORPORATE GOVERNANCE

Details of the Company’s corporate governance practices are set out in the section headed “Corporate Governance Report” on pages 29 to 40 in this annual report.

AUDITOR

The consolidated financial statements for the year ended 31 March 2021 have been audited by Messrs. PricewaterhouseCoopers who shall retire at the Annual General Meeting. A resolution will be proposed at the Annual General Meeting to re-appoint Messrs. PricewaterhouseCoopers as the auditor of the Company.

On behalf of the Board

Li Shu Yeh

Chairman and Chief Executive Officer

Hong Kong, 25 June 2021

CORPORATE GOVERNANCE REPORT

The Board of Directors of the Company (the “**Board**”) is pleased to report to the Shareholders on the corporate governance of the Company for the year ended 31 March 2021.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company had complied with all the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules from the date of the Listing to 31 March 2021, except as disclosed below.

Code provision A.2.1 set out in the CG Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Li Shu Yeh, in addition to his duties as the chairman, is also responsible for the corporate strategic planning and overall business development of the Group as the chief executive officer of the Company. Mr. Li Shu Yeh is one of the co-founders and he has extensive experience and knowledge in the business of the Group and his duties for overseeing the Group’s operations are considered to be beneficial to the Group. The Company considers having Mr. Li Shu Yeh acting as both the chairman and chief executive officer will provide strong and consistent leadership to the Group and facilitate the efficient execution of the business strategies. Since the Directors would meet regularly to consider major matters affecting operations of the Company, the Directors and the management of the Company believe that this structure will enable the Company to make and implement decisions promptly and efficiently. As a result, the Company currently do not propose to separate the functions of chairman and chief executive officer. The Board will continue to review and consider splitting the roles of chairman and chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

ADOPTION OF CODE OF CONDUCT REGARDING DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors’ securities transactions. Having made specific enquiry to the Directors, all of them confirmed that they had complied with the required standard of dealings as set out in the Model Code from the date of Listing to 31 March 2021.

THE BOARD

Chairman and Chief Executive Officer

The Company intends to comply with all code provisions in the CG Code as set out in Appendix 14 of the Listing Rules except for code provision A.2.1 set out in the CG Code, which provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. SY Li, in addition to his duties as the chairman, is also responsible for the corporate strategic planning and overall business development of the Group as the chief executive officer of the Company. Mr. SY Li is one of the co-founders and he has extensive experience and knowledge in the business of the Group and his duties for overseeing the Group’s operations are considered to be beneficial to the Group. The Company considers having Mr. SY Li acting as both the chairman and chief executive officer will provide strong and consistent leadership to the Group and facilitate the efficient execution of the business strategies. Since the Directors would meet regularly to consider major matters affecting operations of the Company, the Directors and the management of the Company believe that this structure will enable the Company to make and implement decisions promptly and efficiently. As a result, the Company currently does not propose to separate the functions of chairman and chief executive officer. The Board will continue to review and consider splitting the roles of chairman and chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Save as disclosed above, the Company in compliance with all code provisions of the CG Code as set out in Appendix 14 of the Listing Rules.

The Directors will review the corporate governance policies and compliance with the CG Code each financial year and comply with the “comply or explain” principle in the corporate governance report which will be included in annual reports.

CORPORATE GOVERNANCE REPORT

Independent Non-executive Directors

Since the date of Listing up to 31 March 2021, the Company has at all times complied with the requirements of the Listing Rules to have at least three independent non-executive Directors representing at least one-third of the Board with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

Each of the three independent non-executive Directors has confirmed his independence and the Company considers each of them to be independent in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules.

Non-executive Directors and Directors' Re-Election

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by Shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the independent non-executive Directors has entered into an appointment letter with the Company under which each of them shall commence on the date of Listing on which the shares of the Company are first admitted on The Stock Exchange of Hong Kong Limited and shall continue for a period of three (3) years, and shall be terminable by either of us by giving the other party not less than one (1) month's prior notice in writing. The appointments are subject to the provisions of the Articles with regard to vacation of office of Directors, removal and retirement by rotation of Directors.

The Articles require that at each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

The Articles also require that any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Members after his 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 annual general meeting of the Company and shall then be eligible for re-election.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for, and has general powers under the Articles for, the leadership, control and oversight of the Company's the overall operational, management and strategic planning.

The Board is also responsible for performing the corporate governance functions set out in the code provision D.3.1 of the CG Code, including: developing and reviewing the Company's corporate governance policies and practices; reviewing and monitoring training and continuous professional development of Directors and senior management; reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and directors; and reviewing the Company's compliance with the CG Code and the disclosure in this Corporate Governance Report.

The day-to-day management and operations of the Group are delegated to the executive Directors and the senior management of the Company. Certain functions and responsibilities are delegated to committees established by the Board. For details, please refer to the paragraphs headed "Audit Committee", "Remuneration Committee" and "Nomination Committee" below.

CORPORATE GOVERNANCE REPORT

Continuous Professional Development of Directors

Directors shall keep abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 March 2021, the Company, together with its Hong Kong legal advisers, organised training sessions to each of the Directors in relation to the obligation, on-going corporate governance requirements and duties of directors of a company listed on the Stock Exchange before and after listing. In addition, all Directors of the Company are provided with reading materials summarizing the duties and responsibilities in acting as directors from time to time to keep the directors of the Company abreast of such duties and responsibilities.

The record of training sessions attended by the Directors for the year ended 31 March 2021 are summarised as follows:

Name of Directors	Type of Trainings
Executive Directors	
Mr. Li Shu Yeh	A and B
Ms. LI Sen Julian	A and B
Ms. TANG Suk Yee	A and B
Independent Non-executive Directors	
Mr. LIU Kai Yu Kenneth	A and B
Mr. LEUNG Wai Chuen	A and B
Mr. MAN Yun James	A and B

A: attending training session/seminars/workshops/conferences/forums

B: reading materials relevant to the business of the Group, regulatory updates, corporate governance and directors' duties and responsibilities

Board Meeting

Notices of not less than fourteen days will be given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for regular Board meetings. For other Board meetings, reasonable notice will generally be given. All Board committee meetings require a notice of at least fourteen days to be given, unless such notification is waived by all members of the respective Board committees. The agenda and accompanying Board papers are dispatched to the Directors or Board committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and be adequately prepared for the meetings. When Directors or Board committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman prior to the meeting.

CORPORATE GOVERNANCE REPORT

Minutes of the Board meetings and Board committee meetings are/will be recorded in sufficient detail to include the matters considered by the Board and the Board committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board committee meeting are/will be sent to the Directors for comments within a reasonable time after the date on which the meeting is held.

Code provision A.1.1 of the CG Code stipulates that the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. During the year ended 31 March 2021, two (2) board meetings and no (0) general meetings were held and the attendance of each Director at these meetings is set out in the table below:

Name of Directors	Number of attendance/ number of Board meetings	Number of attendance/ number of General meetings
Executive Directors		
Mr. LI Shu Yeh	2/2	0/0
Ms. LI Sen Julian	2/2	0/0
Ms. TANG Suk Yee	2/2	0/0
Independent Non-executive Directors		
Mr. LIU Kai Yu Kenneth	2/2	0/0
Mr. LEUNG Wai Chuen	2/2	0/0
Mr. MAN Yun James	2/2	0/0

BOARD OF DIRECTORS

The Board currently consists of six Directors, comprising three executive Directors and three independent non-executive Directors. The functions and duties of the Board include determining Company's business and investment plans, preparing the Company's annual financial budgets and financial reports, formulating proposals for profit distributions as well as exercising other powers, functions and duties as conferred by the Articles.

Composition of the Board

As at 31 March 2021, the Board comprised the following Directors:

Executive Directors

Mr. LI Shu Yeh (*Chairman and Chief Executive Officer*)

Ms. LI Sen Julian

Ms. TANG Suk Yee

Independent Non-executive Directors

Mr. LIU Kai Yu Kenneth

Mr. LEUNG Wai Chuen

Mr. MAN Yun James

CORPORATE GOVERNANCE REPORT

The biographical information of the Directors is set out in the section headed “Directors and Senior Management” on pages 12 to 16 of this annual report.

Save as disclosed in this annual report and to the best knowledge, information and belief of Directors, each of the Directors has no financial, business, family or other material/relevant relationships with any other Directors, senior management, substantial shareholders or controlling shareholders (as respectively defined in the Listing Rules) of the Company.

The list of Directors (by category) is disclosed in all corporate communications issued by the Company pursuant to the Listing Rules. A list of the Directors identifying their roles and functions is also available on the Company’s website at www.fourace.com and on the website of the Stock Exchange.

BOARD COMMITTEES

The Company has established the audit committee (“**Audit Committee**”), the remuneration committee (“**Remuneration Committee**”) and the nomination committee (“**Nomination Committee**”) on 21 August 2020 and delegated various responsibilities to these committees, which assist the Board in discharging its duties and overseeing particular aspects of the Group’s activities. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company’s website and the Stock Exchange’s website.

Audit Committee

The Company established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the CG Code as set out in Appendix 14 of the Listing Rules. The primary duties of the Audit Committee include: reviewing the effectiveness of the financial control, internal control and risk management system of the Group, reviewing and monitor integrity of financial statements, half-year report, annual report and accounts of the Company, making recommendations to the Board on the appointment, reappointment and removal of the external auditor, reviewing and monitoring the independence and objectivity of external auditor and performing other duties and responsibilities as may be assigned by the Board.

The Audit Committee consists of three members, who are all independent non-executive Directors, being Mr. Liu Kai Yu Kenneth, Mr. Leung Wai Chuen and Mr. Man Yun James. Mr. Liu Kai Yu Kenneth is the chairman of the Audit Committee.

Two Audit Committee meetings were held during the period from the date of Listing to 31 March 2021.

	Number of attendance/ number of meetings
Mr. Liu Kai Yu Kenneth (<i>Chairman</i>)	2/2
Mr. Leung Wai Chuen	2/2
Mr. Man Yun James	2/2

The Audit Committee meeting was respectively held on 26 November 2020 and 26 February 2021 to review the interim financial results and report, major internal audit issues, re-appointment of external auditors relevant scope of works and the effectiveness of the risk management and internal control systems of the Group. All members of the Audit Committee attended the meeting.

CORPORATE GOVERNANCE REPORT

Remuneration Committee

The Company established a Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the CG Code as set out in Appendix 14 of the Listing Rules. The primary duties of the Remuneration Committee include: reviewing and approving general policy relating to strategic compensation issues, making recommendations to the Board regarding the policy and structure for the remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies, reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives and determining or making recommendations to the Board on the remuneration packages of each Director.

