

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

**Fameglow Holdings Limited**

**亮晴控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8603)**

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 MARCH 2019**

The board (the “**Board**”) of directors (the “**Directors**”) of Fameglow Holdings Limited (the “**Company**”) is pleased to announce the annual results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 March 2019 together with the comparative figure. This announcement, containing the full text of the 2018/19 annual report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) in relation to information to accompany preliminary announcements of annual results. The printed version of the Company’s 2018/19 Annual Report will be despatched to the shareholders of the Company and available on the websites of the Company at ([www.fameglow.com](http://www.fameglow.com)) and the Stock Exchange of Hong Kong Limited at ([www.hkexnews.hk](http://www.hkexnews.hk)) in due course.

By order of the Board  
**Fameglow Holdings Limited**  
**Mr. Yip Chun Kwok Danny, MH**  
*Chairman and Executive Director*

Hong Kong, 24 June 2019

*As at the date of this announcement, the executive Directors are Mr. Yip Chun Kwok Danny, MH and Ms. Fu Chi Ching; and the independent non-executive Directors are Mr. Chan Sing Nun, Mr. Khoo Wun Fat William and Mr. Yu Chi Wing.*

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

*This announcement will remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for a minimum period of 7 days from the date of publication and on the website of the Company at [www.fameglow.com](http://www.fameglow.com).*

## CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

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

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

# CONTENTS

	Page
Corporate Information	3
Financial Highlights	4
Chairman's Statement	5
Management Discussion and Analysis	6
Directors and Senior Management	11
Report of Directors	15
Corporate Governance Report	28
Independent Auditor's Report	38
Consolidated Statement of Profit or Loss and Other Comprehensive Income	43
Consolidated Statement of Financial Position	44
Consolidated Statement of Changes in Equity	46
Consolidated Statement of Cash Flows	47
Notes to the Consolidated Financial Statements	49
Financial Summary	102

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr. Yip Chun Kwok Danny, MH (*Chairman*)

Ms. Fu Chi Ching (*Chief Executive Officer*)

#### Independent Non-executive Directors

Mr. Chan Sing Nun

Mr. Khoo Wun Fat William

Mr. Yu Chi Wing

#### Audit Committee

Mr. Chan Sing Nun (*Chairman*)

Mr. Khoo Wun Fat William

Mr. Yu Chi Wing

#### Remuneration Committee

Mr. Khoo Wun Fat William (*Chairman*)

Mr. Chan Sing Nun

Ms. Fu Chi Ching

#### Nomination Committee

Mr. Yip Chun Kwok Danny, MH (*Chairman*)

Mr. Khoo Wun Fat William

Mr. Yu Chi Wing

### AUTHORISED REPRESENTATIVES

Mr. Yip Chun Kwok Danny, MH

Ms. Fu Chi Ching

### COMPANY SECRETARY

Ms. Lee Ka Man Carmen (resigned on 31 May 2019)

### COMPLIANCE OFFICER

Ms. Fu Chi Ching

### AUDITOR

Deloitte Touche Tohmatsu

Certified Public Accountants

35/F, One Pacific Place

88 Queensway

Hong Kong

### COMPLIANCE ADVISER

Innovax Capital Limited

Room 2002, 20th Floor

Chinachem Century Tower

178 Gloucester Road

Wanchai, Hong Kong

### REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

### HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 304, Global Gateway Tower

63 Wing Hong Street

Cheung Sha Wan

Kowloon, Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong (with effect from 11 July 2019)

### PRINCIPAL BANKER

Bank of Communications Co., Ltd.

Hong Kong Branch

20 Pedder Street

Central, Hong Kong

### COMPANY'S WEBSITE

[www.fameglow.com](http://www.fameglow.com)

### STOCK CODE

8603

## FINANCIAL HIGHLIGHTS

Revenue of the Group for the year ended 31 March 2019 amounted to approximately HK\$101.4 million, representing an increase of approximately HK\$12.8 million or 14.4% as compared with approximately HK\$88.7 million for the year ended 31 March 2018.

The net loss of the Group for the year ended 31 March 2019 amounted to approximately HK\$0.2 million (2018: net profit approximately HK\$15.8 million). The net loss of the Group is mainly due to the listing expenses of approximately HK\$16.3 million incurred by the Company during the year.

The board of directors of the Company (the “Board”) do not recommend a payment of a final dividend for the year ended 31 March 2019.

## CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of the Company and its subsidiaries (collectively the "Group"), I am delighted to present the first annual report of the Company for the year ended 31 March 2019.

The Group is a medical aesthetic service provider in Hong Kong and operates medical aesthetic centres under our brand "per Face" providing non-surgical medical aesthetic services. We started using the brand "per Face" in September 2010. We strive to provide holistic treatment solutions to our clients through our non-surgical medical aesthetic services, traditional beauty services and sale of skincare products to help our clients maintain and enhance their skin conditions and physical appearance. On 15 October 2018, the ordinary shares of the Company (the "Shares") were successfully listed on the GEM of The Hong Kong Stock Exchange (the "Listing").

For the year ended 31 March 2019, the revenue from the provision of treatment services of the Group increased by HK\$12.7 million, or 15.1%, from approximately HK\$84.4 million to approximately HK\$97.1 million.

For the year ended 31 March 2019, the revenue from sales of skincare products of the Group increased by HK\$0.6 million, or 25.7%, from approximately HK\$2.2 million to approximately HK\$2.8 million.

For the year ended 31 March 2019, the revenue from expiry of prepaid treatments of the Group decreased by HK\$0.5 million, or 25.3%, from approximately HK\$2.0 million to approximately HK\$1.5 million.

In the view of the fast-growing demand towards medical aesthetic services in Hong Kong, the Group is optimistic about the prospects of the industry. In order to capture the increasingly sophisticated market demand for medical aesthetic services and industry growth, the Group maintains its commitment to continuous growth through leveraging on our brand image, strategic expansion in its operations and effective marketing campaigns. The Group will continue to evaluate development opportunities to strengthen its competitive advantage and industry-leading position. By acquiring new treatment devices and treatment consumables, the Group will be able to extend the spectrum of our treatment services offered. The management is optimistic about achieving sustainable growth for the Group and bringing greater returns to its shareholders.

On behalf of the Board, I would like to express our gratitude to all the shareholders, the professional parties involved, customers, working partners and employees for their contribution to our successful Listing. This is an important and remarkable milestone of the Group's development.

**Yip Chun Kwok Danny, MH**  
*Chairman and Executive Director*

Hong Kong, 24 June 2019

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group is a medical aesthetic service provider in Hong Kong and operates two medical aesthetic centres in prime locations of Causeway Bay (the “CWB Centre”) and Tsim Sha Tsui (the “TST Centre”) under our brand “per Face” providing non-surgical medical aesthetic services. We started using the brand “per Face” when we set up the CWB Centre in September 2010. We also have a retail shop in the same commercial complex of each of our medical aesthetic centres selling skincare products and two retail and beauty counters in an upmarket department store in Central selling skincare products and providing nail and lash services, which complemented our core business of the provision of non-surgical medical aesthetic services to our clients.

We strive to provide holistic treatment solutions to our clients through our non-surgical medical aesthetic services, traditional beauty services and sale of skincare products to help our clients maintain and enhance their skin conditions and physical appearance. Our non-surgical medical aesthetic services can generally be categorised as (i) energy-based procedures and (ii) minimally invasive procedures.

For year ended 31 March 2019, the Group’s revenue amounted to approximately HK\$101.4 million, representing an increase of 14.4% as compared with the corresponding period of 2018. Loss for the year amounted to approximately HK\$0.2 million, while profit after tax amounted to approximately HK\$15.8 million during the corresponding year of 2018. The Directors are of the view that the net loss is mainly due to the listing expenses of approximately HK\$16.3 million incurred during the year.

## PROSPECTS

The outlook of the medical aesthetic services industry remains optimistic with market demand growing fast in recent years, owed mainly to the increasing affordability and public acceptance of related services.

In order to seize the opportunity created by increasing customer demands, we have expanded our operation scale by opening our Central centre in May 2019 to facilitate the continuous growth of our business. The Group believes that the expansion will enable us to deepen our market penetration in Hong Kong and improve our Group’s profitability. The Group will also take advantage of its enlarging geographical presence to attract new and more diverse customers. Along with the strategic expansion of its medical aesthetic centre network, the Group will also sharpen its competitive advantage by extending the spectrum of our treatment services offered.

The Group’s management team also attends industry expositions from time to time to keep up with the prevailing technologies and our marketing and business development department also conducts market research on the prevailing treatment technologies, treatment consumables and skincare products to meet the increasing demand of our clients.

The Group also endeavours to bolster its advantages by attracting and retaining experienced personnel. It regularly reviews and adjusts employees’ salaries with reference to relevant labour market and economic situations to ensure its staff delivers consistently competitive performance. The Group also provides regular internal training sessions and industry seminars to its doctors and therapists to keep them up-to-date with the latest industry knowledge and trends.

Thus, the Group is confident of its capability to deliver quality service to our clients. Moving forward, the Group will apply its strengths, build on its solid customer base and established reputation to deliver stable business development and maximise the shareholders’ value.



# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue

The revenue of the Group amounted to approximately HK\$101.4 million for the year ended 31 March 2019 and approximately HK\$88.7 million for the year ended 31 March 2018 which represented an increase of approximately 14.4% as compared with the corresponding year of 2018. The increase was primarily attributable to the increase in promotional campaign in different marketing channels, such as outdoor advertising, social media marketing on Facebook and Instagram and the celebrity endorsement, which raised consumer awareness of the “Per Face” brand, and secured more customers.

### Cost of inventories and consumables

Cost of inventories and consumables amounted to approximately HK\$10.0 million and HK\$7.4 million for the years ended 31 March 2019 and 2018 respectively, representing 9.8% and 8.4% of total revenue for the respective years. The increase was mainly attributable to the sales growth.

### Staff costs

Staff costs amounted to approximately HK\$34.1 million and HK\$31.1 million for the years ended 31 March 2019 and 2018 respectively, representing approximately 33.6% and 35.1% of total revenue for the respective years. The increase in staff cost was attributable to the increase in headcount to 84 employees as 31 March 2019 (2018: 74 employees).

### Rental and related expenses

Property rental and related expenses amounted to approximately HK\$11.0 million and HK\$10.5 million for the years ended 31 March 2019 and 2018 respectively, which represented rental payments and license fees for our medical aesthetic centres and retail/service outlets. The increase was due to the increase in rental expenses and other related costs of our CWB centre.

### Depreciation

Depreciation expenses amounted to approximately HK\$5.8 million and HK\$3.1 million for the years ended 31 March 2019 and 2018, representing 5.8% and 3.5% of total revenue for the respective years. The increase was mainly due to the acquisition of the property, plant and equipment.

### Other expenses

Other expenses amounted to approximately HK\$21.6 million and HK\$16.3 million for the years ended 31 March 2019 and 2018 respectively, which mainly represented consultancy fee for doctors, card commission expense and marketing and promotion expenses. The increase was primarily due to the increment in promotional campaigns such as outdoor advertising and various social media platforms.

### (Loss) profit for the year

The Group recorded a loss of approximately HK\$0.2 million for the year ended 31 March 2019 (2018: profit of approximately HK\$15.8 million). This is mainly due to the listing expenses of approximately HK\$16.3 million (2018: approximately HK\$1.2 million) incurred by the Company for the year ended 31 March 2019.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Dividends

During the year ended 31 March 2018, Dermaglow Limited and Worldwide Beauty Limited (subsidiaries of the Company) declared and paid dividends of HK\$4,000,000 and HK\$9,000,000, respectively, to the then shareholders.

No dividend was paid or declared by the Company since its incorporation and up to 31 March 2019.

The Board does not recommend a payment of an any dividend for the year ended 31 March 2019.

## Capital Structure, liquidity and financial resources

On 15 October 2018 (the “Listing Date”), the Shares were listed on GEM by way of share offer (the “Share Offer”). Please refer to the Company’s prospectus dated 28 September 2018 (the “Prospectus”) for more details of the Share Offer. The net proceeds from the Share Offer were approximately HK\$31.6 million, which was based on the share price of HK\$0.28 per share and the actual expenses related to the Share Offer. The Company believed that the funding from the Share Offer on the GEM would allow the Group to access the capital market for raising funds in the future. There has been no change on the capital structure of the Group since the Listing Date up to the date of this report. The capital of the Company only comprises of ordinary shares.

The total equity of the Group as at 31 March 2019 was approximately HK\$70.7 million (2018: approximately HK\$21.9 million). The Group generally finances its operation with internally generated cash flows. The Group had bank balances and cash of approximately HK\$64.4 million as at 31 March 2019 (2018: approximately HK\$29.9 million). The Group had total outstanding debts of HK\$17.7 million as at 31 March 2019 (2018: approximately HK\$23.3 million), which comprised obligations under finance leases, as disclosed in note 23 to the consolidated financial statements of this annual report, amounting to HK\$2.0 million (2018: approximately HK\$1.7 million) and bank borrowings, as disclosed in note 22 to the consolidated financial statements of this annual report, amounting to HK\$15.7 million (2018: HK\$21.6 million).

## Capital Expenditures

The Group purchased property, plant and equipment amounting to approximately HK\$10.6 million for the year ended 31 March 2019 which comprised acquisition of treatment devices, motor vehicle, furniture and fixtures and leasehold improvements (2018: HK\$37.3 million).

## Employees and remuneration policies

As at 31 March 2019, the Group had a total of 84 employees (2018: 74 employees). The Group’s remuneration policies are in line with the prevailing market practice and are determined on the basis of performance, qualification and experience of individual employee. The Group recognizes the importance of a good relationship with its employees. The remuneration payable to its employees includes basic salary, commission, discretionary bonus and retirement benefit scheme contributions.

## Significant investments, material acquisitions and disposal of subsidiaries and capital assets

The Group did not have any significant investments, material acquisitions and disposals of subsidiaries and capital assets during the year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Use of proceeds

On 15 October 2018, the Shares were listed on GEM by way of Share Offer. The net proceeds received by the Company from the Share Offer, after deducting underwriting commission and professional expenses in relation to the Share Offer, amounted to approximately HK\$31.6 million, which were lower than the estimated net proceeds of approximately HK\$50.0 million as disclosed in the Prospectus. The Group intends to reduce the amount of net proceeds allocated for the respective purposes as disclosed in the Prospectus on a pro-rata basis. As at 31 March 2019, the Group has utilised HK\$7.0 million of the net proceeds from the Share Offer. The proceeds were applied based on the actual development of the Group's business and market conditions. Please refer to Prospectus for the details of the Share Offer.

The use of the net proceeds as at 31 March 2019 was approximately as follows:

	Planned use of proceeds as shown in the Prospectus from the date of the Listing to 31 March 2019 (adjusted on a pro rata basis based on the actual net proceeds) HK\$'000	Actual use of proceeds from the date of the Listing to 31 March 2019 HK\$'000
Capital expenditure and initial operating costs for establishing three New Medical Aesthetic Centres	5,700	5,700
Purchase prevailing treatment devices and treatment consumables	200	200
Renovate our CWB Centre and TST Centre	–	–
Promotion of our brand	500	500
Upgrade our business management system	–	–
General working capital	600	600
Total	7,000	7,000

## Gearing ratio

The gearing ratio, which is based on the total amounts of total bank borrowings and obligations under finance leases divided by total equity, was 25.1% as at 31 March 2019 (2018: 106.5%).

