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2018

Third Quarterly Report

My Heart Bodibra Group Limited
心心芭迪貝伊集團有限公司

Incorporated in the Cayman Islands with limited liability

Stock Code : 8297

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*This report, for which the directors (the “**Directors**”) of My Heart Bodibra Group Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM 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.*

The board of directors (the “**Board**”) of the Company announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the three and nine months ended 31 December 2018, together with the comparative unaudited figures for the corresponding period in year 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 31 December 2018

	Note	For the three months ended 31 December		For the nine months ended 31 December	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Revenue	3	18,886	16,323	51,715	56,657
Cost of sales		(4,461)	(2,797)	(10,501)	(10,140)
Gross profit		14,425	13,526	41,214	46,517
Other income		18	70	25	91
Selling expenses		(9,942)	(7,224)	(28,158)	(23,510)
Administrative and listing expenses		(9,922)	(7,663)	(29,962)	(29,657)
Finance costs		(23)	(16)	(62)	(53)
Loss before tax		(5,444)	(1,307)	(16,943)	(6,612)
Income tax (expense)/credit	4	-	(136)	(32)	5,251
Loss for the period attributable to the owners of the Company		(5,444)	(1,443)	(16,975)	(1,361)
Other comprehensive income for the period, net of tax:					
Item that may be reclassified to profit or loss:					
Exchange difference on translating foreign operations		(47)	36	(204)	93
Total comprehensive income for the period attributable to the owners of the Company		(5,491)	(1,407)	(17,179)	(1,268)
Loss per share					
Basic (cents)	6(a)	(1.13)	(0.31)	(3.54)	(0.31)
Diluted (cents)	6(b)	(1.13)	(0.31)	(3.54)	(0.31)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2018

Attributable to owners of the Company

	Share capital HK\$'000	Share premium account HK\$'000	Capital reserve HK\$'000	Foreign currency translation reserve HK\$'000	Statutory reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
At 1 April 2017 (audited)	-	-	(34)	56	27	2,482	2,531
Share capitalisation (unaudited)	3,600	(3,600)	-	-	-	-	-
Issue of new shares under public offer (unaudited)	1,200	46,800	-	-	-	-	48,000
Expenses incurred in connection with issue of new shares (unaudited)	-	(8,950)	-	-	-	-	(8,950)
Total comprehensive income for the period (unaudited)	-	-	-	93	-	(1,361)	(1,268)
Appropriations (unaudited)	-	-	-	-	201	(201)	-
At 31 December 2017 (unaudited)	4,800	34,250	(34)	149	228	920	40,313
At 1 April 2018 (audited)	4,800	34,250	(34)	256	243	942	40,457
Total comprehensive income for the period (unaudited)	-	-	-	(204)	-	(16,975)	(17,179)
Appropriations (unaudited)	-	-	-	-	220	(220)	-
At 31 December 2018 (unaudited)	4,800	34,250	(34)	52	463	(16,253)	23,278

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2018

1. GENERAL INFORMATION

My Heart Bodibra Group Limited was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 27 May 2016. The address of its registered office is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business in Hong Kong is Unit 2801-03, 28/F., Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong. The shares of the Company are listed on the GEM since 13 July 2017 (the “**Listing**”).

The Company is an investment holding company and its principal subsidiaries are mainly engaged in (1) manufacturing and retail sales of lingerie products in Hong Kong, Macau and the People’s Republic of China (the “**PRC**”) and (2) provision of beauty services in Hong Kong.

In the opinion of the directors of the Company, as at 31 December 2018, Global Succeed Group Limited, a company incorporated in the British Virgin Islands and jointly controlled by Mr. Chan Lin So Alan and Mr. Yiu Koon Pong, is the immediate and ultimate holding company of the Company.

2. BASIS OF PREPARATION

The unaudited condensed consolidated results of the Company for the nine months ended 31 December 2018 have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as the “**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

The unaudited condensed consolidated results are presented in Hong Kong dollars (“**HK\$**”), which is the same as the functional currency of the Company, and have been prepared under historical cost convention.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2018

2. BASIS OF PREPARATION (Continued)

These condensed results should be read in conjunction with the annual financial statements for the year ended 31 March 2018. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2018.