The Remuneration Committee consists of five members, being Mr. Man Yun James, Mr. Li Shu Yeh, Ms. Li Sen Julian, Mr. Liu Kai Yu Kenneth and Mr. Leung Wai Chuen. The Remuneration Committee is chaired by Mr. Man Yun James.

One Remuneration Committee meeting was held during the period from the date of Listing to 31 March 2021.

	Number of attendance/ number of meetings
Mr. Man Yun (<i>Chairman</i>)	1/1
Mr. Li Shu Yeh	1/1
Ms. Li Sen Julian	1/1
Mr. Liu Ka Yu Kenneth	1/1
Mr. Leung Wai Chuen	1/1

The Remuneration Committee meeting was held on 26 February 2021 and has reviewed the remuneration policy and structure of the Company and the remuneration packages of the executive Directors and senior management and other related matters.

Nomination Committee

The Company established a Nomination Committee with written terms of reference in compliance with paragraph A.5 of the CG Code as set out in Appendix 14 of the Listing Rules. The primary duties of the Nomination Committee include reviewing the structure, size and composition of the Board on a regular basis and making recommendations to the Board regarding any appointment or re-appointment of Directors.

The Nomination Committee consists of five members, being Mr. Leung Wai Chuen, Mr. Li Shu Yeh, Ms. Tang Suk Yee, Mr. Liu Kai Yu Kenneth and Mr. Man Yun James. The Nomination Committee is chaired by Mr. Leung Wai Chuen.

One Nomination Committee meeting was held during the period from the date of Listing to 31 March 2021.

	Number of attendance/ number of meetings
Mr. Leung Wai Chuen (<i>Chairman</i>)	1/1
Mr. Liu Kai Yu Kenneth	1/1
Mr. Man Yun James	1/1
Mr. Li Shu Yeh	1/1
Ms. Tang Suk Yee	1/1

The Nomination Committee meeting was held on 26 February 2021 and has reviewed the structure, size, composition and diversity of the Board and also the independence of non-executive Directors.

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY

The Company has adopted a Board diversity policy which sets out the objective and approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board. The policy provides that the Company should endeavour to ensure equality of opportunity in all aspects of the Group's business and does not discriminate on the grounds of race, gender, disability, nationality, religious or philosophical belief, age, sexual orientation, family status or any other factor. The Board diversity policy further provides that appointments to the Board should be based on merit that complements and expands the skills and experience of the Board as a whole and will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Taking into account the Company's business model and the backgrounds and experience of the Directors, the composition of the Board satisfies the Board diversity policy.

The Nomination Committee is delegated by the Board to be responsible for compliance with relevant code governing Board diversity under the CG Code. The nomination committee will review the policy from time to time to ensure its continued effectiveness and the Company will disclose in the corporate governance report about the implementation of the policy on annual basis.

REMUNERATION OF SENIOR MANAGEMENT

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management by band for the year ended 31 March 2021 is set out below:

Remuneration Band (HKD)	Number of Person
HK\$NIL–1,000,000	6
HK\$1,000,000–1,500,000	1
HK\$1,500,000–2,000,000	1

DIRECTOR NOMINATION CRITERIA AND PROCEDURES

The Board has delegated its responsibilities and authority for identifying individuals suitably qualified to become members of the Board to the Nomination Committee of the Company and making recommendations to the Board on the nominees for directorship.

The Company has adopted a Directors Nomination Policy which sets out the key selection criteria and principles of appointment and re-election of Directors. According to the Nomination Policy, the Nomination Committee shall consider the following selection criteria, which are not exhaustive, in assessing the suitability of the proposed candidate for the directorship: (i) attributes complementary to the Board; (ii) business experience, expertise and skills; (iii) whether the proposed candidate can give sufficient time and attention for the proper discharge of the duties of a director; (iv) whether the proposed candidate is self-motivated and has a strong interest in the Company's businesses; (v) integrity; (vi) diversity of the Board; and (vii) independence (in case of appointment or re-appointment of independent non-executive Directors).

The Nomination Committee is responsible for reviewing the Directors Nomination Policy and monitoring its implementation.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL AND RISK MANAGEMENT

Risk Management and Internal Control

During the year, the Group has complied with Principle C.2 of the Corporate Governance Code by establishing appropriate and effective risk management and internal control systems. Management is responsible for the design, implementation and monitoring of such systems, while the Board oversees management in performing its duties on an ongoing basis. Main features of the risk management and internal control systems are described in the sections below:

Risk Management System

The Group adopts a risk management system which manages the risk associated with its business and operations. The system comprises the following phases:

- *Identification:* Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.
- *Evaluation:* Analyze the likelihood and impact of risks and evaluate the risk portfolio accordingly.
- *Management:* Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

Based on the risk assessments conducted in 2020/21, no significant risk was identified.

Internal Control System

The Company has in place an internal control system which is compatible with the Committee of Sponsoring Organizations of the Treadway Commission ("**COSO**") 2013 framework. The framework enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the framework are shown as follow:

- *Control Environment:* A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.
- *Risk Assessment:* A dynamic and iterative process for identifying and analyzing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.
- *Control Activities:* Action established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.
- *Information and Communication:* Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.
- *Monitoring:* Ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

CORPORATE GOVERNANCE REPORT

In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include:

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.
- Confidentiality agreements are in place when the Group enters into significant negotiations.
- The Executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

Based on the internal control reviews conducted in 2020/21, no significant control deficiency was identified.

Internal Audit

In respect of code provision C.2.5 of the CG Code, the Company should have an internal audit (the "IA Function"). Although the Company did not establish a standalone IA department during the year ended 31 March 2021, the Board has put in place adequate measures to perform the IA Function at different aspects of the Group as the Company considers that close and regular supervision by the Executive Directors and senior management, and the maintenance of internal control guidance and procedures on the Group's critical operational cycles could provide sufficient and effective internal control and risk management functions.

The Group's risk management and internal control procedures include a management structure with clearly defined lines of responsibility and limits of authority. It primarily aims to provide a reasonable, but not absolute, assurance that assets are properly safeguarded against misappropriations, transactions are executed in accordance with the management's authorisation, and accounting records are reliable and proper for preparing financial information and are not materially misstated. The procedure is designed to identify, evaluate and manage risks effectively rather than to eliminate all risks of failure.

There are also regular meetings held between the Directors and senior management to review and monitor the business and financial performance against the targets, the progress of certification and progress payments from the customers, the efficiency in the use of the Group's resources in comparison to the budgets, and the operational matters to ensure the Group has complied with the regulations that have material impact to the Group's business. The aim is to enhance the communication and accountability of the Directors and senior management so that significant strategic, financial, operational and compliance risks or potential deviations are timely and properly identified and dealt with in a proper manner.

Effectiveness of the Risk Management and Internal Control Systems

The Board is responsible for maintaining adequate procedures of risk management and internal control for the Group and the Board had conducted an annual review of its effectiveness during the year ended 31 March 2021 through the Audit Committee. Same as last year's practice, the Company has engaged an external independent internal control adviser to conduct a review on the internal control procedures of the Group at both corporate level and business level (as agreed by the Audit Committee). The review covered material controls, including financial, operational and compliance controls and risk management functions during the year ended 31 March 2021. The internal control report has been circulated to the Audit Committee for review and discussion. No significant areas of improvement which are required to be brought to the attention of the Audit Committee have been revealed.

CORPORATE GOVERNANCE REPORT

As such, the Board is satisfied that the Group's internal control procedures including financial, operational and compliance controls and risk management functions as appropriate to the Group have been put in place and considers that the Group's internal control procedures and risk management functions are both effective and adequate.

The Board will review the need for the IA Function on an annual basis.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 March 2021. The senior management of the Company has provided such explanation and information to the Board as necessary to enable the Board to carry out an informed assessment of the financial information and position of the Company in order to put forward such information to the Board for approval.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about its reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 41 to 45 of this annual report.

AUDITOR'S REMUNERATION

For the year ended 31 March 2021, the remuneration paid or payable to PricewaterhouseCoopers, the external auditor of the Company, for its audit services and non-audit services provided for the year ended 31 March 2021 is summarised as follows:

Service Category	Fees Paid/Payable HK\$'000
Audit services	1,250
Non-audit services	
— Listing expenses (in relation to the initial public offering of the Company)	1,550
— Others	87
Total	2,887

The auditor was also the reporting accountant for the Listing and provided other services in relation to the Listing. A total of HK\$6.0 million has been paid for its services in connection with the issue and listing of shares of the Company which has been included in share issuance costs and listing expenses as appropriate, and out of which HK\$1.6 million was settled during the year ended 31 March 2021.

COMPANY SECRETARY

Mr. Tsang Kai Ming is the company secretary of the Company, and he is responsible for the company secretarial matters of the Group and assist the Directors in implementation and ongoing compliance with internal control measures of the Group. Details of biography of the company secretary of the Company are set out in the section headed "Directors and Senior Management" of this annual report. Mr. Tsang Kai Ming has complied with the relevant professional training under Rule 3.29 of the Listing Rules during the year ended 31 March 2021.

CORPORATE GOVERNANCE REPORT

SHAREHOLDER'S RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting ("EGM") and Putting Forward Proposals

Pursuant to Article 58 of the Articles, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an EGM to be called by the Board for the transaction of any business specified in such requisition, and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Unit Nos. 1106–1107, 11/F, Manhattan Centre, 8 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong
(For the attention of the Board of Directors)

Fax: 852-24899590

Email: ir.contact@fourace.com

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

DIVIDEND POLICY

The Company endeavours to maintain a balance between meeting Shareholders' expectations and prudent capital management, in respect of which a dividend policy has been adopted by the Company in accordance with the CG Code to set out the principles and factors in relation to the frequency, amount and form of any dividend to the Shareholders.

The factors to be considered by the Board include:

1. the actual and expected financial results of the Company and its subsidiaries (the "Group");
2. the 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;
3. the Group's business strategies, including future cash commitments and investment needs to sustain the long-term growth aspect of the business of the Group;

CORPORATE GOVERNANCE REPORT

4. the current and future operation, liquidity position and capital requirements of the Group;
5. any restrictions on payment of dividends that may be imposed by the Group's lenders;
6. any restrictions under any law and regulation and the Company's Articles of Association and
7. any other factors that the Board deems appropriate.

The Company will consider paying dividends which are normally the interim dividends and final dividends. The Board may declare special dividends in addition to such dividends as it considers appropriate.

The dividend payout ratio (if any) will vary in each financial year. There is no assurance that dividends will be paid in any particular amount for any given period.