## Foreign exchange exposure and treasury policies

The Group carries out its business in Hong Kong and most of its transactions are denominated in Hong Kong Dollar. The Group did not experience any material impact or difficulties in liquidity on its operations resulting from the fluctuation in exchange rate, and no hedging transaction or forward contract arrangement was made by the Group during the years ended 31 March 2019 and 2018. Nevertheless, the management will continue to monitor the Group's foreign exchange exposure and will take prudent measures as and when appropriate.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Commitments

The contractual commitments of the Group were primarily related to the leases of the Group's office premises, medical centres, retail shop and sales counters. As at 31 March 2019, the Group's operating lease commitments amounted to approximately HK\$26.6 million (2018: approximately HK\$18.2 million).

## Contingent liabilities

As at 31 March 2019, the Group had no significant contingent liabilities (2018: Nil).

## Financial risk management

Risk management is carried out by the Group's finance department under policies approved by the Board. The finance department identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides guidance for overall risk management and specific areas, such as market risk, interest rate risk, credit risk and liquidity risk.

## Bank borrowings

As at 31 March 2019, the Group had unsecured and guaranteed bank borrowings of approximately HK\$2.1 million (2018: approximately HK\$4.8 million). As at 31 March 2019, the carrying amount of the secured and guaranteed bank borrowings was approximately HK\$13.5 million (2018: approximately HK\$16.9 million). The secured bank borrowings were secured by the payments for life insurance contracts as at 31 March 2019 and 2018. The entire bank borrowings were guaranteed by the Controlling Shareholders as at 31 March 2019 and 2018 (the "Personal Guarantees"). Such Personal Guarantees were released subsequently after the year ended 31 March 2019.

## Pledge of assets

Bank borrowings of approximately HK\$13.5 million (2018: approximately HK\$16.9 million) are secured by the payments for life insurance contracts of approximately HK\$19.1 million (2018: approximately HK\$18.5 million). As at 31 March 2019, the carrying amount of treatment devices included an amount of approximately HK\$2.0 million (2018: approximately HK\$1.3 million) and motor vehicle included an amount of approximately HK\$0.6 million (2018: approximately HK\$1.0 million) in respect of assets held under finance leases.

## Subsequent events

There was no significant event occurred after the end of the reporting period.

# DIRECTORS AND SENIOR MANAGEMENT

## DIRECTORS

### Executive Directors

**Mr. Yip Chun Kwok Danny, MH (葉振國) ("Mr. Yip")**, aged 53, founded our Group with Ms. Fu Chi Ching ("Ms. Fu") jointly in May 2008. He was appointed as a Director on 2 March 2018 and re-designated as the chairman of our Company and an executive Director on 6 June 2018. He is the chairman of the nomination committee. Mr. Yip brought more than 30 years of entrepreneurship and executive management experience to his role with our Group. He oversees general corporate direction and shares his vision and strategies with our Group. Mr. Yip is the spouse of Ms. Fu.

Mr. Yip gained extensive experience through his family business at Wing Hing Provision, Wine & Spirits Trading Company Limited and other companies under the name of "Wing Hing", such as sales and marketing on spirits and wine distribution, property development projects in the Greater China region and Thailand and property and taxi license investments in Hong Kong, as a diversified entrepreneur. He first joined the company in July 1988 as a marketing executive, and mainly assisted in developing marketing campaigns and generating marketing reports. He was promoted to become the marketing manager in August 1989 and was responsible for developing, implementing and executing strategic marketing plans. He was further promoted to become the managing director in August 1990, with extensive experience in management, operations, sales, distribution and marketing as well as property development.

Mr. Yip completed high school education in Bromsgrove, the United Kingdom in July 1987.

Mr. Yip has been actively engaged in prominent political and civil affairs in Hong Kong and in the Greater China region. The key and influential positions held by Mr. Yip are as follows:

Period	Association	Position
2007 to 2016	Guangdong Province Jieyang City Committee of the Chinese People's Political Consultative Conference (中華人民政治協商會議廣東省揭陽市委員會)	Member
2009 to 2010	Fight Crime Committee (Central and Western District) (中西區撲滅罪行委員會)	Member
2010 to 2012	Junior Police Call Honorary President Council (Western District) (西區少年警訊名譽會長會)	Vice Chairman
2017 to 2018	Fire Safety Committee (Central and Western District, Home Affairs Department) (民政事務署中西區防火委員會)	Chairman
2017 to present	Guangdong Province Jieyang City Committee of the Chinese People's Political Consultative Conference (中華人民政治協商會議廣東省揭陽市委員會)	Consultant
2018 to present	Friends of The Community Chest Organising Committee (Central and Western District) of The Community Chest (香港公益金公益金之友中西區委員會)	Vice Chairman

The valuable contribution of Mr. Yip to social and civil affairs in Hong Kong has been exemplarily recognised. He was awarded the Medal of Honour by the Government of Hong Kong for his outstanding and dedicated community service in Central and Western District in 2009.

## DIRECTORS AND SENIOR MANAGEMENT

**Ms. Fu Chi Ching (符芷晴)**, aged 41, founded our Group with Mr. Yip jointly in May 2008. She was appointed as a Director on 2 March 2018 and re-designated as an executive Director and the chief executive officer of our Company on 6 June 2018. She is a member of the remuneration committee. Ms. Fu is responsible for overall daily business operations, management structure, quality assurance, and public relations of our Group. Ms. Fu is the spouse of Mr. Yip.

Ms. Fu is an entrepreneur with over 10 years of start-up and operational experience primarily in the medical aesthetic service industry. Prior to the establishment of our Group, she worked at the Cathay Pacific Airways group of companies from July 2001 to March 2007 and another world-class international airline for approximately one year, where, during those tenures, she carried out inflight safety and security procedures, managed cabin crew and handled customers' complaints and learned the values of customers with different backgrounds and how to manage customers' expectation, which greatly assists her in formulating marketing strategies for her current business.

Aiming to enhance business practices and deepening her knowledge, Ms. Fu has obtained an International Master of Business Administration from the Buckinghamshire New University of the United Kingdom, by way of long distance learning, in July 2018.

### Independent non-executive Directors

**Mr. Chan Sing Nun (陳星能) ("Mr. Chan")**, aged 44, was appointed as an independent non-executive Director on 21 September 2018. Mr. Chan is the chairman of the audit committee and a member of the remuneration committee.

Mr. Chan has approximately 19 years of experience in auditing, accounting and financial management. From May 1998 to May 2002, he worked at K.L. Wong & Co., an audit firm. Since January 2003, Mr. Chan has been working at Brandwell Limited, a consulting service company, and became the chief financial officer in September 2006. He joined Qing Lan C.P.A. Limited as the audit principal in September 2009. Mr. Chan has also served as the director of A2Z Hotel Equipment Limited, a company engaged in trading of hotel equipment, since June 2017.

Mr. Chan also serves as an independent non-executive director of various listed companies in Hong Kong. Since October 2016, he has been an independent non-executive director of Guangdong Kanghua Healthcare Co., Ltd. (a company listed on the Main Board (stock code: 3689)). Mr. Chan has also served as an independent non-executive director of Differ Group Holding Co. Ltd (a company formerly listed on GEM (stock code: 8056) and currently listed on the Main Board (stock code: 6878)) since November 2013. Mr. Chan also served as the company secretary of SMI Holdings Group Limited (a company listed on the Main Board (stock code: 198)) since September 2018 up to February 2019.

Mr. Chan obtained a Higher Diploma in Accountancy from the City University of Hong Kong in November 1998. Mr. Chan has been a certified public accountant of the HKICPA since May 2003. He was admitted as a member and a fellow of the Association of Chartered Certified Accountants in January 2009 and April 2015, respectively.

**Mr. Khoo Wun Fat William (丘煥法) ("Mr. Khoo")**, aged 38, was appointed as an independent non-executive Director on 21 September 2018. Mr. Khoo is the chairman of the remuneration committee, and a member of the audit committee and the nomination committee.

Mr. Khoo has approximately nine years of experience in the legal industry and has extensive experience in corporate finance law and aviation law. From July 2007 to April 2010, Mr. Khoo worked at P. C. Woo & Co. as a trainee and then as an assistant solicitor. From May 2010 to April 2011, Mr. Khoo worked at Charltons as an assistant solicitor. From April 2011 to March 2014, Mr. Khoo worked at DLA Piper Hong Kong as an associate. Mr. Khoo established Khoo & Co. in November 2014.



## DIRECTORS AND SENIOR MANAGEMENT

Apart from his legal profession, Mr. Khoo is also a member of the standing committee of the convocation of City University of Hong Kong (the “Convocation”) since January 2010 and is currently the vice-chairman of the Convocation. He is also currently a director of the Alumni Association of Raimondi College.

Since November 2017, Mr. Khoo has been an independent non-executive director of Alpha Professional Holdings Limited (formerly known as Z-Obee Holdings Limited) (a company listed on the Main Board (stock code: 948)). Since August 2018, Mr. Khoo has been an independent non-executive director of Zhejiang New Century Hotel Management Co., Ltd (a company listed on the Main Board (stock code: 1158)).

Mr. Khoo obtained a Bachelor of Science from the Chinese University of Hong Kong in December 2003. He obtained a Bachelor of Laws in November 2006 and the Postgraduate Certificate in Laws in July 2007 from the City University of Hong Kong. He was admitted as a solicitor of Hong Kong in September 2009.

**Mr. Yu Chi Wing (于志榮) (“Mr. Yu”)**, aged 35, was appointed as an independent non-executive Director on 21 September 2018. He is a member of the audit committee and the nomination committee.

Mr. Yu has over 13 years of experience in advisory, accounting, taxation and auditing. From June 2005 to June 2014, Mr. Yu worked at RSM Nelson Wheeler, an accounting and consulting firm and his last position was manager. From June 2014 to May 2015, Mr. Yu worked as a financial controller at Niche-Tech (Hong Kong) Limited, a semiconductor packaging materials manufacturer. Since June 2015, Mr. Yu has been the financial controller of Tactful Building Company Limited, a company primarily engaging in construction and fitting out services. Mr. Yu founded JR & Co., Certified Public Accountants in September 2016.

Mr. Yu obtained a Bachelor of Arts in Accountancy from the Hong Kong Polytechnic University in June 2005. He has been a member and practising member of the HKICPA since January 2012 and March 2015, respectively.

### SENIOR MANAGEMENT

**Ms. Chan Yuen Ping (陳婉萍) (“Ms. Y.P. Chan”)**, aged 51, is the general manager of operation of our Group. She joined our Group in August 2012 as a shop manager. She temporarily left our Group in June 2015 and rejoined our Group in September 2015. She was promoted to her current position in October 2017. Ms. Y.P. Chan is primarily responsible for overseeing our daily operations, sales and client relationship.

Prior to joining our Group, Ms. Y.P. Chan worked at Glycel (Far East) Co., Ltd, a renowned skincare product company originated from Switzerland, from July 1993 to October 2000. Her last position held was supervisor. From May 2001 to December 2003, she worked at Su-Yamano (H.K. & China) Limited, a company engaged in beauty aesthetics, with her last position as sales manager. Ms. Y.P. Chan was self-employed from February 2004 to February 2007 and she traded skincare and makeup products. From March 2007 to June 2012, Ms. Y.P. Chan worked at Belle Cosmetic Limited, a company engaged in beauty aesthetics, with her last position as shop manager. During her tenures, she was primarily responsible for managing operations of beauty salons and developing sales strategies to achieve sales targets.

Ms. Y.P. Chan obtained a certificate of skincare and makeup cosmetics applications from Mariannebolle in September 2002.



## DIRECTORS AND SENIOR MANAGEMENT

**Ms. Lam Po Shan Lucia (林寶珊) (“Ms. P.S. Lam”)**, aged 37, is the operation manager of our Group. She joined our Group in July 2015 as a customer service manager and was promoted to her current position in October 2017. Ms. P.S. Lam is primarily responsible for implementing marketing strategies of our Group and managing our relationship with clients.

Prior to joining our Group, Ms. P.S. Lam worked at Hong Kong Dragon Airlines Limited from December 2004 to July 2015 with her last position as senior purser. During her tenure, Ms. P.S. Lam was primarily responsible for managing cabin crew and handling complaints from customers.

Ms. P.S. Lam obtained a Professional Diploma in Hospitality Management from the Hong Kong Management Association in April 2011. She also obtained a Bachelor of Arts from the University of Greenwich of the United Kingdom in July 2013, by way of long distance learning.

# REPORT OF DIRECTORS

The Directors hereby present the report and the audited consolidated financial statements for the year ended 31 March 2019.

## CORPORATE INFORMATION

The Company is an exempted company incorporated in the Cayman Islands with limited liability in accordance with the Companies Law Chapter 22 of the Cayman Islands on 2 March 2018. The Shares were listed on GEM of the Stock Exchange on 15 October 2018.

## PRINCIPAL BUSINESS

The Company is an investment holding company. Business of the major subsidiaries of the Company is set out in note 36 to the consolidated financial statements of this annual report.

## BUSINESS REVIEW

Business of the Group for the year ended 31 March 2019 is set out in the section headed “Management Discussion and Analysis” on pages 6 to 10 of this annual report. The discussion is an integral part of this Report of Directors.

## PRINCIPAL RISKS AND UNCERTAINTIES

The Group’s financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group’s business. The following are the key risks and uncertainties identified by the Group.

### Government Policies Risk

Following certain adverse incidents in relation to the beauty service industry in recent years, the Hong Kong Government has been reviewing the existing legal framework and considering tightening its supervision over the beauty service industry by promulgating certain laws and regulations to regulate, among other things, the types of medical aesthetic procedures that should be performed by registered medical practitioners.

There is no assurance that the Hong Kong Government will not impose more stringent laws, rules, regulations or industry standards in connection with the provision of medical aesthetic services. Any change in the regulatory framework may render it more restrictive for us to conduct our business. There is also no assurance that we will be able to adapt to such changes in a timely manner. In addition, compliance with such new laws, rules, regulations or industry standards may significantly increase our operating costs, which may in turn lower our profit margins. Any of the above-mentioned circumstances may materially and adversely affect our business, results of operations, financial condition and prospects.

# REPORT OF DIRECTORS

## Risk of Adverse Economic, Social or Political Conditions

All of our business operations are based in and we derive all of our revenue from Hong Kong. Our business operations and the demand for our medical aesthetic services are therefore subject to the economic, social and political conditions in Hong Kong. Furthermore, any incidence of social unrest, strike, riot, civil disturbance or disobedience in Hong Kong may cause inconvenience to clients who wish to visit our medical aesthetic centres and weaken their desire or willingness to undergo medical treatments. Any of the above circumstances may have a material and adverse impact on our business, results of operations and financial condition.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group strives to operate in compliance with the applicable environmental protection laws and methods in a bid to minimise the adverse effects of its existing business activities on the environment.

## COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

To the current knowledge of the Board and the management, the Group has not committed any violation or non-compliance of applicable laws and regulations that would have significant impact on the operation of the Group throughout the year ended 31 March 2019.

## RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group acknowledges the importance to maintain good relationship with its employees and customers for the achievement of its short-term and long-term business objectives. For the year ended 31 March 2019, there was no serious and material dispute between the Group and its employees, customers and suppliers.

## RESULTS AND DIVIDEND

The results of the Group for the year ended 31 March 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 43 of the annual report.