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operation and effective for its accounting period beginning on 1 April 2018. The Group has not early applied the new and revised HKFRSs that have been issued by HKICPA but are yet to be effective.

3. REVENUE

Revenue represents the aggregation of net amounts received and receivable for sales of lingerie products and beauty services provided by the Group to external customers during the period. An analysis of the Group's revenue for the period is as follows:

	For the three months ended 31 December		For the nine months ended 31 December	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Sales of lingerie products and other complementary and ancillary products	18,875	15,433	48,843	54,018
Income from unused credit packages	-	890	2,861	2,639
Income from providing beauty services	11	-	11	-
	18,886	16,323	51,715	56,657

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2018

4. INCOME TAX (EXPENSE)/CREDIT

	For the three months ended 31 December		For the nine months ended 31 December	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
	Current tax:			
Hong Kong Profits Tax	-	-	-	-
PRC Enterprise Income Tax ("EIT")	-	(136)	(32)	(391)
	-	(136)	(32)	(391)
Overprovision in prior year:				
Hong Kong Profits Tax	-	-	-	5,642
	-	(136)	(32)	5,251

Hong Kong Profits Tax has been provided at a rate of 16.5% (for the three and nine months ended 31 December 2017: 16.5%) on the estimated assessable profits for the three and nine months ended 31 December 2018.

PRC EIT has been provided at a rate of 25% (for the three and nine months ended 31 December 2017: 25%) on the estimated assessable profit of those subsidiaries established in the PRC for the three and nine months ended 31 December 2018.

5. DIVIDENDS

The Directors do not recommend the payment of a dividend for the nine months ended 31 December 2018 (for the nine months ended 31 December 2017: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2018

6. LOSS PER SHARE

(a) Basic loss per share

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

Loss	For the three months ended 31 December		For the nine months ended 31 December	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
	Loss for the purpose of calculating basic loss per share	(5,444)	(1,443)	(16,975)

Number of shares	For the three months ended 31 December		For the nine months ended 31 December	
	2018 (Unaudited)	2017 (Unaudited)	2018 (Unaudited)	2017 (Unaudited)
	Issued ordinary shares at the beginning of period (note)	480,000,000	360,000,000	480,000,000
Effect of public offer of shares upon the Listing	-	104,347,826	-	75,054,545
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	480,000,000	464,347,826	480,000,000	435,054,545

Note:

Issued ordinary shares of the Company at the beginning of period is on the assumption that 360,000,000 ordinary shares, being the number of shares in issue immediately after the completion of the share capitalisation, were deemed to have been issued throughout the period from 1 April 2017 and up to 13 July 2017, immediately before the completion of public offer upon the Listing.

(b) Diluted loss per share

No diluted loss per share is presented as the Company did not have any dilutive potential ordinary share.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2018

7. EVENT AFTER THE REPORTING PERIOD

On 11 January 2019, the Group entered into an agreement for the acquisition of 34% interest in a target company at the consideration of HK\$32,640,000. Completion of the aforesaid acquisition took place simultaneously upon signing of the agreement. Details of the acquisition were set out in the Company's announcement dated 11 January 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is one of the leading retailers of lingerie with shaping functions in Hong Kong, with production facilities in the PRC and Hong Kong. The Group principally offers a wide range of its own branded lingerie that are designed with shaping functions which aim to achieve better body appearances, including bras and panties, body shaping underwear and chest support vests. The Group also sells other products without shaping functions, which primarily include breast cream, panties, nude bras, swimwear, bras straps and pads, and waist bands.