The Company may distribute dividends by way of cash or wholly or by allotment of shares of the Company. Any declaration of dividend is subject to the applicable laws and regulations including the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) and Articles. The dividend policy and the declaration and/or payment of future dividends are subject to the Board's continuing determination that the dividend policy and the declaration and/or payment of dividends would be in the best interests of the Group and Shareholders, and are in compliance with all applicable laws and regulations.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

No general meeting was held during the period from the date of Listing to 31 March 2021.

Shareholders' Communication Policy

The Company has in place a shareholders' communication policy to ensure that Shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

CONSTITUTIONAL DOCUMENTS

Pursuant to a written resolution of the Shareholders passed on 21 August 2020, the Memorandum of Association and Articles of Association were approved and adopted conditional upon and with effect from the Listing.

The amended and restated Memorandum and Articles of Association of the Company are available on the Company's website and the Stock Exchange's website.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Fourace Industries Group Holdings Limited

(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Fourace Industries Group Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”) set out on pages 46 to 103, which comprise:

- the consolidated balance sheet as at 31 March 2021;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

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 2021, 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 the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

INDEPENDENT AUDITOR'S REPORT

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 period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is related to expected credit loss allowance for trade receivables.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Expected credit loss allowance for trade receivables</p> <p>Refer to notes 2.11, 3.1 and 4 to the consolidated financial statements.</p> <p>As at 31 March 2021, the carrying amount of the Group's trade receivables amounted to HK\$87,133,000, which represented approximately 20.4% of the total assets of the Group. An expected credit loss allowance of HK\$10,000 was provided by the Group against the trade receivables.</p> <p>The Group's trade receivables were attributable to a few customers. Expected credit loss allowance for trade receivables was determined using the simplified approach based on individual assessment of each customer. Expected credit loss allowance was estimated based on the assessment of probability of default, recovery rate, exposure at default, and adjusted for forward-looking information.</p> <p>The probability of default was determined with reference to the credit rating of the individual customer assigned by international credit-rating agencies, by independent market research companies or by management based on credit ratings of comparable companies in the market.</p> <p>The estimate requires significant management judgement in determining an appropriate credit rating for the individual customer and making assumptions about other inputs to the expected credit loss allowance calculation.</p> <p>We focused on this area due to the magnitude of the trade receivables balance and the significant judgement applied in assessing the expected credit loss allowance.</p>	<p>Our procedures performed in relation to the expected credit loss allowance for trade receivables include:</p> <ul style="list-style-type: none">• Obtained an understanding of the management's internal control and assessment process of the estimation of expected credit loss allowance for trade receivables and assessed the inherent risk of material misstatement;• Evaluated and validated key controls over the estimation of expected credit loss allowance for trade receivables;• Assessed, with the involvement of internal valuation expert, the appropriateness of the expected credit loss provisioning methodology;• Assessed the reasonableness of the significant judgements and assumptions made by management in the assessment of the probability of default and credit rating of individual customer by (i) performing independent checking, with the involvement of internal valuation expert, on the credit ratings assigned by international credit-rating agencies, by independent market research companies or by management based on comparable companies in the market; and (ii) reconciling the assigned credit ratings against the credit profile and publicly available information of each customer;• Understood and evaluated, with the involvement of internal valuation expert, the reasonableness of the factors used in making forward-looking estimation; and• Examined, with the involvement of internal valuation expert, the mathematical accuracy of the expected credit loss allowance calculation. <p>Based on the results of the procedures above, we found that management's judgments in assessing the expected credit loss allowance for trade receivables as at 31 March 2021 to be supportable by available evidence.</p>

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than 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.

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 is responsible for overseeing the Group's financial reporting process.

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

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

INDEPENDENT AUDITOR'S REPORT

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

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.

The engagement partner on the audit resulting in this independent auditor's report is Wong Kam Chin.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 25 June 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2021

	Note	Year ended 31 March	
		2021 HK\$'000	2020 HK\$'000
Revenue	5	437,446	362,094
Cost of sales	8	(309,418)	(253,296)
Gross profit		128,028	108,798
Other income	6	2,614	2,116
Other (losses)/gains, net	7	(4,909)	1,382
Selling and distribution expenses	8	(4,474)	(4,836)
Research and development expenses	8	(7,846)	(8,722)
Administrative expenses	8	(41,614)	(43,476)
Operating profit		71,799	55,262
Finance income	9	188	65
Finance costs	9	(74)	(245)
Profit before taxation		71,913	55,082
Income tax expenses	10	(13,774)	(11,726)
Profit for the year		58,139	43,356
Other comprehensive income/(loss) for the year			
<i>Item that may be reclassified to profit or loss:</i>			
Currency translation difference		4,579	(2,135)
Other comprehensive income/(loss) for the year, net of tax		4,579	(2,135)
Total comprehensive income for the year		62,718	41,221
Earnings per share for profit attributable to equity holders of the Company for the year			
Basic and diluted earnings per share (HK cents per share)	13	5.3	4.6

CONSOLIDATED BALANCE SHEET

As at 31 March 2021

	Note	As at 31 March	
		2021 HK\$'000	2020 HK\$'000
ASSETS			
Non-current assets			
Right-of-use assets	15	2,632	2,276
Property, plant and equipment	16	113,617	116,155
Investment property	17	690	725
Deposits and prepayments	20	740	1,684
Deferred income tax assets	24	1,149	6
		118,828	120,846
Current assets			
Inventories	18	37,332	36,018
Trade receivables	19	87,133	34,211
Contract assets	5	2,464	1,815
Other receivables, deposits and prepayments	20	9,025	13,772
Income tax recoverable		1,370	2,204
Pledged bank deposits	21	4,974	4,974
Cash and cash equivalents	21	166,008	56,420
		308,306	149,414
Total assets		427,134	270,260
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	22	12,500	–
Reserves	23	334,958	192,484
Total equity		347,458	192,484

CONSOLIDATED BALANCE SHEET

As at 31 March 2021

	Note	As at 31 March	
		2021 HK\$'000	2020 HK\$'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	25	401	–
Deferred income tax liabilities	24	4,032	3,063
		4,433	3,063
Current liabilities			
Trade payables	26	44,910	44,051
Accruals and other payables	27	19,670	22,567
Borrowing	28	2,139	3,972
Lease liabilities	25	420	424
Income tax payable		8,104	3,699
		75,243	74,713
Total liabilities		79,676	77,776
Total equity and liabilities		427,134	270,260

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The consolidated financial statements and the accompanying notes on pages 46 to 103 were approved by the Board of Directors on 25 June 2021 and were signed on its behalf.

Li Shu Yeh

Director

Li Sen Julian

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2021

	Attributable to owners of the Company						Total HK\$'000
	Share capital HK\$'000 (Note 22)	Share premium HK\$'000 (Note 22)	Capital reserve HK\$'000 (Note 23(a))	Statutory reserve HK\$'000 (Note 23(b))	Exchange reserve HK\$'000 (Note 23)	Retained earnings HK\$'000 (Note 23)	
At 1 April 2019	-	-	2,500	1,472	(1,794)	189,085	191,263
Profit for the year	-	-	-	-	-	43,356	43,356
Other comprehensive loss: — Currency translation difference	-	-	-	-	(2,135)	-	(2,135)
Total comprehensive income	-	-	-	-	(2,135)	43,356	41,221
Transaction with owners							
Appropriation (Note 23)	-	-	-	829	-	(829)	-
Dividend paid (Note 14)	-	-	-	-	-	(40,000)	(40,000)
At 31 March 2020	-	-	2,500	2,301	(3,929)	191,612	192,484
At 1 April 2020	-	-	2,500	2,301	(3,929)	191,612	192,484
Profit for the year	-	-	-	-	-	58,139	58,139
Other comprehensive income: — Currency translation difference	-	-	-	-	4,579	-	4,579
Total comprehensive income	-	-	-	-	4,579	58,139	62,718
Transaction with owners							
Appropriation (Note 23)	-	-	-	44	-	(44)	-
Issuance of ordinary shares upon capitalisation issue	9,375	(9,375)	-	-	-	-	-
Issuance of ordinary shares upon initial public offering	3,125	121,875	-	-	-	-	125,000
Share issuance costs	-	(32,744)	-	-	-	-	(32,744)
At 31 March 2021	12,500	79,756	2,500	2,345	650	249,707	347,458

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2021

	Note	Year ended 31 March	
		2021 HK\$'000	2020 HK\$'000
Cash flows from operating activities			
Net cash generated from operations	29	28,766	89,629
Interest received		188	65
Income tax paid		(8,597)	(8,142)
Net cash generated from operating activities		20,357	81,552
Cash flows from investing activities			
Purchase of property, plant and equipment		(5,812)	(25,548)
Proceeds from disposal of property, plant and equipment	29	22	228
Net cash used in investing activities		(5,790)	(25,320)
Cash flows from financing activities			
Dividend paid	14	–	(40,000)
Proceeds from bank borrowings		–	15,500
Repayment of bank borrowings		(1,833)	(11,528)
Increase in pledged bank deposits		–	(4,974)
Payment of lease liabilities		(443)	(427)
Interest paid		(74)	(245)
Listing expenses paid		(27,672)	(3,824)
Proceeds from issuance of shares		125,000	–
Net cash generated from/(used in) financing activities		94,978	(45,498)
Net increase in cash and cash equivalents		109,545	10,734
Effect on exchange rate difference		43	(161)
Cash and cash equivalents at beginning of the year	21	56,420	45,847
Cash and cash equivalents at end of the year	21	166,008	56,420

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

Fourace Industries Group Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 29 March 2019 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in the design, development and manufacturing of personal care and lifestyle electrical appliances. The ultimate shareholders of the Group are Mr. Li Shu Yeh (“**Mr. Li**”) and Ms. Sit Hor Wan (“**Ms. Sit**”).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared under historical cost convention.

The preparation of the consolidated 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 4.

(i) **New standards, amendments to standards and new interpretation adopted by the Group**

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2020:

HKAS 1 and HKAS 8 (Amendments)	Definition of material
HKFRS 3 (Amendments)	Definition of a business
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Hedge accounting

The adoption of these amendments to standards and interpretation of HKFRS did not have any significant impact on the current period or any prior period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(ii) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for these reporting periods and have not been early adopted by the Group.

		Effective for accounting year beginning on or after
HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform — Phase 2	1 January 2021
Annual Improvements Project (Amendments)	Annual Improvements to HKFRSs 2018-2020	1 January 2022
HKFRS 3, HKAS 16 and HKAS 37 (Amendments)	Narrow-scope amendments	1 January 2022
AG 5 (revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations	1 January 2022
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17	Insurance Contracts (new standard)	1 January 2023
HKFRS 17	Amendments to HKFRS 17	1 January 2023
HK Int 5 (2020)	Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (2020))	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

The Group is in the process of making an assessment of the impact of these new or revised standards, interpretation and amendments, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the directors, management does not anticipate any significant impact on the Group's financial positions and results of operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries

Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, 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. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Business combination

The Group applies the acquisition method to account for business combinations other than business combination under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expensed as incurred

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and 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.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2.4 Foreign currency translation

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 HK\$, which is the Company's functional and the Group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income within "other (losses)/gains, net".