The Board did not recommend the payment of a final dividend for the year ended 31 March 2019.

## FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last three financial years is set out on page 102. This summary does not form part of the audited consolidated financial statements.

## DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 46 of this annual report.

The Company's reserves available for distribution to shareholders as of 31 March 2019 amounted to approximately HK\$45.6 million (2018: Nil).

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements of this annual report.

The Group's leasehold land and buildings were valued at HK\$31.6 million as at 30 June 2018 in the Prospectus. Had the Group's buildings been included in these financial statements at such valuation amount throughout the year ended 31 March 2019, an additional depreciation charge of approximately HK\$0.1 million would have been recognised in the consolidated statement of profit or loss and the comprehensive income for the year ended 31 March 2019.

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2019, the percentage of revenue derived from our five largest clients in aggregate was less than 3.7% (2018: 2.3%).

For the year ended 31 March 2019, purchases from our largest supplier accounted for approximately 26.5% (2018: 13.9%) of the Group's total purchases. For the year ended 31 March 2019, our five largest suppliers in aggregate accounted for approximately 74.4% (2018: 61.1%) of the Group's total purchases.

For the year ended 31 March 2019, none of the Directors or any of their associates or any shareholders, who to the knowledge of the Directors, owns more than 5% of the Company's issued share capital, had any interest in the five largest suppliers or customers.

## SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 26 to the consolidated financial statements of this annual report.

## DONATIONS

Donations by the Group for charitable purposes amounted to approximately HK\$25,000 (2018: approximately HK\$10,000).

# REPORT OF DIRECTORS

## DIRECTORS

During the year and as of the date of this report, our Directors include:

### Executive Directors:

Mr. Yip Chun Kwok Danny, MH (*Chairman*)

Ms. Fu Chi Ching (*Chief Executive Officer*)

### Independent non-executive Directors:

Mr. Chan Sing Nun

Mr. Khoo Wun Fat William

Mr. Yu Chi Wing

Pursuant to the articles 83(3), 84(1) and 84(2) of the articles of association of the Company (the “Articles of Association”), Mr. Yip Chun Kwok Danny, MH and Ms. Fu Chi Ching shall retire at the forthcoming annual general meeting of the Company (the “AGM”) and being eligible, to offer themselves for re-election at the AGM.

The Company has received annual confirmation from each of the independent non-executive Directors as regards their independence to the Company pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that each of the independent non-executive Directors is independent to the Company.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 11 to 14 of this annual report.

## REPORT OF DIRECTORS

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

As at 31 March 2019, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, notified to the Company and the Stock Exchange, were as follows:

#### Long position in the shares of the Company:

Name	Capacity/Nature of interest	Number of Shares held after the Share Offer (Note i)	Percentage of shareholding after the Share Offer
Mr. Yip	Interest in controlled corporation (Note ii)	600,000,000 (L)	75%
Ms. Fu	Interest in controlled corporation (Note ii)	600,000,000 (L)	75%

Notes:

- (i) The letter "L" denotes the person's long position in the relevant Shares.
- (ii) All the issued shares of Equal Joy are legally and beneficially owned as to 50% by each of Mr. Yip and Ms. Fu. Accordingly, they are deemed to be interested in the 600,000,000 Shares held by Equal Joy by virtue of the SFO. Mr. Yip, Ms. Fu and Equal Joy together are a group of Controlling Shareholders of the Company.

Save as disclosed above, as at 31 March 2019, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of 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 short positions which they were taken or deemed to have under such provisions of the SFO), or which are required to be recorded in the register required to be kept by the Company under Section 352 of the SFO, or which shall be, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, notified to the Company and the Stock Exchange.



## REPORT OF DIRECTORS

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY

As at 31 March 2019, to the knowledge of the Directors, the following persons/entities (other than the Directors or chief executive of the Company) who had or were deemed to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Capacity/Nature of interest	Number of Shares held after the Share Offer (Note i)	Percentage of shareholding after the Share Offer
Equal Joy	Beneficial owner (Note ii)	600,000,000 (L)	75%

Notes:

- (i) The letter "L" denotes the person's long position in the relevant Shares.
- (ii) All the issued shares of Equal Joy are legally and beneficially owned as to 50% by each of Mr. Yip and Ms. Fu. Mr. Yip, Ms. Fu and Equal Joy together are a group of controlling shareholders of the Company.

Save as disclosed above, as at 31 March 2019, the Directors are not aware of any other persons/entities (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

### RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year ended 31 March 2019 and up to the date of this report, have the Directors and the chief executive of the Company and their respective close associates (as defined under the GEM Listing Rules) had any interests in, or had been granted, or exercised any rights to subscribe for shares or underlying shares of the Company and/or its associated corporations (within the meaning of the SFO).

Save as disclosed above and as provided in the Share Option Scheme (as defined below), at no time during the year ended 31 March 2019 and up to the date of this report was the Company, any of its subsidiaries, its associated companies or its holding companies a party to any arrangements to enable the Directors or the chief executive of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of its associated corporations (within the meaning of the SFO).

## SHARE OPTION SCHEME OF THE COMPANY

The Company's share option scheme (the "Share Option Scheme") was approved by a resolution of the Company's shareholders passed on 21 September 2018. The principal terms of the Share Option Scheme, a summary of which is set out in Appendix V to the Prospectus, are in compliance with the provisions under Chapter 23 of the GEM Listing Rules.

As of 31 March 2019 and up to the date of this annual report, there was no options granted, exercised, lapsed or cancelled under the Share Option Scheme. As of 31 March 2019 and up to the date of this annual report, there was no outstanding share option not yet exercised under the Share Option Scheme.

The following is a summary of the principal terms of the Share Option Scheme:

### Purpose

The purpose of the Share Option Scheme is to advance the interests of our Company and the Shareholders by enabling our Company to grant options to attract, retain and reward the eligible persons and to provide the eligible persons an incentive or reward for their contribution to our Group and by enabling such persons' contribution to further advance the interests of our Group.

### Eligible persons

The eligible persons of the Share Option Scheme to whom options may be granted by the Board shall include (collectively "Eligible Persons"):

- (i) any directors (whether executive or non-executive and whether independent or not) and any employee (whether full time or part time) of any member of our Group (collectively "Employee");
- (ii) any consultants or advisers (in the areas of legal, technical, financial or corporate managerial) of our Group (whether on an employment or contractual or honourary basis or otherwise and whether paid or unpaid); any provider of goods and/or services to our Group; any customer of our Group; or any holder of securities issued by any member of our Group (collectively "Business Associate"); and
- (iii) any other person, who at the sole discretion of the Board, has contributed to our Group (the assessment criteria of which are (1) such person's contribution to the development and performance of our Group; (2) the quality of work performed by such person for our Group; (3) the initiative and commitment of such person in performing his duties; (4) the length of service or contribution of such person to our Group; and (5) such other factors as considered to be applicable by the Board).

### Total number of securities available for issue under the Share Option Scheme together with the percentage of the issued shares that it represents as at the date of the annual report

80,000,000 shares, representing 10% of the total shares in issue of the Company as of the date of this annual report.

# REPORT OF DIRECTORS

## Maximum entitlement of each Eligible Person

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the shares in issue, unless otherwise approved by the Company's shareholders in general meeting with such Eligible Person and his close associates abstaining from voting.

## The minimum period for which an option must be held before it can be exercised

As determined by the Board upon the grant of an option.

## Acceptance of offers

An offer shall remain open for acceptance by the Eligible Person concerned for such period as determined by the Board, being a date not later than 10 business days after the offer date by which the Eligible Person must accept the offer or be deemed to have declined it, provided that no such offer shall be open for acceptance after the tenth anniversary of the date of adoption of the Share Option Scheme or after the Share Option Scheme has been terminated in accordance with the provisions of the Share Option Scheme.

The amount payable by the grantee to our Company on acceptance of the offer shall be a nominal amount of HK\$1.00.

## Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be notified by the Board to the grantee which the Board may in its absolute discretion determine, save that such period shall not be more than 10 years from the date of acceptance of the offer.

## Basis of determining the exercise price

The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be such price as our Board in its absolute discretion shall determine, save that such price will not be less than the highest of:

- (i) the official closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a share.

## Remaining duration of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of 10 years from the Listing Date.

Further details of the Share Option Scheme are set out in Appendix V to the Prospectus of the Company.

## DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with our Company for an initial term of three years commencing from the Listing Date and continuing thereafter until terminated in accordance with the terms of the service contract.

Each of the independent non-executive Directors has entered into a letter of appointment with our Company for an initial term of one year commencing from the Listing Date, which may be terminated by not less than one month' notice in writing served by either party on the other.

None of the Directors proposed for re-election at the forthcoming 2019 AGM has entered into any service contract with the Company which is not terminable by the Company within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR MATERIAL CONTRACTS

There was no transactions, arrangements or material contracts including the provision of service to which the Company or any related company (holding companies, subsidiaries, or fellow subsidiaries) was a party and in which a Director of the Company or controlling shareholders or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at any time during the period from 1 April 2018 to 31 March 2019.

## CONNECTED TRANSACTION/CONTINUING CONNECTED TRANSACTION AND RELATED PARTY TRANSACTIONS

During the year, the Group did not enter into any connected transaction/continuing connected transaction which shall be discloseable under Chapter 20 of the GEM Listing Rules.

Details of related party transaction of the Group during the year ended 31 March 2019 are set out in note 33 to the consolidated financial statements of this annual report.

None of these related party transactions constituted a connected transaction/continuing connected transaction as defined under the GEM Listing Rules.

# REPORT OF DIRECTORS

## NON-COMPETITION UNDERTAKINGS

Our Controlling Shareholders (each a “Covenantor” and collectively, the “Covenantors”) entered into the Deed of Non-Competition in favour of our Company, under which each of the Covenantors has irrevocably and unconditionally, jointly and severally, warranted and undertaken to our Company (for ourselves and as trustee for each of our subsidiaries) that:

- (a) he/she/it will not, and will procure any Covenantor and his/her/its close associates (each a “Controlled Person” and collectively, the “Controlled Persons”) and any company directly or indirectly controlled by the Covenantor (which for the purpose of the Deed of Non-Competition, shall not include any member of our Group) (the “Controlled Company”) not to, except through any member of our Group, directly or indirectly (whether as principal or agent, through any body corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise), carry on, engage in, invest or be interested or otherwise involved in any business that is similar to or in competition with or is likely to be in competition with any business carried on or contemplated to be carried on by any member of our Group from time to time or in which any member of our Group is engaged or has invested or is otherwise involved in or which any member of our Group has otherwise publicly announced its intention to enter into, engage in or invest in (whether as principal or agent and whether directly or through any body corporate, partnership, joint venture, or other contractual or other arrangement) in any territory that our Group carries on its business from time to time (“Restricted Business”);
- (b) when any Controlled Person and/or any Controlled Company is offered or becomes aware of any new project or business opportunity (“**New Business Opportunity**”) directly or indirectly to engage or become interested in a Restricted Business, he/she/it (i) shall promptly notify our Company of such New Business Opportunity in writing, refer the same to our Company for consideration first and provide such information as may be reasonably required by our Company to make an informed assessment of such New Business Opportunity; and (ii) shall not, and shall procure that the Controlled Persons or Controlled Company shall not, invest or participate in any such New Business Opportunity unless such New Business Opportunity shall have been declined by our Company in writing and the principal terms of which he/she/it and/or his/her/its close associates invest or participate in are no more favourable than those made available to our Company.

The restrictions which each of the Covenantors has agreed to undertake pursuant to the non-competition undertakings will not apply to such Covenantors in the circumstances where he/she/it has the holding of or interests in shares or other securities by any of the Covenantors and/or his/her/its close associates in any company which conducts or is engaged in any Restricted Business, provided that, in the case of such shares, they are listed on a recognised stock exchange as specified under the SFO and either:

- (a) the relevant Restricted Business (and assets relating thereto) accounts for less than 10% of the relevant combined turnover or combined assets of the company in question, as shown in the latest audited accounts of the company in question; or
- (b) the total number of the shares held by any of the Covenantors and his/her/its close associates or in which they are together interested does not amount to more than 5% of the issued shares of that class of the company in question, provided that any of the Covenantors and his/her/its close associates, whether acting singly or jointly, are not entitled to appoint a majority of the directors of that company and that at all times there is a holder of such shares holding (together, where appropriate, with its close associates) a larger percentage of the shares in question than the Covenantors and his/her/its close associates together hold.

## REPORT OF DIRECTORS

The non-competition undertakings will take effect from the date on which dealings in the Shares first commence on GEM and will cease to have any effect upon the earliest of the date on which (i) such Covenantor, being a Controlling Shareholder, individually or collectively with any other Covenantor(s) ceases to be interested, directly or indirectly, in 30% or more of the issued Shares, or otherwise ceased to be regarded as controlling shareholder (as defined under the GEM Listing Rules from time to time) of our Company; or (ii) the Shares cease to be listed and traded on the Stock Exchange or other recognised stock exchange.

### DIRECTORS' INTEREST IN COMPETING BUSINESS

From the Listing Date and up to the date of this report, none of the Directors, the controlling shareholders or any of their respective close associates was a director or shareholder of any business (other than the Group's business) which, directly or indirectly, was or may be in competition or otherwise had any conflicts of interests with the Group's business.

### PERMITTED INDEMNITY

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

### MANAGEMENT CONTRACTS

Other than the service contracts of the Directors, the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the year.

### PUBLIC FLOAT

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

### COMPLIANCE ADVISER'S INTERESTS

As notified by Innovax Capital Limited ("Innovax"), compliance adviser of the Company, neither Innovax nor any of its close associates and none of the directors or employees of Innovax had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities, if any) which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules as at 31 March 2019.

### CORPORATE GOVERNANCE

The major corporate governance practices adopted by the Company are set out in the corporate governance report on pages 28 to 37 of this annual report.



# REPORT OF DIRECTORS

## EQUITY-LINKED AGREEMENT

Save for the Share Option Scheme of the Company, there was no equity-linked agreement being entered into or remained subsisting during the year or as of the end of the year.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company, and there are no restrictions against such rights under the laws of Cayman Islands.

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

During the year ended 31 March 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares.

## REMUNERATION POLICY

Remunerations of each of the Directors and senior management members of the Group shall be reviewed by the Remuneration Committee after considering the results of operations of the Group, their individual performance and comparable market data.

Remuneration of employees including directors is reviewed annually to maintain at a competitive level. The Group also makes reference to the labour market and economic condition. Other benefits including but not limited to pension, insurance, education, subsidies and training programmes are provided to the employees as well.

## CLOSURE OF REGISTER OF MEMBERS

### Change of address of Hong Kong Branch Share Registrar and Transfer Office

With effect from 11 July 2019, the Hong Kong Branch Share Registrar and Transfer Office of the Company, Tricor Investor Services Limited (the "Branch Share Registrar"), will change its address from Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong to:

Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

All telephone and facsimile numbers of the Branch Share Registrar will remain unchanged.

### Entitlement to attend the AGM

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 17 September 2019 to Friday, 20 September 2019, both days inclusive, during which period no transfer of shares in the Company will be registered. In order to be eligible to attend and vote at the AGM, unregistered shareholders of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 20 September 2019.

## SUBSEQUENT EVENTS

There was no significant event occurred after the end of the reporting period.

## AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company ("Audit Committee") had, together with the management, reviewed the audited consolidated financial statements of the Group for the year ended 31 March 2019. The Audit Committee is satisfied that the audited consolidated financial statements have complied with the applicable accounting standards and the requirements under the GEM Listing Rules.

## AUDITOR

The consolidated financial statements for the year ended 31 March 2019 have been audited by Messrs Deloitte Touche Tohmatsu who will retire and, being eligible, offer themselves for re-appointment. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Messrs Deloitte Touche Tohmatsu as auditor of the Company.

There is no change of the independent auditor since the Listing Date up to the date of this annual report.

On behalf of the Board

**Yip Chun Kwok Danny, MH**  
*Chairman and Executive Director*

24 June 2019

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company (the “Shareholders”) and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the “CG Code”) as set out in Appendix 15 to the GEM Listing Rules as its own code of corporate governance. The Company has complied with all applicable code provisions of the CG Code from the Listing Date, save for the F1.1 of CG Code and please refer to the paragraph headed “Company Secretary” on page 35 of this annual report for details. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

## COMPLIANCE WITH THE REQUIRED STANDARD OF DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct regarding Directors’ securities transactions. Having made specific enquiries of all the Directors, each of the Directors has confirmed that he has complied with the required standard of dealings from the Listing Date to the date of this report.

## BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group’s businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

### Board Composition

The Board currently comprises five Directors, consisting of two Executive Directors, namely Mr. Yip Chun Kwok Danny, MH and Ms. Fu Chi Ching, and three Independent Non-executive Directors, namely Mr. Chan Sing Nun, Mr. Khoo Wun Fat William and Mr. Yu Chi Wing.

The biographical information of the Directors are set out in the section headed “Directors and Senior Management” on pages 11 to 14 of this annual report for the year ended 31 March 2019.

Other than Ms. Fu is the spouse of Mr. Yip, the Directors do not have financial, business, family or other material/ relevant relationships with each other.

### Board Meetings

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Company, and to review and approve the Company’s quarterly, interim and annual results. During the period from the Listing Date to the date of this annual report, the Board held five meetings and the attendance of each Director at the Board meetings is set out in the section headed “Attendance Records of Directors” of this report.

### Chairman and Executive Officer

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals.

# CORPORATE GOVERNANCE REPORT

The chairman of the Board and the chief executive officer of the Company (the “Chief Executive Officer”) are currently two separate positions held by Mr. Yip and Ms. Fu, respectively, with clear distinction in responsibilities. Mr. Yip is responsible for devising strategies for the continuous development of the Group, overseeing the Group’s business operations and financial performance, as well as leading the Board in performing its functions. While Ms. Fu is responsible for managing the overall business operations, management structure, quality assurance and public relations of the Group.

## Independent Non-executive Directors

During the year ended 31 March 2019, the Board at all times met the requirements of the GEM Listing Rules relating to the appointment of at least three Independent Non-executive Directors with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received the confirmation from each of the Independent Non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 5.09 of the GEM Listing Rules. The Company is of the view that all Independent Non-executive Directors are independent.

## Appointment and Re-election of Directors

In accordance with the Articles of Association, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. 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.

At each annual general meeting of the Company, not less than one-third of the Directors shall retire from office by rotation provided that each Director shall be subject to retirement by rotation at the annual general meeting at least once every three years.

## Responsibilities of the Directors

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company’s affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group’s operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including Independent Non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The Independent Non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

# CORPORATE GOVERNANCE REPORT

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

## Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received 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. Such induction shall be supplemented by visits to the Company's key plant sites and meetings with senior management of the Company.

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.

## BOARD COMMITTEES

The Board has established four committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

The list of the chairman and members of each Board committee is set out under "Corporate Information" on page 3 of this annual report.

### Audit Committee

The Audit Committee comprises three independent non-executive Directors, namely Mr. Chan Sing Nun, Mr. Khoo Wun Fat, William and Mr. Yu Chi Wing. Mr. Chan Sing Nun was appointed as the chairman of the Audit Committee. The primary duties of our Audit Committee are mainly to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial statements and information and provide advice in respect of financial reporting and oversee the risk management and internal control systems of our Company.

## CORPORATE GOVERNANCE REPORT

During the period from the Listing Date to the date of this annual report, three meetings of the Audit Committee were held to review the interim results, the third quarterly results and the annual results of the Group. The Audit Committee has held one meeting to review and revise the terms of reference of Audit Committee. All members of the Audit Committee attended the meeting.

Subsequent to the year under review and up to the date of this annual report, the Audit Committee has held one meeting and reviewed with the Management and the external auditor the accounting principles and practices adopted by the Group and discussed auditing, internal controls, and financial reporting matters including the following:

- the review of the audited financial statements for the year ended 31 March 2019;
- the recommendation to the Board for the proposal for re-appointment of the external auditor of the Company and approval of the remuneration and terms of engagement of the external auditor; and
- the review of the risk management and internal control systems of the Company and its subsidiaries.

The attendance of each member of the Audit Committee is set out in the section headed “Attendance Records of Directors” of this report.

### Remuneration Committee

The Remuneration Committee comprises one executive Director, Ms. Fu and two independent non-executive Directors, namely Mr. Chan Sing Nun and Mr. Khoo Wun Fat William. Mr. Khoo Wun Fat William was appointed as the chairman of the Remuneration Committee. The primary functions of our Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and the structure relating to all Directors and senior management of our Group, review performance-based remuneration and ensure none of our Directors determine their own remuneration.

During the period from the Listing Date to the date of this annual report, the Remuneration Committee held a meeting to approve the remuneration packages and performance bonuses for the Directors and senior management of the Company.

Pursuant to paragraph B.1.5 of the CG Code, the remuneration of the members of the senior management by band for the year ended 31 March 2019 is set out below:

Remuneration band	Number of individuals
Nil to HK\$1,000,000	1
HK\$1,000,001 to HK\$1,500,000	1

Details of the amount of Directors’ emoluments and the five highest paid employees for the year ended 31 March 2019 are set out in note 10 to the consolidated financial statements of this annual report.



# CORPORATE GOVERNANCE REPORT

## Nomination Committee

The Nomination Committee comprises one executive Director, Mr. Yip and two independent non-executive Directors, namely Mr. Khoo Wun Fat William and Mr. Yu Chi Wing. Mr. Yip was appointed as the chairman of the Nomination Committee. The primary functions of our Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations to the Board on any proposed changes to the Board to complement our Company's corporate strategy; identify individuals suitably qualified as potential Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; to assess the independence of our independent non-executive Directors; and make recommendations to the Board on the appointment or reappointment of Directors and succession planning of Directors, in particular that of the chairman and the chief executive officer of our Company.

When identifying suitable candidates for directorship, the nomination committee will carry out the selection process by making reference to the skills, experience, education background, professional knowledge, personal integrity and time commitments of the proposed candidates, and also the Company's needs and other relevant statutory requirements and regulations required for the positions. All candidates must be able to meet the standards as set forth in Rules 5.01 and 5.02 of the GEM Listing Rules. A candidate who is to be appointed as an independent non-executive Director should also meet the independence criteria set out in Rule 5.09 of the GEM Listing Rules. Qualified candidates will then be recommended to the Board for approval.

The nomination committee met once to review the structure, size and composition of the Board and the independence of the Independent Non-executive Directors and to consider the qualifications of the retiring directors standing for election at the Annual General Meeting. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

During the period from the Listing Date to the date of this annual report, two meetings of the Nomination Committee were held to review and revise the terms of reference of Nomination Committee and consider the re-appointments of the retiring Directors.

## Board Diversity Policy

The Board has adopted a Board diversity policy which sets out the approach to achieve and maintain diversity on the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board diversity policy, the Company seeks to achieve Board diversity through the consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination Committee will discuss and where necessary, agree on the measurable objectives for achieving diversity on the Board and make recommendation to the Board. Such objectives will be reviewed/amended from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained. Nomination Committee will review the policy and recommend revisions, as appropriate, to ensure its continued effectiveness from time to time.

# CORPORATE GOVERNANCE REPORT

## Corporate Governance Functions

The Company's corporate governance function is carried out by the Board pursuant to a set of written terms of reference adopted by the Board, which include (a) develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; (b) review and monitor the training and continuous professional development of directors and senior management of the Company and its subsidiaries; (c) review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the Company and its subsidiaries; (e) review the Company's compliance with the CG Code and disclosures in the corporate governance report of the Company required to be prepared pursuant to the GEM Listing Rules; and (f) consider, review and decide any other topics, as authorised by the Board. The Board reviewed and discussed the corporate governance policy of the Group and was satisfied with the effectiveness of its corporate governance policy.

## ATTENDANCE RECORDS OF DIRECTORS

The attendance record of each director at the Board and Board Committee meetings and the general meetings of the Company held during the period from the Listing Date up to the date of this annual report is set out in the table below:

Name of Director	Attendance/Number of Meetings			
	Board	Audit Committee	Remuneration Committee	Nomination Committee
<b>Executive Directors</b>				
Mr. Yip Chun Kwok Danny, MH	5/5	–	–	2/2
Ms. Fu Chi Ching	4/5	–	1/1	–
<b>Independent Non-Executive Directors</b>				
Mr. Chan Sing Nun	5/5	4/4	1/1	–
Mr. Khoo Wun Fat William	5/5	4/4	1/1	2/2
Mr. Yu Chi Wing	5/5	4/4	–	2/2

## RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for overseeing the Company's risk management and internal control systems and reviewing their effectiveness at least annually through the Audit Committee. The Audit Committee assists the Board in fulfilling its oversight and corporate roles in the Company's financial, operational, compliance, risk management and internal controls, while senior management designs, implements and monitors the risk management and internal control systems, and provides reports to the Board and the Audit Committee on the effectiveness of these systems. However, systems and internal controls can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage rather than eliminate the risk of failure to achieve the Company's business objectives.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

# CORPORATE GOVERNANCE REPORT

The Group does not have an internal audit department but the Group has conducted an annual review on whether there is a need for such an internal audit department. Given the Group's relatively simple corporate and operation structure, the Board, as supported by the Audit Committee, is directly responsible for risk management and internal control systems of the Group including financial, operational and compliance controls and risk management functions and for reviewing its effectiveness.

## Risk Management

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including brand image, financial performance, financial reporting, human resources and information technology.

All divisions/departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each division/department.

## Internal Control

The Company has established defined levels of responsibilities and reporting procedures. Controls have been designed and established to ensure that the Company's assets are safeguarded against improper use or disposal, financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Company's performance are identified and assessed.

During the year, senior management had to conducted a review of the Company's risk management policy and assessment procedures and internal controls over its inventory management process. Results of the review was communicated to the Audit Committee. Issues identified are followed up for proper implementation and the progress will be reported to the Audit Committee periodically.

## Review of Risk Management and Internal Control Systems

The Audit Committee assists the Board in the review of the effectiveness of the Company's risk management and internal control systems on an ongoing basis. The directors through the Audit Committees are kept informed of significant risks that may impact on the Company's performance. For the year ended 31 March 2019, the Board considered the risk management and internal control systems of the Company to be effective and adequate.

The Audit Committee has reviewed and is satisfied with the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, and financial reporting function.

Arrangements/Whistleblowing procedures are in place to facilitate employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

# CORPORATE GOVERNANCE REPORT

## 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 2019.

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 auditors of the Company about the reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 38 to 42 of this annual report.

Where appropriate, a statement from the Audit Committee explaining its recommendation regarding the selection, appointment, resignation or dismissal of external auditors and the reasons why the Board has taken a different view from that of the Audit Committee.

## AUDITOR'S REMUNERATION

An analysis of the remuneration paid to the external auditor of the Company, Messrs Deloitte Touche Tohmatsu, in respect of audit services and non-audit services for the year ended 31 March 2019 is set out below:

Service Category	Fees Paid/ Payable HK\$'000
Audit Services	950
Non-audit Services	2,585
	3,535

## COMPANY SECRETARY

During the year, Ms. Lee Ka Man Carmen had been the company secretary of the Company for the period from 6 June 2018 to 31 May 2019. She has been a certified public accountant of the HKICPA since May 2014. Following the resignation of Ms. Lee Ka Man Carmen, the Company will take all necessary measures to identify an appropriate person to be appointed as a company secretary pursuant to Rules 5.14 and 5.15 of the GEM Listing Rules. Further announcement(s) will be made by the Company when the relevant changes are made.

## SHAREHOLDERS' RIGHTS

The Company engages with shareholders through various communication channels and a shareholders' communication policy is in place to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

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

# CORPORATE GOVERNANCE REPORT

## Convening an Extraordinary General Meeting

Pursuant to Article 58 of the Company's Articles of Association, the Board may whenever it thinks fit call extraordinary general meetings. Any one or more Members 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 of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

## Putting Forward Proposals at Annual General Meetings

There is no provision allowing shareholders to move new resolutions at general meeting under the Cayman Islands Companies Law or the Articles of Association of the Company. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

## 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 304, Global Gateway Tower, 63 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong  
(For the attention of the Board of Directors)

Email: [info@perface.com](mailto:info@perface.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, apart from the registered office of the Company, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

## COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/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 on-going 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.

During the year under review, the Company has not made any changes to its Articles of Association. An up to date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

# CORPORATE GOVERNANCE REPORT

## Dividend Policy

The Board regularly reviews and manages its capital structure to ensure an optimal capital structure and shareholder returns when its dividend policy considers:

- the Group's actual and expected financial performance;
- retained earnings and distributable reserves of the Group;
- return on equity and other corresponding restrictions of the Group;
- the Group's capital requirement and surplus;
- the Group's liquidity position;
- general economic conditions, business cycle of the Group's business and internal or external factors that may have an impact on the business, financial results and position of the Company; and
- other factors that the Board deems relevant.

The Board will continue to review the Group's dividend policy from time to time and there can be no assurance that dividends will be paid in any particular amount for any given period. The payment of dividend is also subject to any restrictions under the applicable laws and the Company's Articles of Association.



## INDEPENDENT AUDITOR'S REPORT



### TO THE MEMBERS OF FAMEGLOW HOLDINGS LIMITED

*(incorporated in the Cayman Islands with limited liability)*

#### Introduction

We have audited the consolidated financial statements of Fameglow Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 43 to 101, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, 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 are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS (confirmed)

### Key audit matter

#### *Revenue recognition in relation to provision of treatment services*

We identified revenue recognition in relation to provision of treatment services as a key audit matter, due to the subjective judgement and estimates required in determining the utilisation pattern of treatments.

As disclosed in note 5 to the consolidated financial statements, revenue recognition in relation to provision of services is dependent on the estimation of the utilisation pattern of treatments. Based on the Group's historical experience, the Group makes estimates of an expected amount of breakage by different types of treatments. Actual utilisation may be higher or lower than those estimated at the end of each reporting period, which would affect the revenue recognition in relation to provision of treatment services and deferred revenue recognised in the year and at each year end respectively when estimation is revised.

For the year ended 31 March 2019, revenue in relation to provision of treatment services amounting to approximately HK\$97,101,000 was recognised. As at 31 March 2019, the Group had deferred revenue of approximately HK\$66,007,000.