During the period under review, the Group further expands its retail outlets in Macau and PRC and had leased new retail outlets at (1) Rua de Francisco Xavier Pereira No. 103A, EDF. TAK KENG A, B R/C, Macau, which has commenced operation from 14 June 2018; (2) Rua Norte do Mercado de S. Domingos No. 2-4A, B R/C, Macau, which has commenced operation from 11 December 2018 and (3) Shop at 3/F., Dong Peng Long Shang Ye Cheng (Hai Ya Bin Fen Guang Chang) Nan Hai Da Dao, Yue Hai Jie Dao, Nan Shan, Shenzhen, Guangdong Province, the PRC, which has commenced operation from 1 September 2018.

In addition, during the period under review, the Group has started a new body clinic which relates to body shaping in November 2018 at Shop No. 285, 2/F., Mira Place 2, 118-130 Nathan Road, Tsimshatsui, Kowloon, Hong Kong. In January 2019, the Group has acquired 34% of the issued share capital of a company which, through its subsidiaries, is principally engaged in the business of medical aesthetic service. The Company believes such acquisition will complement and provide synergy to the existing line of business of the Group.

The Group raised the net proceeds from the public offer of its shares of approximately HK\$16.7 million after deducting commission and expenses borne by the Company in connection with the public offer. During the period from 13 July 2017, the date of which the shares of the Company were listed on the GEM, to 31 December 2018, approximately HK\$8.1 million of the net proceeds was utilized in accordance with the proposed implementation plans as disclosed under the section headed "FUTURE PLANS AND USE OF PROCEEDS" in the prospectus of the Company dated 26 June 2017 (the "**Prospectus**").

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

During the period under review, the Group recorded a revenue of approximately HK\$51.7 million, which principally represents income derived from the sale of lingerie products with shaping functions and other complementary and ancillary products, representing a decrease of approximately 8.8% compared with the revenue of approximately HK\$56.7 million recorded for the corresponding period in 2017 as a result of the decrease in sales volume due to ongoing keen competition in the market.

GROSS PROFIT MARGIN

Gross profit margin of the Group has reduced slightly by approximately 2.4% from 82.1% for the nine months ended 31 December 2017 to 79.7% for the nine months ended 31 December 2018. This is largely due to increase in cost of production overheads during the period under review.

EXPENSES

Selling expenses during the period under review increased by approximately HK\$4.7 million from approximately HK\$23.5 million for the nine months ended 31 December 2017 to approximately HK\$28.2 million for the corresponding period in 2018, which was mainly attributable to increase in rental and related expenses, staff costs and marketing expenses for the promotional activities.

Administrative and listing expenses increased by approximately HK\$0.3 million from approximately HK\$29.7 million for the nine months ended 31 December 2017 to approximately HK\$30.0 million for the corresponding period in 2018, primarily due to the net effects of the increase in staff costs, depreciation, rental and related expenses and the decrease in the listing expenses and legal and professional fees.

INCOME TAX (EXPENSE)/CREDIT

Income tax expense increased by approximately HK\$5.3 million from a credit of approximately HK\$5.3 million for the nine months ended 31 December 2017 to an expense of approximately HK\$32,000 for the corresponding period in 2018. The increase was mainly due to a one-off tax refund from the Hong Kong Inland Revenue Department in the last corresponding period did not recur during the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS

LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

Loss attributable to owners of the Company for the nine months ended 31 December 2018 amounted to approximately HK\$17.0 million, compared to that of approximately HK\$1.4 million recorded for the corresponding period in 2017. The substantial increase in loss attributable to owners of the Company was primarily due to (1) the decrease in revenue of the Group due to ongoing keen competition in the market; (2) the increase in selling expenses of the Group; and (3) a one-off tax refund received in the last corresponding period did not recur during the period under review.

OTHER INFORMATION

DISCLOSURE OF INTERESTS

(a) **Directors' and chief executives' interests and short positions in shares, underlying shares and debentures of the Company and its associated corporations**

As at 31 December 2018, none of the Directors nor chief executives of the Company and their respective associates had any interests and short positions in any shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules.