Group companies

The results and financial position of all the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the Group's presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (b) income and expenses for each statement of comprehensive income are translated at average exchange rates (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 rate on the dates of the transactions); and
- (c) all resulting currency translation differences are recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Right-of-use assets

Right-of-use assets included the rights to use certain properties under leases which are measured at cost. The initial costs of right-to-use assets include the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date;
- Any initial direct costs; and
- Restoration cost.

Right-of-use assets are depreciated over their lease term using the straight-line basis, as follows:

Land	45 to 50 years
Office premises	2 years

2.6 Property, plant and equipment

Property, plant and equipment is stated at consolidated cost less depreciation and impairment losses. Consolidated cost includes expenditure that is directly attributable to the acquisition of the items.

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 asset will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the year in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold improvements	5% or over the remaining period of the lease, whichever is shorter
Factories and buildings	2% or over the remaining period of the lease, whichever is shorter
Office equipment	20%
Motor vehicles	10%–25%
Plant and machinery	10%
Moulds and tools	33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other (losses)/gains, net" in the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Investment property

Investment property, principally comprising a leasehold land and building, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. In such cases, the operating lease concerned are accounted for as if it was finance lease. Investment property is initially measured at cost, including related transaction costs. The investment property is subsequently measured at cost less depreciation and impairment loss.

Depreciation of land and building is calculated using the straight-line method to allocate its costs to their residual values over their estimated useful lives, as follows:

— Land portion	Remaining lease term of the land
— Building portion	40 years

The assets' residual value and useful life is reviewed, and is adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

2.8 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. All impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets

2.9.1 Classification

The Group classifies its financial assets at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows;
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

2.9.2 Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction cost of financial assets carried at fair value through profit or loss are expensed in the consolidated statement of comprehensive income.

2.9.3 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and reward of ownership.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Offsetting financial instruments

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

2.11 Impairment of financial assets

The Group's financial assets measured at amortised cost are subject to HKFRS 9's expected credit loss model. The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1 sets out the details on how the Group determines whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables and contract assets. The provision matrix is determined based on consolidated observed default rates over the expected life of the trade receivables and contract assets with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date, the consolidated observed default rates are updated and changes in the forward-looking estimates are analysed.

For other receivables, the Group measures the impairment as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of the other receivables has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.13 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Cash and cash equivalents

In the consolidated cash flow statement, cash and cash equivalents include cash in hand and deposits held at call with banks with original maturity of three months or less.

2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Lease liabilities

The Group leases one land and one property to operate as its factory and office premises. Property lease is typically made for fixed periods of two years. Lease terms are negotiated on an individual basis and contain various different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Property leases are recognised as right-of-use assets at the date of which the respective leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Current and deferred income tax

The tax expense for the years comprises current and deferred income tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Information. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee benefits

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

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

Pension obligations

Hong Kong

The Group participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("**MPF Scheme**") for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income up to a maximum of HK\$1,500 per employee per month. The assets of this pension scheme are held separately from those of the Group in independently administered funds. Other than the contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees in Hong Kong.

The PRC

In accordance with the rules and regulations in People's Republic of China ("**the PRC**"), the PRC based employees of the Group participate in a defined contribution retirement benefit plan organised by the relevant provincial government in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The provincial government undertakes to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plan described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administered funds managed by the PRC government.

The Group's contributions to the defined contribution retirement schemes are recognised as employment costs when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.21 Revenue and income recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amount for the sale of goods in the ordinary course of the Group's activity. Revenue is shown net of returns and after eliminating sales within the Group. The Group does not expect to have any contracts where the period between the transfer of the promised goods to the customers and the payment by the customers exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Revenue is recognised when specific criteria have been met for the Group's activity as described below:

Sales of original equipment manufacturer/original design manufacturer ("OEM"/"ODM") products

The Group manufactures and sells home electrical appliances and spare parts in the wholesale market and provide toolings and moulds to certain corporate customers. Sales of goods transferred at a point in time are recognised when control of the goods has transferred, being when the Group has delivered the products to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. The customers have full discretion over the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. The Group generally offer warranty period of up to 24 months for our products.

Some contracts (or combined contracts) with customers include multiple deliverables, such as the sales of home electrical appliances and provision of related toolings and moulds. The provision of related toolings and moulds are integrated with the production of the home electrical appliances. They are therefore accounted for as a single performance obligation.

Contracts for sales of home electrical appliances and contracts for provision of related toolings and moulds entered into at or near the same time with the same customers (or related parties of the customers) are combined and accounted for the contracts as a single contract as both promises are regarded as a single performance obligation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Revenue and income recognition (Continued)

Sales of original equipment manufacturer/original design manufacturer ("OEM"/"ODM") products (Continued)

Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

Assets are recognised when costs are incurred to fulfil a contract if the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify, the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future and the costs are expected to be recovered. Otherwise, contract costs are recognised as expenses as incurred.

The Group offers retrospective volume rebate based on aggregate sales over a 12 months period. Revenue from these sales is recognised based on the price specified in the contract, net of the return, rebate and sales discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that is highly probable that a significant reversal will not occur. Sales are made with credit terms ranging from 30 to 120 days.

As receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Interest income

Interest income is recognised using the effective interest method.

Rental income from investment property

Rental income from investment property is recognised in the consolidated statement of comprehensive income on a straight-line basis over the term of the lease.

2.22 Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assume performance obligations to transfer goods or services to the customer. The combination of those rights and performance obligations give rise to a net asset or net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining conditional rights to consideration exceeds the satisfied performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if consideration received (or an amount of consideration is due) from the customer exceeds the measure of the remaining unsatisfied performance obligations.

Contract assets relating to the moulds and tools services are the Group's right to consideration in exchange for services that the Group has transferred to the customer. The contract assets are transferred to trade receivables when the right to bill the customer has been established and receipt of the consideration is conditional only upon the passage of time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the consolidated financial statements in the year in which the dividends are approved by the entities' shareholders or directors, where appropriate.

2.24 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

2.25 Research and development

Research expenditure and development expenditure arising from research phase shall be recognised as an expense when it is incurred. Research expenditure and development expenditure arising from development phase that are directly attributable to the design and testing of identifiable and unique intangible asset controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the intangible asset so that it will be available for use or sale
- Management intends to complete the intangible asset and use or sell it
- There is an ability to use or sell the intangible asset
- It can be demonstrated how the software will generate probable future economic benefits, and
- The expenditure attributable to the intangible asset during its development can be reliably measured.

Development costs previously recognised as an expense are not recognise as an asset in a subsequent period.

2.26 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

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

2.27 Borrowing costs

Borrowing costs are charged to the consolidated statement of comprehensive income in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk and cash flow interest-rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the volatility of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to manage certain risk exposures occasionally.

Foreign exchange risk

The Group mainly operates in Hong Kong and the PRC with majority of the transactions settled in HK\$, Renminbi ("RMB") and United State dollars ("US\$"). Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the respective entities' functional currencies.

As at 31 March 2021, certain of the Group's trade and other payables are denominated in RMB other than the functional currency of the operating unit (2020: same). If HK\$ has strengthened/weakened by 5% against RMB, with all other variables held constant, the profit before income tax for the year would have been approximately HK\$44,000 higher/lower, respectively (2020: HK\$41,000).

As at 31 March 2021, certain of the Group's trade receivables are denominated in US\$ other than the functional currency of the operating unit (2020: same). If RMB has strengthened/weakened by 5% against US\$, with all other variables held constant, the profit before income tax for the year would have been approximately HK\$4,923,000 higher/lower, respectively (2020: HK\$3,262,000).

Since HK\$ is pegged with US\$, there are no significant foreign currency exposure for US\$ dominated financial assets and liabilities.

The remaining assets and liabilities of each company within the Group are mainly dominated in their respective functional currencies. The directors are of the opinion that the volatility of the Group's profits against changes in exchange rates of foreign currencies arising from these assets and liabilities would not be significant. Accordingly, no sensitivity analysis is performed.

Cash flow interest-rate risk

The Group's interest rate risk arises from bank borrowings. Bank borrowings obtained at variable rates expose the Group to cash flow interest rate risk. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

For the year ended 31 March 2021, if the interest rates had been 100 basis-points higher/lower with all other variables held constant, profit before income tax for the year would be HK\$21,000 lower/higher respectively mainly due to the higher/lower interest expenses (2020: HK\$40,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

Credit risk

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 credit risk of the Group's financial assets, which comprise cash and cash equivalents and pledged bank deposits, trade receivables, contract assets, other receivables and deposits, with a maximum exposure equal to the carrying amounts of these instruments.

(i) Credit risk of cash and cash equivalents and pledged bank deposits

As at 31 March 2021, all cash and cash equivalents and pledged bank deposits were deposited in high quality financial institutions without significant credit risk. While cash and cash equivalents and pledged bank deposits are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

(ii) Credit risk of trade receivables and contract assets

For trade receivables and contract assets, the Group applies expected credit loss ("ECL") model for impairment assessment. The ECL is measured using the simplified approach based on individual assessment of each customer.

The probability of default is determined with reference to the credit rating of the individual customer assigned by international credit-rating agencies, by independent market research companies or by management based on credit ratings of comparable companies in the market.

The ECL is the discounted product of the Probability of Default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD") and incorporates forward-looking information. The forward-looking factor included the market conditions and economic growth.

Impairment losses on trade receivables are included in administrative expenses in the consolidated statement of comprehensive income. Subsequent recoveries of amounts previously written off are credited against the same line item.

The estimated loss rates are estimated based on estimate default rates and loss rates by making reference to the credit rating given by external ranking agency over the expected lives of the debtors and are adjusted for forward looking information, including but not limited to changes of future economics, gross domestic product growth rate forecast and market environment, that available without undue cost or effort.

The following table presents the balances of gross carrying amounts and the loss allowance in respect of trade receivables assessed on individual basis as at 31 March 2021:

Credit rating	Average loss rate %	Gross carrying amount 2021 HK\$'000	Impairment loss allowance 2021 HK\$'000
A3 to Aaa	0.01	27,268	(1)
B3 to Baa1	0.02	59,875	(9)
		87,143	(10)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

Credit risk (Continued)

(iii) Credit risk of other receivables and deposits

The directors for the Group consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis during the financial year. To assess whether there is a significant increase in credit risk the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the third party's ability to meet its obligations;
- actual or expected significant changes in the operating results of the third party;
- significant changes in the expected performance and behavior of the third party, including changes in the payment status of the third party.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment/repayable demanded.