### How our audit addressed the key audit matter

Our audit procedures performed on revenue recognition in relation to provision of treatment services included:

- Obtaining an understanding of the Group's revenue recognition policy and key processes of revenue recognition in relation to provision of treatment services;
- Assessing the reasonableness of the estimation of expected amount of breakage for the unexpired treatment service contracts by different types of treatments with reference to the actual breakage for the expired treatment service contracts during the year. Such assessment involves the following procedures:
  - a. Verifying the actual breakage percentage for the expired treatment service contracts during the year by checking the total contract sums of those relevant expired treatment service contracts and the aggregate amount of treatments utilised in those expired treatment service contracts to the treatment service records with customer acknowledgement, on a sample basis; and
  - b. Re-performing the calculation of the expected amount of breakage of those unutilised treatment service contracts as at the end of the reporting period prepared by the management of the Group.

# INDEPENDENT AUDITOR'S REPORT

## OTHER INFORMATION

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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

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

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

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

# INDEPENDENT AUDITOR'S REPORT

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The engagement partner on the audit resulting in the independent auditor's report is Lee Wing Cheong, Wilfred.

**Deloitte Touche Tohmatsu**  
Certified Public Accountants  
Hong Kong  
24 June 2019

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	NOTES	Year ended 31 March	
		2019 HK\$'000	2018 HK\$'000
Revenue	6	101,433	88,659
Cost of inventories and consumables		(9,989)	(7,447)
Other income	7	1,242	1,207
Staff costs		(34,060)	(31,100)
Rental and related expenses		(10,980)	(10,527)
Depreciation		(5,835)	(3,089)
Listing expenses		(16,325)	(1,150)
Other expenses		(21,570)	(16,289)
Finance costs	8	(848)	(869)
Profit before taxation	9	3,068	19,395
Taxation	11	(3,290)	(3,546)
(Loss) profit and total comprehensive (expense) income for the year		(222)	15,849
(Loss) earnings per share (HK cents)	13	(0.03)	2.64



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

		As at 31 March	
	NOTES	2019 HK\$'000	2018 HK\$'000
Non-current assets			
Property, plant and equipment	14	45,166	41,078
Deposits for acquisition of property, plant and equipment		8,105	317
Deposits and prepayments	16	25,266	20,993
Deferred costs	17	433	753
Deferred tax assets	25	–	177
		<b>78,970</b>	63,318
Current assets			
Inventories	15	5,449	2,864
Trade receivables, deposits and prepayments	16	13,235	16,982
Deferred costs	17	2,614	1,924
Tax recoverable		188	–
Amount due from a controlling shareholder	18	–	279
Bank balances and cash	19	64,375	29,870
		<b>85,861</b>	51,919
Current liabilities			
Trade and other payables and accruals	20	7,589	2,118
Deferred revenue	21	66,007	62,812
Tax payable		1,050	4,349
Bank borrowings	22	15,671	21,644
Obligations under finance leases	23	1,088	701
		<b>91,405</b>	91,624
Net current liabilities		<b>(5,544)</b>	(39,705)
Total assets less current liabilities		<b>73,426</b>	23,613

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

		As at 31 March	
	NOTES	2019 HK\$'000	2018 HK\$'000
Non-current liabilities			
Obligations under finance leases	23	980	949
Provisions	24	1,015	715
Deferred tax liabilities	25	704	81
		<b>2,699</b>	1,745
Net assets		<b>70,727</b>	21,868
Capital and reserves			
Share capital	26	8,000	—*
Reserves		62,727	21,868
Total equity		<b>70,727</b>	21,868

\* Amount less than HK\$1,000.

The consolidated financial statements on pages 43 to 101 were approved and authorised for issue by the Board of Directors on 24 June 2019 and are signed on its behalf by:

\_\_\_\_\_  
**Ms. Fu Chi Ching**  
*Director*

\_\_\_\_\_  
**Mr. Yip Chun Kwok Danny, MH**  
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (Note)	Accumulated profits HK\$'000	Total HK\$'000
At 1 April 2017	2,000	–	–	17,019	19,019
Profit and total comprehensive income for the year	–	–	–	15,849	15,849
Effect of reorganisation	(2,000)	–	2,000	–	–
Dividends recognised as distribution (note 12)	–	–	–	(13,000)	(13,000)
At 31 March 2018	–*	–	2,000	19,868	21,868
Loss and total comprehensive expense for the year	–	–	–	(222)	(222)
Effect of reorganisation	–*	23,026	(23,026)	–	–
Issue of shares (note 26)	2,000	54,000	–	–	56,000
Capitalisation issue (note 26)	6,000	(6,000)	–	–	–
Transaction costs attributable to issue of shares	–	(6,919)	–	–	(6,919)
At 31 March 2019	8,000	64,107	(21,026)	19,646	70,727

\* Amount less than HK\$1,000.

Note: Other reserve of HK\$21,026,000 represented (i) credit of HK\$2,000,000 resulting from the reorganisation as detailed in note 2(iv), representing the difference between the share capital of Flourish Capital Holdings Limited ("Flourish Capital") issued during the year ended 31 March 2018 and the aggregate share capital of Dermaglow Limited ("Dermaglow"), Worldwide Beauty Limited ("Worldwide Beauty") and Per Face Institute Limited ("Per Face"); (ii) debit of HK\$23,026,000 resulting from the reorganisation as detailed in note 2(v), representing the difference between share capital of Flourish Capital and the Company in issuance.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	Year ended 31 March	
	2019 HK\$'000	2018 HK\$'000
OPERATING ACTIVITIES		
Profit before taxation	3,068	19,395
Adjustments for:		
Interest income	(1,120)	(1,038)
Depreciation	5,835	3,089
Loss on disposal/written-off of property, plant and equipment	412	85
Finance costs	848	869
Operating cash flows before movements in working capital	9,043	22,400
Increase in inventories	(2,585)	(563)
Increase in trade receivables, deposits and prepayments	(365)	(6,604)
Increase in deferred costs	(370)	(748)
Increase (decrease) in trade and other payables and accruals	5,274	(1,714)
Increase in deferred revenue	3,195	8,172
Increase in provisions	300	–
Cash generated from operations	14,492	20,943
Hong Kong Profits Tax paid	(5,977)	(829)
NET CASH FROM OPERATING ACTIVITIES	8,515	20,114
INVESTING ACTIVITIES		
Interest income received	5	–
Purchases of property, plant and equipment	(7,721)	(37,575)
Deposits for acquisition of property, plant and equipment	(8,105)	(317)
Proceeds received from early termination of a life insurance contract	–	919
Advances to controlling shareholders	–	(3,524)
Repayments from controlling shareholders	279	62,049
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(15,542)	21,552
FINANCING ACTIVITIES		
Interests paid	(848)	(869)
Proceeds from issue of shares	56,000	–
Share issuance costs paid	(5,965)	(954)
Dividends paid	–	(13,000)
Repayments of obligations under finance leases	(1,682)	(1,785)
Repayments of bank borrowings	(5,973)	(4,928)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	41,532	(21,536)

## CONSOLIDATED STATEMENT OF CASH FLOWS

*For the year ended 31 March 2019*

	Year ended 31 March	
	2019 HK\$'000	2018 HK\$'000
NET INCREASE IN CASH AND CASH EQUIVALENTS	34,505	20,130
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	29,870	9,740
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	64,375	29,870

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2019*

## 1. GENERAL

Fameglow Holdings Limited (the “Company”) was incorporated and in the Cayman Islands as an exempted company with limited liability on 2 March 2018 under the Companies Law Chapter 22 of the Cayman Islands. The shares of the Company were listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 15 October 2018 (the “Listing”). The immediate holding company of the Company is Equal Joy Holdings Limited (“Equal Joy”), which is incorporated in the British Virgin Islands (“BVI”), and is 50% and 50% owned by Ms. Fu Chi Ching (“Ms. Fu”) and Mr. Yip Chun Kwok Danny (“Mr. Yip”), spouse of Ms. Fu (Mr. Yip together with Ms. Fu collectively known as the “Controlling Shareholders”). The addresses of the registered office and the principal place of business of the Company are disclosed in the section headed “Corporate Information” of the annual report of the Company.

The Company acts as an investment holding company and its subsidiaries are principally engaged in provision of treatment services and sale of skincare products in Hong Kong. The Company and its subsidiaries hereinafter referred to as the “Group”.

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

## 2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the principles of merger accounting (under Accounting Guideline 5 – Merger Accounting for Common Control Combinations (“AG 5”) issued by the HKICPA).

Before the completion of a group reorganisation, Dermaglow, Worldwide Beauty and Per Face Institute were directly owned by the Controlling Shareholders. Fortune Marvel Limited (“Fortune Marvel”), a company incorporated in Hong Kong on 19 July 2017, was directly owned by Dermaglow.

In preparation of the Listing, the companies now comprising the Group underwent a group reorganisation as described below (the “Reorganisation”).

- (i) On 30 November 2017, Flourish Capital was incorporated as limited liability in the BVI with an authorised share capital of United States dollars (“US\$”) 50,000 divided into 50,000 shares with a par value of US\$1 each. Upon incorporation, it is owned as to 50% and 50% by Ms. Fu and Mr. Yip respectively.
- (ii) On 2 February 2018, Equal Joy was incorporated as limited liability company in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares with a par value of US\$1 each. On 1 March 2018, Equal Joy allotted and issued 1 share each at par to Mr. Yip and Ms. Fu.
- (iii) On 2 March 2018, the Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 shares with a par value of HK\$0.01 each, of which one share was allotted and issued to an independent first subscriber at par and was subsequently transferred to Equal Joy.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- (iv) On 14 March 2018, Ms. Fu and Mr. Yip transferred their entire shareholdings in Dermaglow, Worldwide Beauty and Per Face Institute to Flourish Capital in consideration of the allotment and issue of 3 shares and 3 shares of Flourish Capital to Ms. Fu and Mr. Yip respectively. Upon completion of the transfer, Dermaglow, Worldwide Beauty and Per Face Institute became wholly-owned subsidiaries of Flourish Capital.
- (v) On 17 September 2018, Ms. Fu and Mr. Yip transferred their entire shareholdings in Flourish Capital to the Company in consideration of the allotment and issue of 99 shares of the Company to Equal Joy. Upon completion of the transfer, Flourish Capital became a wholly-owned subsidiary of the Company.

Pursuant to the Reorganisation detailed above, the Company has become the holding company of the companies now comprising the Group on 17 September 2018 and Dermaglow, Worldwide Beauty, Per Face Institute, Fortune Marvel and Flourish Capital are controlled by Controlling Shareholders before and after the Reorganisation.

Accordingly, the consolidated financial statements have been prepared under the principles of merger accounting in accordance with AG 5 before the completion of the Reorganisation. The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended 31 March 2018 and 2019 include the results, changes in equity and cash flows of the companies comprising the Group as if the current group structure had been in existence throughout the years ended 31 March 2018 and 2019, or since their respective date of incorporation, where there is a shorter period. The consolidated statement of financial position of the Group as at 31 March 2018 has been prepared to present the assets and liabilities of the companies now comprising the Group, as if the current group structure has been in existence at those dates taking into account the respective dates of incorporation, where applicable.

As of 31 March 2019, the Group recorded net current liabilities of HK\$5,544,000. The net current liabilities arose mainly from the long-term bank borrowings (with maturity dates over one year) amounting to HK\$14,404,000 being classified as current liabilities as at 31 March 2019, due to the overriding right of demand clause as stipulated in the facility agreements of the bank borrowings. The directors of the Company believe that these loan facilities (including those unutilised bank facilities) will continue to be made available to the Group and will not be withdrawn by the banks within the next twelve months from the end of the reporting period. In addition, as at 31 March 2019, included in the current liabilities of the Group were deferred revenue of HK\$66,007,000, which represented services to be performed and shall not result in any cash outflow of the Group eventually.

Taking into account the above consideration and the Group's cash flow projection for the coming twelve months from the end of the reporting period, the directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due in the next twelve months from the end of the reporting period. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The Group has adopted and consistently applied HKFRSs issued by the HKICPA that are effective for the accounting period beginning on 1 April 2018, except that the Group has early adopted HKFRS 15 “Revenue from Contracts with Customers” since 1 April 2016. The accounting policies for financial instruments under HKFRS 15 are set out in note 4 below.

### HKFRS 9 “Financial Instruments” and the related amendments

In the current year, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities; 2) expected credit losses (“ECL”) for financial assets; and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening accumulated profits and other components of equity, without restating comparative information.

#### *Classification and measurement of financial assets*

All financial assets and financial liabilities continue to be measured on the same bases as were previously measured under HKAS 39 “Financial Instruments: Recognition and Measurement”.

#### *Impairment under ECL model*

As at 1 April 2018, the directors of the Company reviewed and assessed the Group’s existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9.

The Group applies simplified approach which uses a lifetime ECL to measure ECL for all trade receivables. To measure the ECL, trade receivables have been assessed individually. Based on assessment by the management of the Group, the management of the Group considers the ECL for trade receivables are insignificant at 1 April 2018.

Loss allowances for other financial assets at amortised cost mainly comprise of utilities and other deposits, payments for life insurance contracts and bank balances, are measured on 12-month ECL (“12m ECL”) basis and there had been no significant increase in credit risk since initial recognition.

For payments for life insurance contracts and bank balances, the Group only transacts with reputable insurance company and banks with high credit ratings assigned by international credit-rating agencies and consider the risk of default is low and 12m ECL is insignificant.

For utilities and other deposits, the management of the Group makes periodic collective as well as individual assessment on the recoverability of utilities and other deposits based on historical settlement records and past experience with available reasonable and supportive forward-looking information. Based on assessment by the management of the Group, the management of the Group considers the ECL for utilities and other deposits is insignificant.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases <sup>1</sup>
HKFRS 17	Insurance Contracts <sup>3</sup>
Hong Kong (International Financial Reporting Interpretations Committee) Interpretations (“HK(IFRIC)-Int”) 23	Uncertainty over Income Tax Treatments <sup>1</sup>
Amendments to HKFRS 3	Definition of Business <sup>4</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>5</sup>
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement <sup>1</sup>
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>4</sup> Effective for business combinations and assets acquisitions for which the acquisition date is on or after beginning of the first annual period beginning on or after 1 January 2020.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the Group's results and financial position in the foreseeable future.

### HKFRS 16 “Leases”

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 “Leases” and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### New and amendments to HKFRSs in issue but not yet effective (Continued)

#### HKFRS 16 “Leases” (Continued)

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group, upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance to the nature, as appropriate.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2019, the Group has non-cancellable operating lease commitments of HK\$26,646,000 as disclosed in note 27. A preliminary assessment indicates that these arrangements would meet the definition of a lease. Upon application of HKFRS 16, the Group would recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases. Such changes increase the assets and liabilities of the Group, however, the directors of the Company do not expect the adoption of HKFRS 16, as compared to the current accounting policy of the Group, would result in significant impact on the results and the net assets of the Group.

In addition, the Group currently considers refundable rental deposits paid of HK\$5,262,000 as at 31 March 2019 as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

**New and amendments to HKFRSs in issue but not yet effective (Continued)**

### ***HKFRS 16 “Leases” (Continued)***

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intended to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as lease applying HKAS 17 and HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group would not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intended to elect the modified retrospective approach for the application of HKFRS 16 as lessee and would recognise the cumulative effect of initial application to opening accumulated profits without restating comparative information.

### ***Amendments to HKAS 1 and HKAS 8 “Definition of Material”***

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgements. The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group’s annual period beginning on 1 April 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

## 4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis and in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements includes the applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of Assets”.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2019*

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

The principal accounting policies adopted are set out below.

### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities comprising the Group. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Merger accounting for business combination involving businesses under common control**

The consolidated financial statements incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining business first came under common control of the Controlling Shareholders.

The net assets of the combining businesses are consolidated using the existing carrying values from the Controlling Shareholders's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets and liabilities over cost at the time of common control combination, to the extent of the continuation of the Controlling Shareholders's interest.

The consolidated statement of profit or loss and other comprehensive income include the results of each of the combining businesses from the earliest date presented or since the dates when the combining businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

### **Revenue from contracts with customers**

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control of a product or service to a customer. The Group recognises revenue from the following major sources: 1) provision for treatment services and expiry of prepaid treatments; and 2) sale of skincare products.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Revenue from contracts with customers *(Continued)*

#### ***Provision for treatment services and expiry of prepaid treatments***

Revenue from the rendering of services is recognised when the services have been rendered to customers.

The services are usually sold on a prepaid basis. Payments received for the prepaid packages are recorded as deferred revenue at the time of receipt.

Deferred revenue is non-refundable and customers may not utilise all of their contracted rights within the service period. Such unutilised service treatments are referred to as breakage. An expected breakage amount in deferred revenue is determined by historical experience and is recognised as revenue in proportion to the pattern of service treatments utilised by the customers.

Any deferred revenue outstanding at the expiry of the service period is fully recognised in profit or loss.

#### ***Sale of skincare products***

Revenue from sale of skincare products is recognised when control of the goods has been transferred, being at the point the customer purchases the goods at the aesthetic centres, retail shops or sales counters. Payment of the transaction price is due immediately at the point the customer purchases the goods.

#### ***Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation***

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

#### **Deferred costs**

The incremental costs of obtaining a contract with a customer, which represent sales commissions paid or payable to staff, are recognised as deferred costs in the consolidated statement of financial position. Such costs are recognised in profit or loss in the period in which the deferred revenue to which they relate is recognised as revenue.

#### **Lease**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *Lease (Continued)*

#### *The Group as lessee*

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

#### *Leasehold land and building*

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

When the lease payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from borrowing costs eligible for capitalisation.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2019*

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Retirement benefits costs**

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

### **Short-term and other long-term employee benefits**

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

### **Taxation**

Income tax expense represents the sum of tax currently payable and deferred tax.

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2019*

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Taxation** *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

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

Current and deferred tax are recognised in profit or loss.

### **Property, plant and equipment**

Property, plant and equipment including leasehold land (classified as finance leases) and buildings held for use in the supply of services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2019*

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Depreciation is recognised so as to write off the cost of assets over less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted on for a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### **Impairment loss on assets other than financial assets**

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Impairment loss on assets other than financial assets** *(Continued)*

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### **Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligations, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 April 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

### Financial assets

*Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transactions in note 3)*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on a specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All of the Group's financial assets are subsequently measured as amortised cost.

### Amortised cost and interest income

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Financial assets (Continued)*

*Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 3)*

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, utilities and other deposits, payments for life insurance contracts, amount due from a controlling shareholder and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognise lifetime ECL for trade receivables and measures the lifetime ECL on individual basis as part of the Group's refined credit risk management with consideration of factors that are specific to the debtors and general economic conditions.

For all other financial instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

#### (i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

#### **Financial assets** *(Continued)*

*Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 3) (Continued)*

##### (i) Significant increase in credit risk *(Continued)*

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread and the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### Financial assets (Continued)

*Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 3) (Continued)*

##### (ii) Definition of default

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

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

##### (iii) Credit-impaired financial assets

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

- Significant financial difficulty of the issuer of the borrower; or
- A breach of contract, such as a default or past due event; or
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- It is becoming probably that the borrower will enter bankruptcy or other financial reorganisation.

##### (iv) Write-off policy

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### Financial assets (Continued)

*Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 3) (Continued)*

#### (v) Measurement and recognition of ECL

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

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount with the exception of trade receivables where the correspondence adjustment is recognised through a loss allowance account.

Where ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by the management of the Group to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12m ECL at the current reporting date.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Financial assets (Continued)*

*Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 April 2018)*

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, utilities and other deposits, payments for life insurance contracts, amount due from a controlling shareholder and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

#### *Impairment of loans and receivables (before application of HKFRS 9 on 1 April 2018)*

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments and observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

#### *Financial assets (Continued)*

##### *Impairment of loans and receivables (before application of HKFRS 9 on 1 April 2018) (Continued)*

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

##### *Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

#### *Financial liabilities and equity instruments*

##### *Classification as debt or equity*

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2019*

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Financial instruments** *(Continued)*

#### ***Financial liabilities and equity instruments*** *(Continued)*

##### *Equity instruments*

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

##### *Financial liabilities at amortised cost*

Financial liabilities including trade and other payables and accruals and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

##### *Derecognition of financial liabilities*

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

## 5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

### **Revenue**

Revenue recognition in relation to provision of services is dependent on the estimation of the utilisation pattern of treatments. Based on the Group's historical experience, the Group makes estimates of an expected amount of breakage by different types of treatments. Actual utilisation may be higher or lower than those estimated at the end of each reporting period, which would affect the revenue recognition in relation to provision of treatment services and deferred revenue recognised in the year and at each year end respectively when estimation is revised.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### Inventories

The management of the Group reviews an ageing analysis at the end of the reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in operation. Estimation of net realisable value are based on the latest invoice prices and current market condition. Where the net realisable value is less than the carrying amount, impairment loss may arise. As at 31 March 2019, the carrying amount of inventories is approximately HK\$5,449,000 (2018: HK\$2,864,000).

## 6. REVENUE AND SEGMENT INFORMATION

### Revenue

Revenue represents the net amounts received and receivable arising from provision of treatment services and sales of skincare products in Hong Kong during the year.

The details of provision of treatment services are set out below:

Energy-based Procedures	–	representing the usage of different energy-based devices that emit different types of energy on skin surface
Minimally invasive Procedures	–	representing injection treatments that is non-surgical treatments procedures with minimal penetration to body tissue and no surgical incisions
Traditional beauty services	–	representing treatments that are non-medical and non-invasive in nature

	Year ended 31 March	
	2019 HK\$'000	2018 HK\$'000
Revenue from provision of treatment services		
– Non-surgical medical aesthetic services		
– Energy-based procedures	84,979	71,397
– Minimally invasive procedures	8,004	7,675
– Traditional beauty services	4,118	5,313
	97,101	84,385
Sale of skincare products	2,806	2,232
Revenue from expiry of prepaid treatments	1,526	2,042
	101,433	88,659
Timing of revenue recognition:		
Over time	91,664	78,416
A point in time	9,769	10,243
	101,433	88,659

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 6. REVENUE AND SEGMENT INFORMATION (Continued)

### Revenue (Continued)

#### Performance obligations for contracts with customers

The following table shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at the end of the reporting period.

	As at 31 March	
	2019 HK\$'000	2018 HK\$'000
Unsatisfied performance obligations relating to provision of treatment services	66,007	62,812

Management of the Group expects that the unsatisfied performance obligations will be recognised as revenue ranging from 1 – 2 years according to the contract period and the timing of the transfer of those goods or services is at the discretion of the customers.

### Segment information

In relation to the financial information reported to the executive directors of the Company, being the chief operating decision maker ("CODM") for the purpose of resources allocation and performance assessment, the CODM reviews the overall results and financial position of the Group as a whole prepared based on same accounting policies set out in note 4. Accordingly, the Group has only one single operating segment and no further discrete financial information nor analysis of this single segment is presented.

#### Geographical information

No geographical segment information is presented as the Group's revenue are all derived from Hong Kong based on the location of goods delivered and services provided and all of the Group's non-current assets are located in Hong Kong by physical location of assets.

#### Information about major customers

No individual customer accounted for over 10% of the Group's total revenue for both years.

## 7. OTHER INCOME

	Year ended 31 March	
	2019 HK\$'000	2018 HK\$'000
Interest income from life insurance contracts	1,115	1,038
Interest income from bank deposits	5	–
Others	122	169
	1,242	1,207

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 8. FINANCE COSTS

	Year ended 31 March	
	2019 HK\$'000	2018 HK\$'000
Interests on:		
Bank borrowings	710	804
Obligations under finance leases	138	65
	<b>848</b>	<b>869</b>

## 9. PROFIT BEFORE TAXATION

	Year ended 31 March	
	2019 HK\$'000	2018 HK\$'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration (note 10)	3,496	2,459
Other staff costs:		
Salaries, wages, commission, bonuses and allowances	28,782	27,616
Retirement benefit scheme contributions	1,782	1,025
Total staff costs	<b>34,060</b>	<b>31,100</b>
Consultancy fee for doctors (included in other expenses)	4,632	4,727
Auditor's remuneration	950	100
Loss on disposal/written-off of property, plant and equipment	412	85
Operating leases payments in respect of tenancy agreement of rented premises entered into by the Group:		
– for minimum lease payments	8,260	7,861
– contingent rents (Note)	680	582
	<b>8,940</b>	<b>8,443</b>

Note: The operating lease rentals for retail shops and sales counters are determined as the higher of a fixed rental or a pre-determined percentage on revenue of the retail shops and sales counters pursuant to the terms and conditions that are set out in the relevant rental agreements.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

### (a) Directors' and chief executive's emoluments

The emoluments paid or payable to the directors of the Company and chief executive of the Company (including emoluments for services as employee/directors of the group entities prior to becoming the directors of the Company) by the Group, disclosed pursuant to the applicable Rules governing the Listing of Securities on GEM of the Stock Exchange and Hong Kong Companies Ordinance, were as follows:

	Fees HK\$'000	Salaries and allowances HK\$'000	Discretionary bonus HK\$'000 (Note c)	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
<b>Year ended 31 March 2019</b>					
Executive directors					
Ms. Fu (Note a)	–	2,400	379	18	2,797
Mr. Yip (Note a)	–	480	–	18	498
Independent non-executive directors					
Mr. Chan Sing Nun (Note b)	67	–	–	–	67
Mr. Khoo Wun Fat William (Note b)	67	–	–	–	67
Mr. Yu Chi Wing (Note b)	67	–	–	–	67
	201	2,880	379	36	3,496
<b>Year ended 31 March 2018</b>					
Executive directors					
Ms. Fu (Note a)	–	2,275	–	18	2,293
Mr. Yip (Note a)	–	160	–	6	166
	–	2,435	–	24	2,459

Notes:

- (a) Ms. Fu and Mr. Yip were appointed as directors of the Company on 2 March 2018.
- (b) Mr. Chan Sing Nun, Mr. Khoo Wun Fat William and Mr. Yu Chi Wing were appointed as independent non-executive directors of the Company on 21 September 2018.
- (c) The discretionary bonus is determined with reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

### (a) Directors' and chief executive's emoluments (Continued)

Ms. Fu acts as the chief executive of the Company and her emoluments disclosed above include those for services rendered by her as the chief executive.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were for their services as director of the Company.

No emolument was paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office during both years.

None of the directors of the Company has waived any emoluments during both years.

### (b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, one (2018: one) was director of the Company for the year ended 31 March 2019, whose emoluments are included in the disclosures above. The emoluments of the remaining four (2018: four) individuals are as follows:

	Year ended 31 March	
	2019 HK\$'000	2018 HK\$'000
Employees		
– salaries and allowances	5,701	4,726
– discretionary bonus (Note)	89	245
– retirement benefit scheme contributions	72	72
	<b>5,862</b>	<b>5,043</b>

Note: The discretionary bonus is determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.

The number of the highest paid employees who are not the director of the Company whose remuneration fell within the following bands is as follows:

	Number of employees Year ended 31 March	
	2019	2018
HK\$1,000,001 to HK\$1,500,000	2	3
HK\$1,500,001 to HK\$2,000,000	2	1
	<b>4</b>	<b>4</b>

No emoluments were paid by the Group to the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office for both years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 11. TAXATION

	Year ended 31 March	
	2019 HK\$'000	2018 HK\$'000
Hong Kong Profits Tax:		
Current tax	2,864	3,166
Overprovision in prior year	(374)	–
Deferred tax (note 25)	800	380
	<b>3,290</b>	<b>3,546</b>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduced 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\$2,000,000 of profits of qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

For the year ended 31 March 2019, Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2,000,000 of the estimated assessable profits of one of the subsidiaries of the Company and at 16.5% on the estimated assessable profits above HK\$2,000,000 of that subsidiary. The profits of other group entities not qualified for the two-tier profits tax regime will continue to be taxed at a flat rate of 16.5%. For the year ended 31 March 2018, Hong Kong Profits Tax was calculated at 16.5% on the estimated assessable profits for the year.

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

	Year ended 31 March	
	2019 HK\$'000	2018 HK\$'000
Profit before taxation	<b>3,068</b>	19,395
Tax at the Hong Kong Profits Tax rate of 16.5%	<b>506</b>	3,200
Tax effect of expenses not deductible for tax purpose	<b>2,977</b>	288
Tax effect of income not taxable for tax purpose	<b>(7)</b>	–
Utilisation of tax losses previously not recognised	<b>(13)</b>	–
Tax effect of tax losses not recognised	<b>85</b>	–
Overprovision in prior year	<b>(374)</b>	–
Income tax at concessionary rate	<b>(205)</b>	–
Others	<b>321</b>	58
Taxation for the year	<b>3,290</b>	<b>3,546</b>

At 31 March 2019, the Group has estimated unused tax losses of HK\$827,000 (2018: HK\$390,000) available for offset against future profits. No deferred tax asset has been recognised due to unpredictability of future profit streams. All the unused tax losses may be carried forward indefinitely.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2019*

## 12. DIVIDENDS

During the year ended 31 March 2018, Dermaglow and Worldwide Beauty declared and paid dividends of HK\$4,000,000 and HK\$9,000,000, respectively, to the then shareholders.

No dividend was paid or declared by the Company since its incorporation and up to 31 March 2019.

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 March 2019.

## 13. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share attributable to owners of the Company for the year is based on the following data:

	Year ended 31 March	
	2019 HK\$'000	2018 HK\$'000
(Loss) profit for the year attributable to owners of the Company for the purpose of calculating basic (loss) earnings per share	(222)	15,849

	Year ended 31 March	
	2019	2018
Weighted average number of ordinary shares in issue for the purpose of calculating basic (loss) earnings per share	692,054,795	600,000,000

The weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share has been determined on the assumption that the Reorganisation and the capitalisation issue (details as disclosed in note 26) had been effective on 1 April 2017.

No separate diluted (loss) earnings per share information has been presented as there were no potential ordinary shares outstanding issue for both years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Treatment devices HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>COST</b>						
At 1 April 2017	–	7,044	1,365	13,352	1,145	22,906
Additions	28,505	3,404	1,143	3,267	972	37,291
Written-off	–	(2,311)	(90)	(275)	–	(2,676)
At 31 March 2018	28,505	8,137	2,418	16,344	2,117	57,521
Additions	–	1,673	1,171	6,322	1,469	10,635
Disposal/written-off	–	–	(56)	(894)	(749)	(1,699)
At 31 March 2019	28,505	9,810	3,533	21,772	2,837	66,457
<b>ACCUMULATED DEPRECIATION</b>						
At 1 April 2017	–	4,246	1,297	9,545	857	15,945
Provided for the year	380	834	90	1,492	293	3,089
Eliminated on written-off	–	(2,226)	(90)	(275)	–	(2,591)
At 31 March 2018	380	2,854	1,297	10,762	1,150	16,443
Provided for the year	1,140	1,408	373	2,459	455	5,835
Eliminated on disposal/written-off	–	–	(56)	(894)	(37)	(987)
At 31 March 2019	1,520	4,262	1,614	12,327	1,568	21,291
<b>CARRYING VALUES</b>						
At 31 March 2019	26,985	5,548	1,919	9,445	1,269	45,166
At 31 March 2018	28,125	5,283	1,121	5,582	967	41,078

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimate useful lives, using the straight-line method, over the following term or at the following rates per annum:

Leasehold land and buildings	Over the shorter of the terms of the lease or 50 years
Leasehold improvements	Over the shorter of the terms of the lease or 5 years
Furniture and fixtures	20%
Treatment devices	20%
Motor vehicles	20%

All the Group's leasehold land and buildings are situated in Hong Kong.