(b) **Interests and short positions of substantial shareholders in the shares, underlying shares and debentures of the Company**

So far as is known to the Directors, as at 31 December 2018, the following persons (not being Directors or chief executives of the Company) had, or were deemed to have, interests or short positions (directly or indirectly) in the shares or underlying shares of the Company that would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

OTHER INFORMATION

Long positions in the shares of the Company

Name of Shareholder	Nature of interest/ holding capacity	Number of shares	Percentage of issued share capital of the Company
Global Succeed Group Limited	Beneficial owner (Note)	360,000,000	75%
Mr. Chan Lin So Alan	Interest in a controlled corporation	360,000,000	75%
Mr. Yiu Koon Pong	Interest in a controlled corporation	360,000,000	75%

Note: Global Succeed Group Limited is the direct shareholder of the Company. According to the information available to the Company, Global Succeed Group Limited is beneficially owned as to 50% by Mr. Chan Lin So Alan and 50% by Mr. Yiu Koon Pong. By virtue of the SFO, each of Mr. Chan Lin So Alan and Mr. Yiu Koon Pong is deemed to be interested in the 360,000,000 shares held by Global Succeed Group Limited. Mr. Chan Lin So Alan is a consultant of the Company as at 31 December 2018 and up to the date of this report.

Save as disclosed above, as at 31 December 2018, the Directors were not aware of any other persons (other than the Directors or chief executive of the Company) who had, or was deemed to have, interest or short positions in the Shares or underlying Shares of the Company would fall to be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

OTHER INFORMATION

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme (the “**Share Option Scheme**”) on 19 June 2017. For the principal terms of the Share Option Scheme, please refer to “Other Information — 12. Share Option Scheme” in Appendix IV to the Prospectus.

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

COMPETING INTERESTS

As far as the Directors are aware of, none of the Directors or the controlling shareholder of the Company or any of their respective close associates (as defined under the GEM Listing Rules) had any business or interest in a business that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the nine months ended 31 December 2018.

INTEREST OF THE COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Central China International Capital Limited (“**CCIC**”) as the compliance adviser. CCIC has declared its independence pursuant to Rule 6A.07 of the GEM Listing Rules. None of CCIC or its directors, employees or close associates (as defined under the GEM Listing Rules) had any interests in relation to the Company or in the share capital of any member of the Group as at 31 December 2018 which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

CODE OF CORPORATE GOVERNANCE PRACTICES

The Company endeavors to adopt prevailing best corporate governance practices. For the nine months ended 31 December 2018, the Company, except for the deviation as specified below, had complied with all the code provisions set out in the Corporate Governance Code (the “**CG Code**”) as contained in Appendix 15 of the GEM Listing Rules.

OTHER INFORMATION

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company has not appointed chief executive officer and chairman since 27 October 2017 and 6 February 2018 respectively. The roles and functions of chief executive officer and chairman have been performed by all the executive Directors collectively. The Board will keep reviewing its current structure from time to time and will appoint chief executive officer and chairman if the Board considers appropriate and necessary.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors (the "**Code of Conduct**") on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Required Standard Dealings**"). The Company had also made specific enquiry of all the Directors and each of them was in compliance with the Code of Conduct and Required Standard Dealings during the nine months ended 31 December 2018. Further, the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors for the nine months ended 31 December 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the nine months ended 31 December 2018.

OTHER INFORMATION

AUDIT COMMITTEE

The financial information in this report has not been audited by the auditor of the Company. Pursuant to Rule 5.28 of the GEM Listing Rules, the Company established the audit committee (the “**Audit Committee**”) with written terms of reference aligned with the provision of the code provisions set out in Appendix 15 of the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process, internal control procedures and risk management system of the Group. As at the date of this report, the Audit Committee comprises Mr. Cai Chun Fai, Ms. Chan Ka Ming and Mr. Ong King Keung, being the independent non-executive Directors.

The Audit Committee has reviewed the unaudited condensed consolidated results of the Company for the nine months ended 31 December 2018 and is of the opinion that the preparation of such results complied with the applicable accounting standards and the requirements under the GEM Listing Rules, and that adequate disclosures have been made.

By order of the Board
My Heart Bodibra Group Limited
Tam Chak Chi
Executive Director

Hong Kong, 8 February 2019