A default on a financial asset is when the counterparty fails to make contractual payments/repayable demanded within 90 days of when they fail due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group categories a loan or receivable for write off when a debtor fails to make contractual payments/repayable demanded greater than 90 days past due. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in consolidated statements of comprehensive income.

Based on consolidated experience, majority of the other receivables and deposits were settled shortly upon maturity. Based on consolidated experience and forward-looking estimates, the counterparties have a strong financial ability to repay the amount, and therefore, the expected credit loss is immaterial.

The Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. Over the term of the financial assets, the Company accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers consolidated loss rates for each category of debtors and adjusts for forward looking macroeconomic data.

No significant changes to estimation techniques or assumptions were made during the financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities.

The Group's primary cash requirements have been for additions of property, plant and equipment, and payments for purchases, operating expenses and dividend. The Group mainly finances its working capital requirements through internal resources.

The Group monitors and maintains a level of cash and cash equivalents considered adequate by the directors to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In the opinion of the directors, the Company does not have any significant liquidity risk.

At 31 March 2021, the Group had the following banking facilities with banks:

	As at 31 March 2021 HK\$'000	As at 31 March 2020 HK\$'000
Banking facilities available	40,000	52,000
Banking facilities utilised	(2,139)	(3,972)
Undrawn banking facilities	37,861	48,028

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Where the loan agreement contains a repayment on demand clause which gives the lender the unconditional right to call the loan at any time, the amounts repayable are classified in the earliest time bracket in which the lender could demand repayment. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

Liquidity risk (Continued)

	Within 1 year or on demand HK\$'000	Between 1 and 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	Total HK\$'000
As at 31 March 2021				
Lease liabilities	420	401	–	821
Trade payables	44,910	–	–	44,910
Other payables	6,184	–	–	6,184
Borrowing	2,139	–	–	2,139
	53,653	401	–	54,054

	Within 1 year or on demand HK\$'000	Between 1 and 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	Total HK\$'000
As at 31 March 2020				
Lease liabilities	424	–	–	424
Trade payables	44,051	–	–	44,051
Other payables	6,414	–	–	6,414
Borrowing	3,972	–	–	3,972
	54,861	–	–	54,861

The following table summarises the maturity analysis of term loan from bank with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreement. The amount includes interest payments computed using contractual rates assuming it remained constant until maturity dates. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to immediate repayment. The directors believe that such borrowing will be repaid in accordance with the scheduled repayment dates set out in the loan agreement.

	Within 1 year or on demand HK\$'000	Between 1 and 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	Total HK\$'000
As at 31 March 2021				
Borrowing	1,872	311	–	2,183
As at 31 March 2020				
Borrowing	1,981	1,913	317	4,211

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, retain capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowing divided by total equity.

The gearing ratios at 31 March 2021 were as follows:

	As at 31 March 2021 HK\$'000	As at 31 March 2020 HK\$'000
Total borrowing	2,139	3,972
Total equity	347,458	192,484
Gearing ratio	0.6%	2.1%

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on consolidated experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group make estimates and assumption concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed below.

(a) Loss allowance of receivables

The Group makes provision for impairment of receivables based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's historical default rates, existing market conditions as well as forward looking estimates at the end of each reporting period. The Group recognised lifetime expected credit loss for trade receivables carried at amortised cost based on individual assessment. The identification of impairment of receivables requires the use of judgement and estimates. Where the expectations are different from the original estimates, such differences will impact the carrying value of receivables and loss for the impairment of receivables recognized in the periods in which such estimates have been changed.

(b) Provision for slow moving inventories

The Group makes provision for slow moving inventories based on assessing the needs and reasonableness of provision for slowing moving inventories at each period end. The identification of slow moving inventories requires the use of judgements and key assumptions which take into consideration of historical sales pattern, ageing and expectation of future sales orders. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and provision for inventories in the period in which such estimate has been changed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Leasehold improvements and factories and buildings on a leased land

The Group had a land in the PRC for land use rights of 45-50 years where the Group's leasehold improvements and factories and buildings situated were without land and property ownership certificates. Without the certificates, the existing factories and buildings might be ordered for demolition or confiscated. The directors are of the opinion, based on the advice from the Group's external legal adviser, that the Group has proper right to the occupancy of the leased land and legal entitlement to the constructions thereon. The probability of being evicted on the ground on an absence of property ownership certificate was remote. As at 31 March 2021, the carrying amount of the related leaseholds improvements, factories and buildings and right-of-use asset is HK\$63,904,000 (2020: HK\$64,355,000).

(d) Current and deferred income tax

The Group is subject to income taxes in different jurisdictions. Judgement is required in determining the provision for income taxes in different jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. The Group operates mainly in Hong Kong and the PRC and has transactions with customers and suppliers in different countries. The Group's inter-company transactions and cross-border business arrangements during the ordinary course of business may impose inherent uncertainty over the Group's profit allocation and its respective tax position across different jurisdictions. The tax treatments of these transactions or arrangements may be subject to the interpretation by respective tax authorities in different countries. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

Deferred income tax assets relating to certain temporary differences are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred income tax and income tax expense in the year in which such estimates are changed.

5 SEGMENT INFORMATION AND REVENUE

The executive directors of the Company have been identified as the chief operating decision-makers of the Group who review the Group's internal reporting in order to assess performance of the Group on a regular basis and allocate resources.

The Group principally engages in the design, development and manufacturing of personal care and lifestyle electrical appliances. The chief operating decision-maker assesses the performance of the company business based on a measure of operating results and considers the company business in a single operating segment. Information reported to the chief operating decision-maker for the purposes of resources allocation and performance assessment focuses on the operation results of the Group as a whole as the Group's resources are integrated. Accordingly, the Group has identified one operating segment — manufacturing and trading of home electrical appliances.

During the year ended 31 March 2021, all of the Group's revenues are from contracts with customers and are recognised at a point in time (2020: same). Please refer to Note 2.21 for details of accounting policies on revenue recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION AND REVENUE (CONTINUED)

The Group's revenue by geographical locations, which is determined by the location where the goods were delivered and utilised, is as follows:

	Year ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
Japan	169,992	119,132
United States	205,662	196,365
Europe	42,178	29,747
Others (Note)	19,614	16,850
	437,446	362,094

Note: Others mainly included the PRC and other countries within the Asia Pacific region (2020: same).

The Group's non-current assets (excluding deferred income tax assets) by geographical location, which is determined by the location in which the asset is located, is as follows:

	As at 31 March	
	2021	2020
	HK\$'000	HK\$'000
Hong Kong	9,296	10,500
The PRC	108,383	110,340
	117,679	120,840

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

	Year ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
Customer A	214,106	199,039
Customer B	67,109	50,113
Customer C	87,084	41,464
	368,299	290,616

The five largest customers accounted for approximately 99.0% of the revenue of the Group for the year (2020: 98.5%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION AND REVENUE (CONTINUED)

The Group's revenue by product categories, is as follows:

	Year ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
Personal care electrical appliances		
— Hair styling series	346,114	299,196
— Grooming series	44,316	36,171
— Beauty care series	23,326	1,298
Sub-total	413,756	336,665
Lifestyle electrical appliances	4,330	5,769
Others (<i>Note</i>)	19,360	19,660
	437,446	362,094

Note: Others mainly represented moulds and tools and spare parts.

Details of contract assets and liabilities

The Group has recognised the following assets and liabilities related to contracts with customers:

	As at 31 March	
	2021	2020
	HK\$'000	HK\$'000
Contract assets	2,464	1,815

	As at 31 March	
	2021	2020
	HK\$'000	HK\$'000
Contract liabilities (<i>Note 27</i>)	4,195	5,478

Notes:

- (i) Contract assets relating to the moulds and tools services increased as at 31 March 2021 due to the increase in number of orders under different contracts.
- (ii) Contract liabilities represent advanced payments received from customers for goods that have not yet been transferred to the customers. As at 31 March 2021, the contract liabilities mainly included the advance payments received from sale of electrical appliances. The contract liabilities fluctuate during the year due to fluctuation in sales with advanced payments.
- (iii) During the year, all brought-forward contract liabilities at the beginning of the financial year were fully recognised as revenue (2020: same).
- (iv) All contracts entered by the Group are for periods of one year or less. The Group has applied the practical expedient as permitted by HKFRS 15 and the transaction price allocated to the remaining performance obligations is not disclosed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 OTHER INCOME

	Year ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
Rental income	336	336
Government grant	1,134	539
Sales of scrap materials	425	784
Sundry income	719	457
	2,614	2,116

Note:

The government grants for the year ended 31 March 2020 mainly represented subsidies received by the Company's wholly-owned subsidiary in the PRC from the Chinese Government for encouraging research and development activities.

The government grants for the year ended 31 March 2021 mainly represented the COVID-19 related subsidies received from the Chinese Government and the HKSAR Government. During the Reporting Period, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the HKSAR Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

There are no unfulfilled condition or other contingencies relating to these grants.

7 OTHER (LOSSES)/GAINS, NET

	Year ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
Exchange (losses)/gains, net	(4,905)	1,197
Net (losses)/gains on disposal of property, plant and equipment (Note 29(a))	(4)	185
	(4,909)	1,382

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution expenses, research and development expenses and administrative expenses are analysed as follows:

	Year ended 31 March	
	2021 HK\$'000	2020 HK\$'000
Auditors' remuneration		
— Audit services	1,250	213
— Non-audit services	87	—
Land and building management fee	1,444	1,388
Direct material costs (<i>Note 18</i>)	197,348	152,521
Changes in inventories of finished goods and work in progress (<i>Note 18</i>)	(568)	2,883
Cost of moulds and tools	8,000	7,069
Custom and declaration handling expenses	1,529	1,401
Depreciation of property, plant and equipment, investment property and right-of-use assets (<i>Note 15, 16 and 17</i>)	13,232	11,871
Repair and maintenance expenses	2,841	2,034
Staff costs, including directors' remuneration (<i>Note 11</i>)	81,472	75,935
Legal and professional fee	3,044	1,196
Logistics expenses	789	471
Utilities	7,686	7,716
Subcontracting costs	24,340	16,896
Materials and consumables	3,482	5,533
Listing expenses	6,988	12,910
Cleaning and sewage fee	1,879	1,430
Other taxes and stamp duty	3,451	1,747
Other expenses	5,058	7,116
	363,352	310,330

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 FINANCE INCOME/(COSTS), NET

	Year ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
Finance income		
— Bank interest income	188	65
Finance costs		
— Interest on bank borrowings	(74)	(245)
Finance income/(costs), net	114	(180)

10 INCOME TAX EXPENSES

Income tax on profits

Income tax on profits arising from Hong Kong has been calculated on the estimated assessable profits at the rate of approximately 16.5% for the year ended 31 March 2021 (2020: 16.5%).