As at 31 March 2019, the carrying amount of treatment devices included an amount of approximately HK\$2,007,000 (2018: HK\$1,294,000) and motor vehicles included an amount of approximately HK\$599,000 (2018: HK\$967,000) in respect of assets held under finance leases.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 15. INVENTORIES

	As at 31 March	
	2019	2018
	HK\$'000	HK\$'000
Skincare products and consumables	5,449	2,864

## 16. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 March	
	2019	2018
	HK\$'000	HK\$'000
Trade receivables	9,665	13,183
Rental, utilities and other deposits	6,790	3,178
Payments for life insurance contracts	19,091	18,453
Prepayments	2,955	497
Prepaid listing expenses	–	2,281
Deferred listing expenses	–	383
Total trade receivables, deposits and prepayments	38,501	37,975
Analysed for reporting purposes as:		
Non-current assets	25,266	20,993
Current assets	13,235	16,982
	38,501	37,975

The customers usually settle the prepaid packages by credit cards in monthly instalments and electronic payment system ("EPS"). For credit card payments, the banks will normally settle the amounts received, net of handling charges, within 90-180 days after trade date. Payment by EPS will normally be settled within one to two days. In addition, the trade receivables also include receivable from a department store for collecting customers' receipt of the sales counters on behalf of the Group where the credit period is 30 days.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 16. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

An ageing analysis of the trade receivables, based on the invoice date, which approximate the revenue recognition date, is as follows:

	As at 31 March	
	2019 HK\$'000	2018 HK\$'000
0 – 30 days	5,224	4,704
31 – 90 days	3,195	4,572
Over 90 days	1,246	3,907
	<b>9,665</b>	<b>13,183</b>

As at 31 March 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$1,206,000 which are past due as at the reporting date. Out of the past due balances, HK\$45,000 has been past due 31 days or more. The directors of the Company do not consider the amount as significant increase in credit risk with reference to the historical records, past experience and also available reasonable and supportive forward-looking information of these debtors, and the recurring overdue records of these debtors with satisfactory settlement history.

Details of impairment assessment of trade receivables, utilities and other deposits and payments for life insurance contracts for the year ended 31 March 2019 are set out in note 31.

As at 31 March 2018, 74% of the trade receivables that are neither past due nor impaired have good repayment records.

As at 31 March 2018, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$3,374,000 which were past due as at the end of the reporting period for which the Group had not provided for as there were settlements subsequent to the end of the reporting period and there were continuous settlements from the debtors. Moreover, the directors of the Company were not aware of any significant change in credit quality of the trade receivables. Thus, the amounts were still considered recoverable. The Group did not hold any collateral over these balances.

An ageing analysis of trade receivables which were past due but not impaired, based on the due date, is as follows:

	As at 31 March 2018 HK\$'000
1 – 30 days	1,192
31 – 90 days	192
Over 90 days	1,990
	<b>3,374</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 16. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

In previous years, the Group entered into two life insurance contracts with an insurance company to insure Ms. Fu and Mr. Yip. Under these contracts, Dermaglow is the beneficiary and policy holder and the total insured sum is up to HK\$20,197,000. Dermaglow is required to pay a gross premium at the inception of these contracts of HK\$17,129,000. The insurance company guaranteed to pay the Group a fixed sum of HK\$20,197,000 at the end of the contract period on the gross premium prepaid.

In the opinion of the directors of the Company, since the insurance element of these contracts is negligible and a fixed sum is guaranteed by the insurance company at the end of the contract period, the payments to such contracts are measured at amortised cost using effective interest method.

## 17. DEFERRED COSTS

	As at 31 March	
	2019 HK\$'000	2018 HK\$'000
Costs to obtain contracts	3,047	2,677
Analysed for reporting purposes as:		
Non-current assets	433	753
Current assets	2,614	1,924
	3,047	2,677

The deferred costs primarily relating to the incremental costs of obtaining a contract with a customer, which represent sales commissions paid or payable to staff, are recognised as deferred costs in the consolidated statement of financial position and classified as current or non-current assets based on the estimated life of the relevant contract for which such costs relate. Such costs are recognised in profit or loss in the period in which the deferred revenue to which they relate is recognised as revenue.

Management of the Group expects that incremental cost paid or payable to the staff as a result of obtaining prepaid packages are recoverable. The Group therefore capitalised them as deferred cost in the amount of HK\$3,047,000 as at 31 March 2019 (2018: HK\$2,677,000).

Capitalised incremental cost are amortised when the related revenue are recognised. The amount of amortisation was HK\$6,650,000 during the year ended 31 March 2019 (2018: HK\$4,550,000) and there was no impairment loss in relation to the costs capitalised.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 18. AMOUNT DUE FROM A CONTROLLING SHAREHOLDER

The amount due from a Controlling Shareholder was non-trade nature, unsecured, interest-free and repayable on demand.

Name	As at 31 March		Maximum amount outstanding during 31 March	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Ms. Fu	–	279	279	50,313

## 19. BANK BALANCES AND CASH

Bank balances carry interest at prevailing market rates ranging from 0.001% to 0.01% (2018: 0.001% to 0.01%) per annum as at 31 March 2019.

Details of impairment assessment of bank balances for the year ended 31 March 2019 are set out in note 31.

## 20. TRADE AND OTHER PAYABLES AND ACCRUALS

	As at 31 March	
	2019 HK\$'000	2018 HK\$'000
Trade payables	344	221
Payables for salaries and consultancy fee for doctors	1,432	1,520
Payables for additions to property, plant and equipment	197	–
Listing expenses payables	3,495	–
Accruals and other payables	2,121	377
	<b>7,589</b>	<b>2,118</b>

The credit period of trade payables is ranging from 0 to 30 days.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 20. TRADE AND OTHER PAYABLES AND ACCRUALS (Continued)

An ageing analysis of trade payables, based on invoice date, is as follows:

	As at 31 March	
	2019 HK\$'000	2018 HK\$'000
0 – 30 days	340	117
31 – 90 days	4	–
Over 90 days	–	104
	<b>344</b>	<b>221</b>

## 21. DEFERRED REVENUE

Deferred revenue represents the treatment package fees received in advance.

The movements in deferred revenue are as follows:

	2019 HK\$'000	2018 HK\$'000
At the beginning of year	62,812	54,640
Sales contracts entered into during the year	101,822	94,599
Revenue recognised upon provision of services	(97,101)	(84,385)
Revenue recognised from expiry of prepaid treatments	(1,526)	(2,042)
At the end of year	<b>66,007</b>	<b>62,812</b>

The following table shows how much of the revenue recognised in the current year related to carries forward deferred revenue.

	For the year ended	
	2019 HK\$'000	2018 HK\$'000
Revenue recognised that was included in the deferred revenue balance of beginning of the year	<b>34,041</b>	<b>28,404</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 22. BANK BORROWINGS

	As at 31 March	
	2019 HK\$'000	2018 HK\$'000
Unsecured and guaranteed bank borrowings	2,143	4,758
Secured and guaranteed bank borrowings	13,528	16,886
	15,671	21,644
Fixed-rate bank borrowings	–	628
Variable-rate bank borrowings	15,671	21,016
	15,671	21,644
The carrying amounts are repayable*:		
Within one year	1,267	3,043
Within a period of more than one year but not exceeding two years	14,404	3,123
Within a period of more than two years but not exceeding five years	–	15,478
	15,671	21,644
Less: Amounts due within one year or contain a repayable on demand clause shown under current liabilities	(15,671)	(21,644)
Amounts shown under non-current liabilities	–	–

\* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The fixed-rate bank borrowings bore interest at 4.56% per annum.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 22. BANK BORROWINGS (Continued)

The variable-rate bank borrowings bear interest ranging from HK\$ Best Lending Rate minus/plus a spread per annum. The ranges of interest rates (which are also equal to contracted interest rates) on the Group's variable-rate bank borrowings as at 31 March 2019 and 2018 are as follows:

	As at 31 March	
	2019	2018
Variable-rate borrowings	2.25% – 4.00%	2.25% – 4.25%

The secured bank borrowings are secured by the payments for life insurance contracts as disclosed in note 16 as at 31 March 2019 and 2018.

The bank borrowings are guaranteed by the Controlling Shareholders as at 31 March 2019 and 2018. The personal guarantee were released subsequently after year ended 31 March 2019.

As at 31 March 2018, bank borrowing of HK\$4,130,000 was guaranteed by The Hong Kong Mortgage Corporation Limited under the Small-Medium Enterprise Financing Guarantee Scheme.

## 23. OBLIGATIONS UNDER FINANCE LEASES

As at 31 March 2019, the Group leased certain of its treatment devices and motor vehicles under finance leases with lease terms ranging from 2 to 5 years. Interest rates underlying the obligations under these finance leases were fixed at respective contract dates ranging from 2.41% to 4.37% (2018: 2.6% to 3.4%) per annum as at 31 March 2019. No arrangement has been entered into for contingent rental payments.

	Minimum lease payments		Present value of minimum lease payments	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Amounts payable under finance leases:				
Within one year	1,166	747	1,088	701
Within a period of more than one year but not exceeding two years	789	481	770	460
Within a period of more than two years but not exceeding five years	212	514	210	489
	2,167	1,742	2,068	1,650
Less: Future finance charges	(99)	(92)	N/A	N/A
Present value of lease obligations	2,068	1,650	2,068	1,650
Less: Amounts due for settlement within one year (shown as current liabilities)			(1,088)	(701)
Amounts due for settlement after one year			980	949



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 23. OBLIGATIONS UNDER FINANCE LEASES (Continued)

The Group's obligations under finance leases were secured by the lessor's charge over the motor vehicles and treatment devices as disclosed in note 14.

The personal guarantee by the Controlling Shareholders on the Group's finance leases as at 31 March 2018 was subsequently released during the year ended 31 March 2019.

## 24. PROVISIONS

	Provisions for reinstatement cost HK\$'000
As at 1 April 2017 and 31 March 2018	715
Additions	300
As at 31 March 2019	1,015

The provisions of reinstatement cost for reinstating the rented premises to be carried out at the end of the lease periods had been estimated by the directors of the Company based on current operating lease contracts. These amounts have not been discounted for the purposes of measuring the provisions because the effect is not material.

## 25. DEFERRED TAXATION

The following is the deferred tax assets (liabilities) recognised and movements thereon during the current and prior years.

	Accelerated accounting depreciation HK\$'000	Accelerated tax depreciation HK\$'000	Total HK\$'000
At 1 April 2017	476	–	476
Charge to profit or loss (note 11)	(299)	(81)	(380)
At 31 March 2018	177	(81)	96
Charge to profit or loss (note 11)	(177)	(623)	(800)
At 31 March 2019	–	(704)	(704)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 25. DEFERRED TAXATION (Continued)

For the purpose of presentation in the consolidated financial statements, the following is the analysis of the deferred taxation:

	As at 31 March	
	2019 HK\$'000	2018 HK\$'000
Deferred tax assets	–	177
Deferred tax liabilities	(704)	(81)
	(704)	96

## 26. SHARE CAPITAL

The share capital as at 1 April 2017 represented the combined share capital of Dermaglow and Worldwide Beauty.

The share capital as at 31 March 2018 represented the combined share capital of the Company and Flourish Capital.

The share capital as at 31 March 2019 represented the share capital of the Company.

Details of the Company's shares are disclosed as follows:

	Number of shares	Amount HK\$'000
<b>Ordinary shares of HK\$0.01 each</b>		
Authorised:		
At 2 March 2018 (date of incorporation) and 31 March 2018	38,000,000	380
Increase on 21 September 2018 (Note a)	9,962,000,000	99,620
At 31 March 2019	10,000,000,000	100,000
Issued and fully paid:		
At 2 March 2018 (date of incorporation) and 31 March 2018	1	–*
Issue of shares on 17 September 2018 (Note b)	99	–*
Issue of shares on 15 October 2018 (Note c)	200,000,000	2,000
Capitalisation issue (Note d)	599,999,900	6,000
At 31 March 2019	800,000,000	8,000

\* Amount less than HK\$1,000

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 26. SHARE CAPITAL (Continued)

Notes:

- (a) On 21 September 2018, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 shares to HK\$100,000,000 divided into 10,000,000,000 shares by the creation of an additional 9,962,000,000 shares, ranking pari passu in all respects with the then existing shares.
- (b) On 17 September 2018, 99 shares of the Company was allotted and issued to Equal Joy.
- (c) The shares of the Company have been listed on GEM of the Stock Exchange by way of public offer and placing on 15 October 2018. 200,000,000 shares of the Company of HK\$0.01 each were issued at offer price of HK\$0.28 per share.
- (d) On 15 October 2018, 599,999,900 new shares of the Company were issued through capitalisation of approximately HK\$6,000,000 standing to the credit of share premium account of the Company.

The new shares issued rank pari passu in all aspects with existing shares.

## 27. OPERATING LEASE COMMITMENTS

### The Group as lessee

At the end of the reporting period, the Group has commitments for future minimum lease payments under non-cancellable operating leases with independent third parties, which fall due as follows:

	As at 31 March	
	2019 HK\$'000	2018 HK\$'000
Within one year	12,012	7,828
In the second to fifth year inclusive	14,634	10,372
	<b>26,646</b>	<b>18,200</b>

Operating lease payments represent rentals payable by the Group for office premises, medical centres, retail shop and sales counters. Leases and rentals are negotiated for a term of two to five years. Certain leases include contingent rentals calculated with reference to turnover of the retail shop and sales counters. As future turnover of the retail shop and sales counters could not be reliably determined, the relevant contingent rent has not been included in the above and only minimum lease commitment have been included in the above table.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2019*

## 28. RETIREMENT BENEFIT SCHEME

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

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

The contributions paid and payable to the scheme by the Group are disclosed in notes 9 and 10.

## 29. NON-CASH TRANSACTION

During the year ended 31 March 2019, the Group acquired treatment devices through finance lease at an aggregate consideration of HK\$2,100,000 (2018: HK\$1,572,000).

During the year ended 31 March 2019, the Group purchased a new motor vehicle with purchase price of HK\$720,000. The purchase price was settled by cash of HK\$420,000 and by trade-in an old motor vehicle with value of HK\$300,000.

## 30. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt balance and equity balance, which includes bank borrowings (note 22) and obligations under finance leases (note 23). Equity balance consists of equity attributable to owners of the Company, comprising issued share capital and reserves.

