2018 / 2019
ANNUAL REPORT

MEDICSKIN

MEDICSKIN HOLDINGS LIMITED

密迪斯肌控股有限公司

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE : 8307

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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

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

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Kong Kwok Leung *(Chairman and Chief Executive Officer)*
Ms. Tsui Kan
Ms. Kong Chung Wai
Ms. Sin Chui Pik Christine

Independent Non-executive Directors

Mr. Chan Cheong Tat
Mr. Lee Ka Lun
Mr. Leung Siu Cheung

BOARD COMMITTEES

Audit Committee

Mr. Chan Cheong Tat *(Chairman)*
Mr. Lee Ka Lun
Mr. Leung Siu Cheung

Remuneration Committee

Mr. Leung Siu Cheung *(Chairman)*
Dr. Kong Kwok Leung
Ms. Siu Chui Pik Christine
Mr. Chan Cheong Tat
Mr. Lee Ka Lun

Nomination Committee

Dr. Kong Kwok Leung *(Chairman)*
Ms. Kong Chung Wai
Mr. Chan Cheong Tat
Mr. Lee Ka Lun
Mr. Leung Siu Cheung

COMPLIANCE OFFICER

Ms. Kong Chung Wai

COMPANY SECRETARY

Ms. Sin Chui Pik Christine *CPA, FCCA*

AUTHORISED REPRESENTATIVES

Ms. Kong Chung Wai
Ms. Sin Chui Pik Christine

HONG KONG LEGAL ADVISER

Howse Williams
27th Floor, Alexandra House
18 Chater Road
Central
Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited
83 Des Voeux Road Central
Hong Kong

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

REGISTERED OFFICE

P.O. Box 309
Ugland House
Grand Cayman, KY1-1104
Cayman Islands

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

21st Floor, New World Tower II
16-18 Queen's Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
P.O. Box 1093, Boundary Hall
Cricket Square
Grand Cayman, KY1-1102
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

AUDITOR

Moore Stephens CPA Limited
801-806 Silvercord, Tower 1
30 Canton Road, Tsim Sha Tsui
Kowloon, Hong Kong

COMPANY WEBSITE

www.medicskin.com

GEM STOCK CODE

8307

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors (the "**Board**") of the Company, it is my pleasure to present this annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2019 to you.

A YEAR IN REVIEW

In 2018, the sales momentum and customer spending sentiment in Hong Kong was adversely affected by the US-China Trade War (the "**Trade War**") and the Group continued to face intense competition in the industry. Nevertheless, the Group, as one of the pioneers in the medical skin care industry in Hong Kong, would make the best use of our advantages and continue to seek opportunities to grow.

During the year under review, revenue of the Group amounted to HK$51.4 million, representing a decrease of 11.1% from HK$57.8 million of last corresponding year. The Group recorded a net loss attributable to the shareholders of the Company (the "**Shareholder(s)**") of approximately HK$5.5 million for the year under review, as compared to a profit attributable to the Shareholders of approximately HK$2.5 million of last corresponding year. Basic loss per share for the year under review was HK1.13 cent as compared to basic earnings per share of HK0.53 cent of last corresponding year. Excluding the initial start-up expenses and additional costs (including endorsement fee) of approximately HK$4.4 million incurred by the Group during the current reporting period on the development of its new anti-aging centre located in Tsim Sha Tsui, 51%-owned subsidiary of the Company, which only commenced formal operation in June 2018; and impairment loss on a disposal group classified as held for sale (i.e. Golden Dickson (HK) Limited ("**Golden Dickson**"), a property holding company and wholly-owned subsidiary of the Company, which held a property located in the Causeway Bay (the "**Property**") of approximately HK$1.6 million recognised during the year ended 31 March 2019, the Group recorded a net loss attributable to the Shareholders of approximately HK$1.7 million for the year under review.

To extend our services and product offerings, on 9 June 2018, the Group opened its anti-aging centre, with the brand "Ray Lui's Anti-aging & Health Management Centre" ("**Ray Lui Centre**"), in Tsim Sha Tsui, which provides quality and comprehensive medical aesthetic treatment that helps our clients to stay healthy and young. Mr. Lui Leung Wai, Ray ("**Mr. Lui**"), our strategic partner of Ray Lui Centre, is a well-known television and movie actor in Hong Kong and China with healthy and positive image. A new skin care product line "Ray Lui by facematter" was established with four new skincare products launched, including youth recovery nourishing cream, serum, collagen face mask and firming eye mask. It is expected that more variety of skin care products will be launched in the market. Mr. Lui will help the Group to promote the products and services of Ray Lui Centre and expand its business.