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying group entity in Hong Kong will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%.

The Group's subsidiary in the PRC are subject to the PRC enterprise income tax at a rate of 25% on estimated assessable profits.

	Year ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
Hong Kong profits tax	13,956	8,585
PRC corporate income tax	192	1,386
Deferred taxation (<i>Note 24</i>)	(374)	1,755
Income tax expense	13,774	11,726

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 INCOME TAX EXPENSES (CONTINUED)

The difference between the actual income tax expenses charged to the consolidated statement of comprehensive income and the amounts which would result from applying the enacted tax rates to profit before taxation can be reconciled as follows:

	Year ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
Profit before taxation	71,913	55,082
Tax calculated at domestic tax rates applicable to profits in respective countries	12,748	10,549
Income not subject to tax	(157)	(52)
Super deductions from research and development expenditure (<i>Note (i)</i>)	(1,457)	(1,552)
Expenses not deductible for tax purpose	2,707	2,642
Provision for withholding tax on undistributed earnings of subsidiaries	98	304
Income tax at concessionary rate	(165)	(165)
Income tax expenses	13,774	11,726

For the year ended 31 March 2021, the weighted average applicable tax rates are 17.7% (2020: 19.2%).

Note:

- (i) According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 150% to 175% of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year.

11 STAFF COSTS

	Year ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
Wages, salaries and bonus	78,883	71,533
Retirement benefit costs — defined contribution plan:		
— Hong Kong	124	143
— PRC	2,465	4,259
	81,472	75,935

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' and chief executives' emoluments

Remuneration of every director and the chief executive's is set out below,

For the year ended 31 March 2020									
	Fee	Salary, other allowances and benefits	Discretionary bonus	Housing benefits	Estimated monetary value of other benefits	Employer's contribution to provident fund	Remunerations paid or receivables in respect of accepting office as director	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive directors:									
Mr. Li Shu Yeh (Chairman and chief executive officer)	-	1,200	800	-	-	-	-	-	2,000
Ms. Li Sen Julian	-	720	480	-	-	18	-	-	1,218
Ms. Tang Suk Yee	-	480	360	-	-	18	-	-	858
	-	2,400	1,640	-	-	36	-	-	4,076

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(a) Directors' and chief executives' emoluments (Continued)

For the year ended 31 March 2021									
	Fee	Salary, other allowances and benefits	Discretionary bonus	Housing benefits	Estimated monetary value of other benefits	Employer's contribution to provident fund	Remunerations paid or receivables in respect of accepting office as director	Emoluments paid or receivable in respect of director's other services in connection with the management of the Company or its subsidiary undertaking	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive directors:									
Mr. Li Shu Yeh (Chairman and chief executive officer)	-	1,363	400	-	-	-	-	-	1,763
Ms. Li Sen Julian	-	916	300	-	-	18	-	-	1,234
Ms. Tang Suk Yee	-	545	200	-	-	18	-	-	763
Independent non-executive directors:									
Mr. Man Yun James	137	-	-	-	-	-	-	-	137
Mr. Liu Kai Yu Kenneth	137	-	-	-	-	-	-	-	137
Mr. Leung Wai Chuen	137	-	-	-	-	-	-	-	137
	411	2,824	900	-	-	36	-	-	4,171

No director and chief executive of the Company waived any emoluments during the year ended 31 March 2021 (2020: same).

The emoluments shown above represents remuneration received from the Group by these directors and the chief executives in their capacity as employees to the Group.

Mr. Li Shu Yeh, Ms. Li Sen Julian and Ms. Tang Suk Yee were appointed as the Company's Directors on 29 March 2019.

Mr. Liu Kai Yu Kenneth, Mr. Leung Wai Chuen and Mr. Man Yun James were appointed as independent non-executive directors of the Company on 21 August 2020. During the year ended 31 March 2020, the independent non-executive directors had not yet been appointed and received no directors' remuneration in the capacity of directors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the year (2020: same).

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year ended 31 March 2021 (2020: same).

(d) Consideration provided to third parties for making available directors' services

During the year, the Company did not pay consideration to any third parties for making available directors' services (2020: same).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There are no loans, quasi-loans and other dealing in favour of directors, controlled bodies corporate by and connected entities with such directors during the year (2020: same).

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

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the year or at any time during the year (2020: same).

(g) Five highest paid individuals' emoluments

The five individuals whose emoluments were the highest in the Group for the year include three directors (2020: three) whose emoluments are reflected in the analysis presented above (2020: same). The emoluments payable to the remaining two individuals (2020: two) during the year is as follows:

	Year ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
Salaries, commissions, bonus, other allowances and benefits in kind	1,720	2,245
Employer's contribution to provident fund	36	36
	1,756	2,281

The emoluments of these individuals are within the following bands:

	Number of individual	
	Year ended 31 March	
	2021	2020
Emoluments bands		
HK\$Nil – 1,000,000	2	–
HK\$1,000,000 – 1,500,000	–	2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year ended 31 March 2021 (2020: same).

In determining the weighted average number of shares in issue during the year ended 31 March 2021 (2020: same):

- (i) The 2 ordinary shares of the Company issued on 29 March 2019 (date of incorporation) was treated as if it had been issued since 1 April 2019;
- (ii) The 937,499,998 ordinary shares of the Company issued on 15 September 2020 under the capitalisation issue were treated as if they had been issued since 1 April 2019; and
- (iii) The 312,500,000 ordinary shares offered to the public were issued on 15 September 2020.

	Year ended 31 March	
	2021	2020
Profit attributable to equity holders of our Company (HK\$'000)	58,139	43,356
Weighted average number of shares in issue (in thousands)	1,107,021	937,500
Basic earnings per share (HK cents per share) (Note)	5.3	4.6

Note:

Diluted earnings per share for the year ended 31 March 2021 were the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the year (2020: same).

14 DIVIDENDS

	Year ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
Proposed final dividend of HK3.8 cents (2020: Nil) per ordinary share (Note (i))	47,500	–
Dividends declared and paid to the controlling shareholder (Note (ii))	–	40,000

Notes:

- (i) The final dividend is not accounted for as a dividend payable in these financial statements until it has been approved at the forthcoming annual general meeting of the Company.
- (ii) Dividends during the year ended 31 March 2020 represented dividends declared by the companies now comprising the Group to the then equity holders of the companies for the year ended 31 March 2020, after elimination of intra-group dividends. The rate for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 RIGHT-OF-USE ASSETS

	Land HK\$'000	Office HK\$'000	Total HK\$'000
As at 1 April 2019			
Cost	3,754	851	4,605
Accumulated depreciation	(1,792)	(35)	(1,827)
Net book amount	1,962	816	2,778
Year ended 31 March 2020			
Opening net book amount	1,962	816	2,778
Depreciation (<i>Note 8</i>)	(75)	(427)	(502)
Net book amount	1,887	389	2,276
As at 31 March 2020 and 1 April 2020			
Cost	3,754	851	4,605
Accumulated depreciation	(1,867)	(462)	(2,329)
Net book amount	1,887	389	2,276
Year ended 31 March 2021			
Opening net book amount	1,887	389	2,276
Addition	–	840	840
Depreciation (<i>Note 8</i>)	(75)	(409)	(484)
Net book amount	1,812	820	2,632
As at 31 March 2021			
Cost	3,754	840	4,594
Accumulated depreciation	(1,942)	(20)	(1,962)
Net book amount	1,812	820	2,632

The right-of-use assets represents the lease on land in PRC and office in Hong Kong.

As at 31 March 2021, the Group's right-of-use assets in the PRC with carrying amount of HK\$1,812,000 (2020: HK\$1,887,000), represented a leased land where the land owner did not have a proper land certificate. In the opinion of the directors, based on the advice from the Group's external legal adviser, the absence of the land certificate does not impair its carrying value to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Factories and buildings HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Plant and machinery HK\$'000	Moulds and tools HK\$'000	Total HK\$'000
As at 1 April 2019							
Cost	36,880	65,043	1,739	5,427	60,471	3,117	172,677
Accumulated depreciation	(10,733)	(21,966)	(1,102)	(1,680)	(31,104)	(1,586)	(68,171)
Net book amount	26,147	43,077	637	3,747	29,367	1,531	104,506
Year ended 31 March 2020							
Opening net book amount	26,147	43,077	637	3,747	29,367	1,531	104,506
Addition	6,798	-	959	-	11,920	5,121	24,798
Disposal/written off	-	-	-	-	(43)	-	(43)
Depreciation for the year (Note 8)	(2,154)	(1,335)	(298)	(1,001)	(5,025)	(1,521)	(11,334)
Exchange difference	(29)	(195)	(5)	(29)	(1,435)	(79)	(1,772)
Net book amount	30,762	41,547	1,293	2,717	34,784	5,052	116,155
As at 31 March 2020 and 1 April 2020							
Cost	43,625	64,841	2,691	5,369	65,685	8,085	190,296
Accumulated depreciation	(12,863)	(23,294)	(1,398)	(2,652)	(30,901)	(3,033)	(74,141)
Net book amount	30,762	41,547	1,293	2,717	34,784	5,052	116,155
Year ended 31 March 2021							
Opening net book amount	30,762	41,547	1,293	2,717	34,784	5,052	116,155
Addition	2,081	-	555	-	3,062	484	6,182
Disposal/written off	-	-	-	-	(26)	-	(26)
Depreciation for the year (Note 8)	(2,419)	(1,334)	(438)	(1,025)	(5,338)	(2,159)	(12,713)
Exchange difference	720	299	37	46	2,700	217	4,019
Net book amount	31,144	40,512	1,447	1,738	35,182	3,594	113,617
As at 31 March 2021							
Cost	46,552	65,162	3,293	5,460	72,728	9,053	202,248
Accumulated depreciation	(15,408)	(24,650)	(1,846)	(3,722)	(37,546)	(5,459)	(88,631)
Net book amount	31,144	40,512	1,447	1,738	35,182	3,594	113,617

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation of the Group's property, plant and equipment has been recognised as follows:

	Year ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
Cost of sales	10,405	9,067
Administrative expenses	2,308	2,267
	12,713	11,334

As at 31 March 2021, the Group leased a land in the PRC for land use rights of 45–50 years where the Group's leasehold improvements and factories and buildings situated were without land and property ownership certificates (2020: same). Without the certificates, the existing factories and buildings might be ordered for demolition or confiscated. The directors are of the opinion, based on the advice from the Group's external legal adviser, that the Group has proper right to the occupancy of the leased land and legal entitlement to the constructions thereon. The probability of being evicted on the ground on an absence of property ownership certificate was remote. The carrying amounts of the related leaseholds improvements, factories and buildings and right-of-use assets are HK\$63,904,000 as at 31 March 2021 (2020: HK\$64,355,000), respectively.