The management of the Group reviews the capital structure regularly. As part of this review, the management of the Group considers the cost of capital and the risk associated with each class of capital, and will balance its overall capital structure through new share issue as well as the issue of new debts or the redemption of existing debts.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 31. FINANCIAL INSTRUMENTS

### Categories of financial instruments

	As at 31 March	
	2019 HK\$'000	2018 HK\$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	N/A	60,595
Amortised cost	94,657	N/A
Financial liabilities		
Amortised cost	23,118	23,762

### Financial risk management objectives and policies

The Group's financial instruments include trade receivables, utilities and other deposits, payments for life insurance contracts, amount due from a Controlling Shareholder, bank balances and cash, trade and other payables and accruals and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include interest rate risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to the Group's variable-rate bank balances (note 19) and bank borrowings (note 22). The Group is also exposed to fair value interest rate risk in relation to the Group's payments for life insurance contracts (note 16), interest-free amount due from a Controlling Shareholder (note 18), fixed-rate bank borrowings (note 22) and obligations under finance leases (note 23). The management of the Group considers that the Group's exposures of the bank balances are not significant as interest bearing bank balances are within short maturity period and thus they are not included in sensitivity analysis. The Group currently does not have a policy on cash flow hedges of interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and HK\$ Best Lending Rate arising from the Group's variable-rate bank borrowings.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 31. FINANCIAL INSTRUMENTS *(Continued)*

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

#### *Interest rate risk (Continued)*

##### *Sensitivity analysis*

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

A 50 basis points (2018: 50 basis points) increase or decrease is used for the year, which represents management's assessment of the reasonably possible change in interest rates. A positive number below indicates an increase in post-tax loss (2018: decrease in post-tax profit) for the year where the interest rate had been 50 basis points (2018: 50 basis points) higher and all other variables were held constant. For 50 basis points lower on interest rate, there would be an equal and opposite impact on the result for the year.

If interest rates have been 50 basis points (2018: 50 basis points) higher/lower for variable-rate bank borrowings and all other variables were held constant, the Group's post-tax loss for the year ended 31 March 2019 would increase/decrease by HK\$65,000 (2018: post-tax profit would decrease/increase by HK\$88,000).

#### *Credit risk and impairment assessment*

As at 31 March 2019 and 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

##### *Trade receivables arising from contracts with customers*

In order to minimise the credit risk, the directors of the Company have delegated a team responsible for monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group measures lifetime ECL on trade receivables on individual basis at the end of the reporting period.

In view of the business nature, management of the Group considers that the credit risks of trade receivables are insignificant after considering the credit quality and financial ability of the relevant financial institutions and there is no history of default in settlement by them. In the opinion of the management of the Group, the risk of default by these counterparties is not significant and the Group assessed that the ECL on these balances are insignificant upon the application of HKFRS 9 and on 31 March 2019 (2018: incurred loss model) and thus no impairment loss allowance was recognised.

##### *Amount due from a Controlling Shareholder*

The Group has significant concentration of credit risk on amount due from a Controlling Shareholder as at 31 March 2018. In the opinion of the management of the Group, the ECL on the balance was not significant and no impairment loss allowance was recognised as at 1 April 2018.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 31. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### Credit risk and impairment assessment (Continued)

##### Utilities and other deposits

For utilities and other deposits, the management of the Group makes periodic collective assessment as well as individual assessment on the recoverability of utilities and other deposits based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information starting from 1 April 2018 (2018: incurred loss model). The management of the Group believes that there is no material credit risk inherent in the Group's outstanding balance of utilities and other deposits.

##### Payments for life insurance contracts and bank balances

The credit risk on payments for life insurance contracts and liquid funds are limited as such amounts are placed in an insurance company and banks with high credit ratings assigned by international credit-rating agencies. There has been no history of default in relation to these insurance company and banks and thus the risk of default is regarded as low. No loss allowance provision for payments for life insurance contracts and bank balances was recognised upon application of HKFRS 9.

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

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Medium risk	Debtor frequently repays but usually settles after due date	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 31. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets (trade receivables, utilities and other deposits, payment for life insurance contracts and bank balances) as at 31 March 2019, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amounts HK\$'000
<b>Financial assets at amortised cost</b>					
Trade receivables	16	Aa1 to A3	N/A	Lifetime ECL – not credit impaired	6,049
		N/A	Low risk (note 1)	Lifetime ECL – not credit impaired	3,616
Utilities and other deposits	16	N/A	Low risk (note 2)	12m ECL	1,526
Payments for life insurance contracts	16	A1 (note 3)	N/A	12m ECL	19,091
Bank balances	19	Aa3 to A2 (note 3)	N/A	12m ECL	64,311

Notes:

- For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL for trade receivables on individual basis with reference to past default experience for recurring customers and current past due exposure for new customers.

During the year ended 31 March 2019, no impairment allowance was provided for trade receivables as the amount is insignificant.

- For the purposes of internal credit risk management, the Group uses information developed internally and externally to assess whether credit risk has increased significantly since initial recognition.

	No fixed repayment terms HK\$'000
Utilities and other deposits	1,526

During the year ended 31 March 2019, no impairment allowance was provided for utilities and other deposits as the amount is insignificant.

- The external credit ratings are assessed according to Moody's Rating Scaling. The Group has balances with an insurance company and several banks in which the ratings are A1 and ranged from Aa3 to A2 respectively.

During the year ended 31 March 2019, no impairment allowance was provided for payments for life insurance contracts and bank balances as the amount is insignificant.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 31. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### *Liquidity risk*

As of 31 March 2019, the Group recorded net current liabilities of HK\$5,544,000 (2018: HK\$39,705,000). The net current liabilities arose mainly from the long-term bank borrowings (with maturity dates over one year) amounting to HK\$14,404,000 being classified as current liabilities as at 31 March 2019 (2018: HK\$18,601,000), due to the overriding right of demand clause as stipulated in the facility agreements of the bank borrowings. The directors of the Company believe that these loan facilities (including those unutilised bank facilities) will continue to be made available to the Group and will not be withdrawn by the banks within the next twelve months from the end of the reporting period. In addition, as at 31 March 2019, included in the current liabilities of the Group were deferred revenue of HK\$66,007,000 (2018: HK\$62,812,000), which represented services to be performed and shall not result in any cash outflow of the Group eventually.

Taking into account the above consideration and the Group's cash flow projection for the coming twelve months from the end of the reporting period, the directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due in the next twelve months from the end of the reporting period. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 31. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### Liquidity risk (Continued)

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

	Weighted average effective interest rate %	On demand HK\$'000	Less than 1 year HK\$'000	1 – 2 years HK\$'000	2 – 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
<b>As at 31 March 2019</b>							
<b>Non-derivative financial liabilities</b>							
Trade and other payables and accruals	N/A	–	7,447	–	–	7,447	7,447
Bank borrowings							
– variable-rate	2.49	15,671	–	–	–	15,671	15,671
Obligations under finance leases	3.68	–	1,166	789	212	2,167	2,068
		15,671	8,613	789	212	25,285	25,186

#### As at 31 March 2018

##### Non-derivative financial liabilities

Trade and other payables and accruals	N/A	–	2,118	–	–	2,118	2,118
Bank borrowings							
– fixed-rate	4.56	628	–	–	–	628	628
– variable-rate	2.82	21,016	–	–	–	21,016	21,016
Obligations under finance leases	2.19	–	747	481	514	1,742	1,650
		21,644	2,865	481	514	25,504	25,412

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 31. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### Liquidity risk (Continued)

Bank borrowings with a repayment on demand clause are included in the “On demand” time band in the above maturity analysis. As at 31 March 2019, the aggregate carrying amounts of these bank borrowings were approximately HK\$15,671,000 (2018: HK\$21,644,000). Taking into account the Group’s financial position, management of the Group does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. Management of the Group believes that such bank borrowings of the Group will be repaid after the end of reporting period in accordance with the scheduled repayment dates set out in the loan agreements.

For the purpose of managing liquidity risk, management of the Group reviews the expected cash flow information of the Group’s bank borrowings based on the scheduled repayment dates set out in the bank borrowings agreements as set out in the table below:

	Weighted average effective interest rate %	Less than 1 year HK\$'000	1 – 2 years HK\$'000	2 – 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
Bank borrowings with a repayment on demand clause						
As at 31 March 2019	2.49	1,640	14,685	–	16,325	15,671
As at 31 March 2018	2.87	3,642	3,581	15,622	22,845	21,644

#### Fair value measurement

Management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 32. 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 flows will be classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividend payable HK\$'000	Accrued share issued costs HK\$'000	Obligations under finance leases HK\$'000	Bank borrowings HK\$'000	Total HK\$'000
At 1 April 2017	–	–	1,863	26,572	28,435
Financing cash flows (Note)	(13,000)	(383)	(1,850)	(5,732)	(20,965)
Dividends accrued	13,000	–	–	–	13,000
Issued cost accrued	–	383	–	–	383
Purchase of property, plant and equipment through finance lease (note 29)	–	–	1,572	–	1,572
Finance costs	–	–	65	804	869
At 31 March 2018	–	–	1,650	21,644	23,294
Financing cash flows (Note)	–	(5,965)	(1,820)	(6,683)	(14,468)
Issued cost accrued	–	5,965	–	–	5,965
Purchase of property, plant and equipment through finance lease (note 29)	–	–	2,100	–	2,100
Finance costs	–	–	138	710	848
At 31 March 2019	–	–	2,068	15,671	17,739

Note: The cash flows in relation to payment for share issued cost, dividends, obligations under finance lease, bank borrowings and finance costs.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 33. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year ended 31 March 2019:

### Compensation of key management personnel

The remuneration of key management personnel during the years ended 31 March 2018 and 2019, respectively were as follows:

	Year ended 31 March	
	2019 HK\$'000	2018 HK\$'000
Short-term benefits	5,488	4,588
Post-employment benefits	72	60
	<b>5,560</b>	<b>4,648</b>

## 34. SHARE OPTION SCHEME

The Company's share option scheme was adopted pursuant to a resolution passed on 21 September 2018 ("Share Option Scheme") for the primary purpose of providing incentives to eligible participants for their contributions to the Group. Under the Share Option Scheme, the directors of the Company may grant options to employees (full-time and part-time), directors, consultants, advisers, suppliers, customers or business partners.

An offer shall remain open for acceptance by the eligible participant concerned for such period as determined by the board of directors of the Company, being a date not later than 10 business days after the offer date by which the eligible participant must accept the offer or be deemed to have declined it. A nominal consideration of HK\$1 is payable by the grantee on acceptance of the grant of an option. The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the board of directors of the Company and notified to a participant and shall be at least the higher of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a share on the date of grant of the option.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2019*

## 34. SHARE OPTION SCHEME *(Continued)*

The maximum number of the shares that may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) under the Share Option Scheme and any other share option scheme of the Group shall not exceed 10% of all the 800,000,000 shares in issue. The Company may seek approval of the shareholders in a general meeting to refresh the 10% limit provided that the total number of shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group shall not exceed 10% of the number of shares in issue as at the date of approval of the limit.

The total number of shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the shares of the Company in issue. Any further grant of options in excess of the 1% limit in any 12-month period up to and including the date of such further grant must be separately approved by the shareholders in a general meeting of the Company with such grantee and his associates abstaining from voting. The number and terms (including the exercise price) of options to be further granted must be fixed before the approval of the shareholders and the date of the board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under the GEM Listing Rules.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the directors to each grantee, which period may commence from the date of offer for the grant of options is made, but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof.

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted (i.e. 21 September 2018).

During the year ended 31 March 2019, the Group did not grant any share option under the Share Option Scheme of the Company.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 35. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	As at 31 March	
	2019 HK\$'000	2018 HK\$'000
<b>Non-current assets</b>		
Investment in a subsidiary	23,026	–
Amounts due from subsidiaries	1,222	–
	<b>24,248</b>	<b>–</b>
<b>Current assets</b>		
Prepayments	134	2,664
Bank balances	32,814	–
	<b>32,948</b>	<b>2,664</b>
<b>Current liabilities</b>		
Accruals	3,549	–
Amount due to a subsidiary	–	3,814
	<b>3,549</b>	<b>3,814</b>
<b>Net current assets (liabilities)</b>	<b>29,399</b>	<b>(1,150)</b>
<b>Net assets</b>	<b>53,647</b>	<b>(1,150)</b>
<b>Capital and reserves</b>		
Share capital	8,000	–
Reserves	45,647	(1,150)
	<b>53,647</b>	<b>(1,150)</b>

### Movement of reserves of the Company:

	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 2 March 2018 (date of incorporation)	–	–	–
Loss for the period	–	(1,150)	(1,150)
At 31 March 2018	–	(1,150)	(1,150)
Loss for the year	–	(17,310)	(17,310)
Effect of reorganisation	23,026	–	23,026
Issue of shares	54,000	–	54,000
Capitalisation issue	(6,000)	–	(6,000)
Transaction costs attributable to issue of shares	(6,919)	–	(6,919)
At 31 March 2019	<b>64,107</b>	<b>(18,460)</b>	<b>45,647</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 36. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Place and date of incorporation	Place of operation	Issued and full paid share capital	Attributable equity interest of the Group as at		Principal activities
				31 March		
				2019	2018	
Directly held by the Company						
Flourish Capital	BVI 30 November 2017	Hong Kong	US\$8	100%	100%	Investment holdings
Indirectly held by the Company						
Dermaglow	Hong Kong 28 May 2008	Hong Kong	HK\$2	100%	100%	Provision of treatment services and sale of skincare products
Worldwide Beauty	Hong Kong 3 January 2011	Hong Kong	HK\$2,000,000	100%	100%	Provision of treatment services and sale of skincare products
Per Face Institute	Hong Kong 3 November 2017	Hong Kong	HK\$2	100%	100%	Provision of training services to its fellow subsidiaries
Fortune Marvel	Hong Kong 19 July 2017	Hong Kong	HK\$1	100%	100%	Property investment
Trillion Sino Limited	Hong Kong 29 June 2018	Hong Kong	HK\$1	100% (note)	N/A	To commence provision of treatment services and sales of skincare products
Sino Faithful Limited	Hong Kong 1 June 2018	Hong Kong	HK\$1	100% (note)	N/A	To commence provision of treatment services and sales of skincare products

Note: These subsidiaries were newly incorporated by the Group during the year ended 31 March 2019.

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

None of the subsidiaries had issued any debt securities at any time during both years or at the end of the reporting period.

## FINANCIAL SUMMARY

	For the year ended 31 March		
	2019* HK\$'000	2018 HK\$'000	2017 HK\$'000
<b>RESULTS</b>			
Revenue	101,433	88,659	63,276
Profit before taxation	3,068	19,395	15,953
Taxation	(3,290)	(3,546)	(2,354)
(Loss) profit and total comprehensive (expense) income for the year attributable to owners of the Company	(222)	15,849	13,599
	As at 31 March		
	2019* HK\$'000	2018 HK\$'000	2017 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
Total assets	164,831	115,237	110,687
Total liabilities	(94,104)	(93,369)	(91,668)
Equity attributable to owners of the Company	70,727	21,868	19,019

\* Since 1 April 2018, the Group has applied HKFRS 9 "Financial Instruments" issued by the Hong Kong Institute of Certified Public Accountants without restating comparative information (see note 3 to the consolidated financial statements of this annual report for details). Accordingly, certain comparative financial information for the years ended 31 March 2018 and 2017 may not be comparable to that for the year ended 31 March 2019. Accounting policies resulting from application of HKFRS 9 are disclosed in note 4 to the consolidated financial statements of this annual report.