Moreover, on 11 June 2018, the Group acquired 51% equity interest in a beauty spa with the brand "MS Medicspa" (formerly known as "Massada Medicspa") ("**MS Medicspa Centre**"), in Causeway Bay, which offers extensive range of professional services from medical treatments to relaxing facial massages and body treatments in a luxurious and relaxing environment. Causeway Bay is a prime location in Hong Kong Island with high pedestrian flow. The approximate size of the site is 1,600 sq ft. The expansion will also help boost the Group's market penetration in the long term. MS Medicspa Centre had its grand opening on 30 June 2018.

Having considered the uncertainties arising from the Trade War has led to a slowdown in rental and capital value growth of commercial properties in Hong Kong in the second half of 2018, and it is anticipated that Hong Kong's commercial property market will continue to be clouded by the Trade War in 2019. The Group disposed the Property, and the disposal has been completed in May 2019. As the Property serves as a major asset to the Company, the Board was of the view that it was an appropriate timing to realise the Group's investment in the Property so as to get rid of the potential risks under the current economic uncertainties.

CHAIRMAN'S STATEMENT

To reward the Shareholders, on 21 June 2019, the Board declared the payment of a special cash dividend of HK4 cents per Share (the "**Special Dividend**"). The Special Dividend will be paid out of the share premium account of the Company (the "**Share Premium Account**") pursuant to the amended and restated articles of association of the Company (the "**Articles of Association**").

OUTLOOK

Looking forward to 2019, in view of the softening in private spending due to the Trade War and intense competition in the medical skin care industry, we will remain cautious on our business strategy. Nevertheless, with the growing emphasis on a person's physical appearance in the society and increasing demand for medical skin care services, we are still prudently optimistic about the Group's performance in the future.

We believe the Group has successfully established a reputation for being a trustworthy, reliable and quality provider of skin care services. We attribute our success to our professionalism in the delivery of services, which includes making safety and well-being of our clients as priority. To cope with the challenges ahead, the Group will continue to concentrate on exploring and launching new types of services and products that we offer; growing the presence of our existing business and identifying new business opportunities, in order to deliver value to both our clients and our Shareholders.

APPRECIATION

On behalf of the Board, I wish to take this opportunity to express my sincere gratitude to the Shareholders, business partners, suppliers and clients for their continued support to the Group. I would also like to express my heartfelt appreciation to the management and the staff for their diligence and valuable contribution throughout the year. In the future, we will thrive continuously to expand our business and use our best endeavor to provide the highest quality medical skin care services.

Dr. Kong Kwok Leung
Chairman

Hong Kong, 21 June 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a medical skin care service provider in Hong Kong. Currently, the Group operates two "Medicskin" branded medical skin care centres ("**Medicskin Centre(s)**"), one anti-aging centre and one beauty spa, at the prime locations in Hong Kong, which primarily focus on the treatment of skin diseases and problems and/or the improvement of appearance of clients.

The Group provides services to clients for the treatment of, inter alia, skin diseases and problems such as acne, pigmentation, rosacea, dermatitis, eczema and warts, as well as for the improvement of appearance through, inter alia, skin rejuvenation, facial sculpturing and body contouring treatments, treatments of acne scars and enlarged pores, removal of undesirable naevi, and hair removal. These are achieved through the provision of consultations services ("**Consultation Service**"), prescription and dispensing of medication and/or skincare products including sale of skin care products ("**Prescription and Dispensing Service**") and the provision of medical skin care treatments ("**Treatment Service**").

For the year ended 31 March 2019, the revenue of the Group decreased by approximately HK$6.4 million, or 11.1%, to approximately HK$51.4 million, when compared to the year ended 31 March 2018. The revenue of Consultation Service, Prescription and Dispensing Service and Treatment Service amounted to approximately HK$1.9 million, HK$17.0 million and HK$32.5 million which accounted for approximately 3.7%, 33.1%, and 63.2% of the total revenue of the Group respectively.

More than half of the Group's revenue was derived from Treatment Service, which typically involves the injection of Botulinum Toxin Type A and hyaluronic acid, cauterisation, and treatments with the use of devices deploying technologies such as laser, radiofrequency and intense focused ultrasound.