Bank borrowing is secured with a building with a carrying amount of HK\$3,935,000 (2020: HK\$4,083,000) (Note 28).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 INVESTMENT PROPERTY

	HK\$'000
As at 1 April 2019	
Cost	1,750
Accumulated depreciation	(990)
Net book amount	760
Year ended 31 March 2020	
Opening net book amount	760
Depreciation (<i>Note 8</i>)	(35)
Net book amount	725
As at 31 March 2020 and 1 April 2020	
Cost	1,750
Accumulated depreciation	(1,025)
Net book amount	725
Year ended 31 March 2021	
Opening net book amount	725
Depreciation (<i>Note 8</i>)	(35)
Net book amount	690
As at 31 March 2021	
Cost	1,750
Accumulated depreciation	(1,060)
Net book amount	690

Depreciation expense has been included in administrative expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 INVESTMENT PROPERTY (CONTINUED)

Amounts recognised in the consolidated statement of comprehensive income for investment properties are shown below:

	Year ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
Rental income	336	336
Other direct operating expenses from property that generated rental income	(40)	(43)
	296	293

An independent valuation of the investment property as 31 March 2021 was performed by an independent professionally qualified valuer, Avista Valuation Advisory Limited (2020: same). It holds a recognised professional qualification and has recent experience in the locations and segments of the investment properties valued.

The investment property was valued by direct comparison method where comparison is made based on prices realised or market prices of comparable properties. Comparable properties of similar size, character and location are carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market value. As at 31 March 2021, the fair value of the investment property is approximately HK\$8,500,000 (2020: HK\$8,600,000)

Bank borrowing is secured with an investment property with a carrying amount of HK\$690,000 (2020: HK\$725,000) (Note 28).

18 INVENTORIES

	As at 31 March	
	2021	2020
	HK\$'000	HK\$'000
Raw materials	21,359	21,609
Work-in-progress	9,842	11,094
Finished goods	6,131	3,315
	37,332	36,018

The direct material costs recognised as expense and included in cost of sales amounted to HK\$197,348,000 for the year ended 31 March 2021 (2020: HK\$152,521,000).

The changes in inventories of finished goods and work in progress recognised and expensed/(credited) in cost of sales amounted to HK\$(568,000) for the year ended 31 March 2021 (2020: expensed by HK\$2,883,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 TRADE RECEIVABLES

	As at 31 March	
	2021	2020
	HK\$'000	HK\$'000
Trade receivables	87,133	34,211

The Group's sales are on credit terms primarily ranging from 30 to 120 days. At 31 March 2020 and 2021, the ageing analysis of the trade receivables, based on invoice date, was as follows:

	As at 31 March	
	2021	2020
	HK\$'000	HK\$'000
Up to 3 months	68,590	34,211
3 to 6 months	18,543	–
	87,133	34,211

The Group applies the simplified approach to provide credit losses prescribed by HKFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The Group overall considers the shared credit risk characteristics to measure the expected credit losses. Based on the assessment, provision for expected credit loss at trade receivables amounted to HK\$10,000 was provided.

The maximum exposure to credit risk as at 31 March 2021 was the carrying amounts of the trade receivables (2020: same). The Group did not hold any collateral as security. The carrying amounts of trade receivables approximate their fair values.

The carrying amounts of trade receivables are denominated in the following currencies:

	As at 31 March	
	2021	2020
	HK\$'000	HK\$'000
US\$	87,133	34,211

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 March	
	2021	2020
	HK\$'000	HK\$'000
Non-current		
Prepayment for purchase of property, plant and equipment	616	1,684
Deposits	124	–
	740	1,684
Current		
Deposits	68	197
Prepayments	5,339	3,503
Deferred listing expenses	–	5,617
Interest receivables	26	–
Other receivables	952	820
Value-added tax recoverable	2,640	3,635
	9,025	13,772
	9,765	15,456

The carrying amounts of other receivables, deposits and prepayments are denominated in the following currencies:

	As at 31 March	
	2021	2020
	HK\$'000	HK\$'000
RMB	7,747	8,943
HK\$	978	5,463
US\$	1,040	1,048
EUR	–	2
	9,765	15,456

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	As at 31 March	
	2021	2020
	HK\$'000	HK\$'000
Pledged bank deposits (Note 28)	4,974	4,974
Cash at banks	165,972	56,360
Cash on hand	36	60
	166,008	56,420
Maximum exposure to credit risk	170,946	61,334

Pledged bank deposits of the Group are pledged to secure banking facilities granted to the Group. The effective interest rate of pledged bank deposits was 0.01% per annum (2020: 0.15% per annum) and had a renewal period of 31 days. The carrying amount of the Group's pledged bank deposits was denominated in US\$.

Cash and cash equivalents are denominated in the following currencies.

	As at 31 March	
	2021	2020
	HK\$'000	HK\$'000
US\$	100,257	46,969
HK\$	64,467	3,773
RMB	1,244	5,645
EUR	29	27
Japanese Yen	11	6
	166,008	56,420

As at 31 March 2021, cash and cash equivalents of approximately HK\$1,425,000 (2020: HK\$5,796,000) were held in the PRC banks and were subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 SHARE CAPITAL

	As at 31 March 2021		As at 31 March 2020	
	Number of ordinary shares	Nominal value of ordinary shares HK\$	Number of ordinary shares	Nominal value of ordinary shares HK\$
<i>Authorised:</i>				
Ordinary shares of HK\$0.01 each as at the end of the year	10,000,000,000	100,000,000	38,000,000	380,000
<i>Issued and fully paid:</i>				
Ordinary shares of HK\$0.01 each as at the beginning of the year	2	–	–	–
Issuance of ordinary shares at the date of incorporation	–	–	2	–
Issuance of ordinary shares upon capitalisation issue (<i>Note (i)</i>)	937,499,998	9,375,000	–	–
Issuance of ordinary shares upon initial public offering (<i>Note (ii)</i>)	312,500,000	3,125,000	–	–
	1,250,000,000	12,500,000	2	–

Notes:

- (i) On 15 September 2020, an amount of HK\$9,375,000 was capitalized from share premium to share capital of the Company.
- (ii) On 15 September 2020, 312,500,000 ordinary shares of HK\$0.01 each were issued at an offer price of HK\$0.40 per share for a total consideration of HK\$125,000,000 with HK\$89,131,000 credited to the share premium account of the Company, after taking into account of the issuance costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 RESERVES

	Attributable to owners of the Company					
	Share premium HK\$'000	Capital reserve HK\$'000 (Note a)	Statutory reserve HK\$'000 (Note b)	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Balance at 1 April 2019	-	2,500	1,472	(1,794)	189,085	191,263
Profit for the year	-	-	-	-	43,356	43,356
Other comprehensive loss						
Currency translation difference	-	-	-	(2,135)	-	(2,135)
Total comprehensive income for the year	-	-	-	(2,135)	43,356	41,221
Transaction with owners:						
Appropriation (Note b)	-	-	829	-	(829)	-
Dividend paid (Note 14)	-	-	-	-	(40,000)	(40,000)
	-	-	829	-	(40,829)	(40,000)
Balance at 31 March 2020	-	2,500	2,301	(3,929)	191,612	192,484
Balance at 1 April 2020	-	2,500	2,301	(3,929)	191,612	192,484
Profit for the year	-	-	-	-	58,139	58,139
Other comprehensive income						
Currency translation difference	-	-	-	4,579	-	4,579
Total comprehensive income for the year	-	-	-	4,579	58,139	62,718
Transaction with owners:						
Appropriation (Note b)	-	-	44	-	(44)	-
Issuance of ordinary shares upon capitalisation issue	(9,375)	-	-	-	-	(9,375)
Issuance of ordinary shares upon initial public offering	121,875	-	-	-	-	121,875
Share issuance costs	(32,744)	-	-	-	-	(32,744)
	79,756	-	44	-	(44)	79,756
Balance at 31 March 2021	79,756	2,500	2,345	650	249,707	334,958

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 DEFERRED INCOME TAX (CONTINUED)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Decelerated depreciation allowances HK\$'000	Unrealised profit in inventories HK\$'000	Provision for inventory HK\$'000	Total HK\$'000
Deferred income tax assets:				
As at 1 April 2019	867	113	–	980
Charged to consolidated statement of comprehensive income	(858)	(107)	–	(965)
Exchange difference	(9)	–	–	(9)
As at 31 March 2020	–	6	–	6
As at 1 April 2020	–	6	–	6
Credited to consolidated statement of comprehensive income	973	127	41	1,141
Exchange difference	–	–	2	2
As at 31 March 2021	973	133	43	1,149

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 DEFERRED INCOME TAX (CONTINUED)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Accelerated tax depreciation HK\$'000	Withholding tax HK\$'000 (note i)	Total HK\$'000
Deferred income tax liabilities:			
As at 1 April 2019	(1,527)	(811)	(2,338)
Charged to consolidated statement of comprehensive income	(486)	(304)	(790)
Exchange difference	65	–	65
As at 31 March 2020	(1,948)	(1,115)	(3,063)
As at 1 April 2020	(1,948)	(1,115)	(3,063)
Charged to consolidated statement of comprehensive income	(669)	(98)	(767)
Exchange difference	(202)	–	(202)
As at 31 March 2021	(2,819)	(1,213)	(4,032)

Note:

- (i) Pursuant to the relevant PRC enterprise income tax rules and regulations, withholding tax is imposed at 5% on dividends declared in respect of profits earned by subsidiaries established in the PRC from 1 January 2008 onwards.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 LEASE LIABILITIES

	As at 31 March	
	2021	2020
	HK\$'000	HK\$'000
Minimum lease payments due		
Within 1 year	420	424
1–2 years	401	–
	821	424

The Group leases an office in Hong Kong. These liabilities were measured at net present value of the lease payments during the lease terms that are not yet paid.

26 TRADE PAYABLES

The ageing analysis of the trade payables based on invoice date was as follows:

	As at 31 March	
	2021	2020
	HK\$'000	HK\$'000
Within 1 month	12,467	17,240
1–2 months	11,980	6,091
2–3 months	14,488	4,122
Over 3 months	5,975	16,598
	44,910	44,051

The credit terms of trade payables granted to the Group are usually cash on delivery and from 30 to 90 days.