The decrease in revenue was primarily attributable to the decrease in the number of clients served by the Group and the number of visits by our clients due to increasingly intensified competition in the industry. Approximately 75.0% of our clients were aged between 26 to 55, while approximately 90.0% of our clients were female. Most of the Treatment Service was performed by our doctors, with approximately 81.0% of the revenue from Treatment Service generated from treatments performed by our doctors.

The Group recorded a loss attributable to owners of the Company of approximately HK$5.5 million for the year ended 31 March 2019, as compared to a profit attributable to owners of the Company of approximately HK$2.5 million for the corresponding period of last year. The turn from profit position to loss was mainly attributable to the combined effect of the initial start-up expenses and additional costs (including endorsement fee) of approximately HK$4.4 million incurred by the Group during the current reporting period on the development of Ray Lui Centre which only commenced formal operation in June 2018; and a decline of approximately HK$6.4 million, or 11.1% of the revenue of the Group for the year ended 31 March 2019 as compared to the corresponding period of last year due to ongoing keen competition in the market, and impairment loss in respect of a disposal group classified as held for sale (i.e. Golden Dickson, details of which are set out in the announcements issued by the Company dated 29 January and 31 May 2019 (the "**Announcements**") and the circular of the Company dated 18 April 2019 (the "**Circular**")) of approximately HK$1.6 million recognised during the year ended 31 March 2019. Basic loss per share for the period was HK1.13 cent as compared to basic earnings per share of HK0.53 cent for the corresponding period of last year.

The new Ray Lui Centre in Tsim Sha Tsui, which provides quality and comprehensive medical aesthetic treatment that helps our clients to stay healthy and young, has commenced operation in June 2018. A series of marketing efforts across various social media platforms have been made during the year to raise market awareness of this new brand. A new skin care product line "Ray Lui by facematter" was established with four new skincare products launched, including youth recovery nourishing cream, serum, collagen face mask and firming eye mask. It is expected that more variety of skin care products will be launched in the market. Mr. Lui, a well-known television and movie actor in Hong Kong and China with healthy and positive image, as a strategic partner of the Group, will help the Group to promote the products and services of Ray Lui Centre and expand its business.

Meanwhile, MS Medicspa Centre had its grand opening in June 2018. It offers extensive range of professional services from medical treatments to relaxing facial massages and body treatments in a luxurious and relaxing environment. Causeway Bay is a prime location in Hong Kong Island with high pedestrian flow. The approximate size of the site is 1,600 sq ft. The expansion will also help boost the Group's market penetration in the long term.

OUTLOOK

The Group welcomes the passage of the Private Healthcare Facilities Bill by the Legislative Council in November 2018. The new ordinance will further protect patient safety and consumer rights, it will also facilitate the sustainable development of the healthcare system through the introduction of licensing requirement for private healthcare facilities in Hong Kong. We believe that this new ordinance will ultimately bring higher level of confidence to customers. With a reputation for being a trustworthy, reliable and quality provider of medical skin care services, the Group will continue to enhance its professional expertise in the delivery of its services.

The Group will continue to keep abreast of the latest industry knowledge in order to offer the most suitable and updated services to our clients. The Group continuously performs market research on the development of, and evaluate the effects of the latest products, skills and treatment devices and technology. We believe that the introduction of new types of services and products is one of the driving forces for the growth of the Group's business and is a significant way to maintain the Group's competitiveness and its forefront position in the industry.

It is expected that the Group will continue to face intense competition in the industry. Leveraging the support of the capital market, our own strengths, and customers' pursuance on physical appearance, the Group is cautiously confident about its development in the future. We will continue, using its best endeavors, to provide the highest quality medical skin care services and products to our clients and strengthening its market position so as to grow its brand and business and to maximise returns for our investors.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately HK$6.4 million, or 11.1%, from approximately HK$57.8 million for the year ended 31 March 2018 to approximately HK$51.4 million for the year ended 31 March 2019. The decrease was primarily attributable to the decrease in the number of clients served by the Group and the decrease in the number of visits by our clients due to increasingly intensified competition in the industry.