Trade payables are denominated in the following currencies:

	As at 31 March	
	2021	2020
	HK\$'000	HK\$'000
US\$	577	243
HK\$	3,316	2,890
RMB	41,017	40,918
	44,910	44,051

The carrying amounts of the trade payables approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 ACCRUALS AND OTHER PAYABLES

	As at 31 March	
	2021	2020
	HK\$'000	HK\$'000
Accrued expenses		
— Staff costs	7,991	9,374
— Listing expenses	–	3,364
— Others	2,267	1,071
Contract liabilities (Note 5)	4,195	5,478
Provision for employees' benefit	1,300	1,301
Other payables	3,917	1,979
	19,670	22,567

The carrying amounts of accruals and other payables are denominated in the following currencies:

	As at 31 March	
	2021	2020
	HK\$'000	HK\$'000
US\$	4,140	5,537
RMB	10,204	9,727
HK\$	5,326	7,303
	19,670	22,567

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 BORROWING

	As at 31 March	
	2021	2020
	HK\$'000	HK\$'000
Portion of term loan from a bank due for repayment after one year which contain a repayable on demand clause	2,139	3,972

The bank borrowing is denominated in HK\$ and bears interest at floating rate and effective rate per annum of 1.82% as at 31 March 2021 (2020: 3.72%).

As at 31 March 2021, the Group's bank borrowing of HK\$2,139,000 (2020: HK\$3,972,000) was guaranteed by corporate guarantee of the Company (2020: personal guarantee of Mr. Li and Ms. Sit). Also, the bank borrowing is secured by the pledged bank deposits (Note 21) of HK\$4,974,000 (2020: HK\$4,974,000), buildings (Note 16) of HK\$3,935,000 (2020: HK\$4,083,000) and investment property (Note 17) of HK\$690,000 (2020: HK\$725,000) in Hong Kong.

The fair value of the bank borrowing approximates its carrying amount at 31 March 2021. They are determined based on discounted cash flows using a rate based on the borrowing rate of 1.82% (2020: 3.72%) and are within level 2 of the fair value hierarchy.

The exposure of the Group's borrowing to interest rate changes and the contractual repricing dates at the end of the reporting period are as follows:

	As at 31 March	
	2021	2020
	HK\$'000	HK\$'000
Within 1 year	2,139	3,972

The Group has complied with the financial covenants of its borrowing facilities during the year ended 31 March 2021.

The Group's borrowing was repayable (based on the scheduled repayment dates as set out in the loan agreements without taking into account the effect of the repayment on demand clause) as follows:

	As at 31 March	
	2021	2020
	HK\$'000	HK\$'000
Within 1 year	1,833	1,833
Between 1 and 2 years	306	1,833
Between 2 and 5 years	–	306
	2,139	3,972

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 CASH GENERATED FROM OPERATIONS

	Year ended 31 March	
	2021 HK\$'000	2020 HK\$'000
Profit before taxation	71,913	55,082
Adjustment for:		
Losses/(gains) on disposal of property, plant and equipment	4	(185)
Interest expenses	74	245
Interest income	(188)	(65)
Depreciation (<i>Note 15, 16 and 17</i>)	13,232	11,871
Allowance for expected credit loss	(10)	-
Operating cash flows before movement in working capital:	85,025	66,948
Inventories	958	(607)
Trade receivables	(56,151)	(3,111)
Contract assets	(649)	(772)
Other receivables, deposits and prepayments	1,536	4,789
Trade payables	1,507	15,180
Accruals and other payables	(3,460)	7,202
Cash generated from operations	28,766	89,629

(a) Significant non-cash transactions

- (i) In the consolidated cash flow statement, proceeds from sale of property, plant and equipment are analysed as follows:

	Year ended 31 March	
	2021 HK\$'000	2020 HK\$'000
Net book amount (<i>Note 16</i>)	26	43
Net (losses)/gains on disposal of property, plant and equipment (<i>Note 7</i>)	(4)	185
Proceeds from disposal of property, plant and equipment	22	228

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 CASH GENERATED FROM OPERATIONS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flow will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Borrowings HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
As at 1 April 2019	–	851	851
Cash flows			
— Proceeds from bank borrowings	15,500	–	15,500
— Repayment of bank borrowings	(11,528)	–	(11,528)
— Payment of lease liabilities	–	(427)	(427)
At 31 March 2020	3,972	424	4,396
As at 1 April 2020	3,972	424	4,396
Cash flows			
— Repayment of bank borrowings	(1,833)	–	(1,833)
— Payment of lease liabilities	–	(443)	(443)
Other non-cash movement			
— Addition of right-of-use asset	–	840	840
At 31 March 2021	2,139	821	2,960

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 March	
	2021	2020
	HK\$'000	HK\$'000
Assets as per consolidated balance sheet		
Financial assets at amortised cost:		
Trade receivables	87,133	34,211
Other receivables and deposits	1,170	1,017
Pledged bank deposits	4,974	4,974
Cash and cash equivalents	166,008	56,420
Total	259,285	96,622

	As at 31 March	
	2021	2020
	HK\$'000	HK\$'000
Liabilities as per consolidated balance sheet		
Financial liabilities at amortised cost:		
Lease liabilities	821	424
Account payables	44,910	44,051
Accruals and other payables	6,184	6,414
Borrowing	2,139	3,972
Total	54,054	54,861

31 CAPITAL COMMITMENTS

As at 31 March 2020 and 2021, the Group had the following capital commitments:

	As at 31 March	
	2021	2020
	HK\$'000	HK\$'000
Contracted but not provided for:		
Property, plant and equipment	180	1,466

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee; exposure or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

- (a) Save as disclosed in Note 12 and 14 of this report, the directors of the Company are of the view that the following parties were related parties that had transaction with the Group during the year ended 31 March 2020 and 2021:

Name of related parties	Relationship with the Group
Mr. Li Shu Yeh	Ultimate shareholder and executive director of the Company
Ms. Sit Hor Wan	Ultimate shareholder of the Company
Ms. Li Sen Julian	Executive director of the Company
Ms. Tang Suk Yee	Executive director of the Company

(b) Year-end balances with related parties

During the year, there are no major related party balances with related parties other than those disclosed elsewhere in the financial statements.

(c) Key management compensation

Key management includes directors (executive and non-executive) and the senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 March	
	2021 HK\$'000	2020 HK\$'000
Wages, salaries and bonus	6,946	7,533
Retirement benefits — defined contribution plans:		
— Hong Kong	90	90
— PRC	12	20
	7,048	7,643

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 March 2020 and 2021.

34 SUBSIDIARIES

Name of subsidiaries	Place of incorporation and kind of legal entity	Date of incorporation/ establishment	Principal business	Particulars of issued share capital and debt securities	Proportion of ordinary shares directly held by the Company	
					2021	2020
Directly held:						
BVI Fourace	The BVI, limited liability company	11 April 2019	Investment holdings	US\$1	100%	100%
Indirectly held:						
HK Fourace ("科利實業有限公司")	Hong Kong, limited liability company	18 August 1987	Sales and marketing of electrical appliances	HK\$2,500,000	100%	100%
Shenzhen Fourace Electrical Appliances Limited ("深圳科利電器有限公司")	People's Republic of China (the "PRC"), limited liability company	22 May 2015	Manufacturing and supplying of electrical appliances	HK\$44,000,000	100%	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	Note	As at 31 March 2021 HK\$'000	As at 31 March 2020 HK\$'000
Assets			
Non-current asset			
Investment in a subsidiary		185,226	185,226
Current asset			
Other receivables, deposits and prepayments		275	5,617
Amount due from subsidiaries		83,334	20,000
		83,609	25,617
Total assets		268,835	210,843
Equity			
Share capital	22	12,500	–
Reserves	35(a)	255,235	186,202
Total equity		267,735	186,202
Liabilities			
Current liabilities			
Accruals and other payables		1,100	3,364
Amount due to a subsidiary		–	21,277
Total liabilities		1,100	24,641
Total equity and liabilities		268,835	210,843

The balance sheet was approved by the Board of Directors on 25 June 2021 and was signed on its behalf.

Li Shu Yeh
Director

Li Sen Julian
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Note:

(a) Reserve movement of the Company

	Share premium HK\$'000	Accumulated losses/retained earnings HK\$'000	Total HK\$'000
Balance at 1 April 2019	–	(6,079)	(6,079)
Profit for the year	–	47,055	47,055
Total comprehensive income	–	47,055	47,055
Transactions with owners			
Issuance of ordinary shares pursuant to the reorganisation	185,226	–	185,226
Dividend paid (Note 14)	–	(40,000)	(40,000)
	185,226	(40,000)	145,226
Balance as at 31 March 2020	185,226	976	186,202
Balance at 1 April 2020	185,226	976	186,202
Profit for the year	–	(10,723)	(10,723)
Total comprehensive income	–	(10,723)	(10,723)
Transactions with owners			
Issuance of ordinary shares upon capitalisation issue	(9,375)	–	(9,375)
Issuance of ordinary shares upon initial public offering	121,875	–	121,875
Share issuance costs	(32,744)	–	(32,744)
	79,756	–	79,756
Balance as at 31 March 2021	264,982	(9,747)	255,235

FINANCIAL SUMMARY

A summary of the results and of the assets, equity and liabilities of the Group for the published financial years is as follows:

RESULTS

	Year ended 31 March			
	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
Revenue	437,446	362,094	312,239	269,223
Profit before taxation	71,913	55,082	42,726	37,168
Income tax expenses	(13,774)	(11,726)	(8,903)	(7,011)
Profit for the year	58,139	43,356	33,823	30,157
Profit for the year attributable to equity holders of the Company	58,139	43,356	33,823	30,157

ASSETS AND LIABILITIES

	As at 31 March			
	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
Assets				
Non-current assets	118,828	120,846	114,070	106,754
Current assets	308,306	149,414	130,409	171,134
Total assets	427,134	270,260	244,479	277,888
Equity and liabilities				
Total equity	347,458	192,484	191,263	212,817
Non-current liabilities	4,433	3,063	2,745	1,577
Current liabilities	75,243	74,713	50,471	63,494
Total liabilities	79,676	77,776	53,216	65,071
Total equity and liabilities	427,134	270,260	244,479	277,888

Note:

No financial statement of the Group for the year ended 31 March 2017 has been published. Therefore, only the financial summary for the last four financial years is presented. The summary of the consolidated results of the Group for the three years ended 31 March 2018, 2019 and 2020 and of the assets, equity and liabilities as at 31 March 2018, 2019 and 2020 are extracted from the Prospectus.

FOURACE
科利

FOURACE INDUSTRIES GROUP HOLDINGS LIMITED
科利實業控股集團有限公司