Other income, gains and losses

Net other income and gains decreased by approximately HK$0.8 million, or 66.7%, from approximately HK$1.2 million for the year ended 31 March 2018 to approximately HK$0.4 million for the year ended 31 March 2019. The decrease was primarily attributable to the increase in unrealised exchange loss arising from translation of bank deposits denominated in Chinese Renminbi ("**RMB**") of approximately HK$0.5 million.

Inventories used

The Group's cost of inventories used was approximately HK$7.7 million and HK$7.9 million for the years ended 31 March 2019 and 2018, respectively, representing 15.0% and 13.7% of the revenue for the respective years.

Staff costs

Staff costs decreased by approximately HK$1.9 million, or 6.8%, from approximately HK$27.8 million for the year ended 31 March 2018 to approximately HK$25.9 million for the year ended 31 March 2019. The decrease was primarily attributable to the (i) decrease in share-based payments; and (ii) decrease in performance related incentive payments paid to our doctors due to decline in revenue of the Group during the year.

Depreciation

Depreciation expenses remained stable at approximately HK$4.6 million and HK$4.2 million for the years ended 31 March 2019 and 2018, respectively.

Other expenses

Other expenses increased by approximately HK$6.8 million, or 43.6%, from approximately HK$15.6 million for the year ended 31 March 2018 to approximately HK$22.4 million for the year ended 31 March 2019. The increase was primarily attributable to the initial start-up expenses and additional costs (including endorsement fee) of approximately HK$4.4 million incurred during the current year on the development of Ray Lui Centre located in Tsim Sha Tsui; and (ii) impairment loss in respect of Golden Dickson of approximately HK$1.6 million recognised during the year ended 31 March 2019.

Income tax expense

Income tax expense decreased by approximately HK$1.0 million, or 83.3%, from approximately HK$1.2 million for the year ended 31 March 2018 to approximately HK$0.2 million for the year ended 31 March 2019. The decrease was primarily attributable to the (i) decrease in assessable profit of a major operating subsidiary of the Company and (ii) tax reduction under the two-tiered profit tax rates regime enacted during the year ended 31 March 2019.

Profit for the year

As a result of the foregoing, the Group recorded a loss attributable to owners of the Company for the year ended 31 March 2019 of approximately HK$5.5 million, as compared to a profit attributable to owners of the Company of approximately HK$2.5 million for the corresponding period of last year.

DIVIDENDS

Details of the dividends declared and distributed by the Company during the year ended 31 March 2019 are set out in note 13 to the consolidated financial statements.

On 21 June 2019, the Board declared the payment of the Special Dividend of HK4 cents per Share to the Shareholders whose names appear on the register of members of the Company on Thursday, 11 July 2019. The Special Dividend will be posted on or around Friday, 26 July 2019 by ordinary mail to the Shareholders. The Special Dividend will be paid out of the Share Premium Account pursuant to the Articles of Association.

No dividend was proposed for the Shareholders in respect of the year ended 31 March 2019.

As far as the Company is aware, as at the date of this report, there was no arrangement under which any Shareholder has waived or agreed to waive any dividend proposed to be distributed for the year ended 31 March 2019.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The capital of the Group only comprises ordinary Shares.

The total equity of the Group as at 31 March 2019 was approximately HK$55.1 million (2018: approximately HK$61.1 million). The Group generally financed its operation with internally generated cash flows. The Group had bank balances and cash of approximately HK$15.9 million as at 31 March 2019 (2018: approximately HK$18.7 million), with no external borrowing (2018: Nil). As at 31 March 2019, the Group had net current assets of approximately HK$46.2 million (2018: approximately HK$6.9 million).

Cash generated from operations for the year ended 31 March 2019 was approximately HK$5.4 million (2018: approximately HK$7.7 million). With the healthy bank balances and cash on hand, the Group's liquidity position remained strong and it had sufficient financial resources to fund its future plans and to meet its working capital requirement.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

During the year ended 31 March 2019, there was no significant investment held by the Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Circular and the Announcements, the Group does not have other plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as disclosed in the Circular and the Announcements, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 March 2019.

COMMITMENTS

The contractual commitments of the Group were primarily related to the leases of its office premises and service centres. As at 31 March 2019, the Group's operating lease commitments amounted to approximately HK$21.5 million (2018: approximately HK$5.3 million).

As at 31 March 2019, the Group had capital commitments in respect of contribution to a subsidiary and acquisition of property, plant and equipment of approximately HK$0.2 million (2018: approximately HK$0.4 million) and Nil (2018: approximately HK$0.2 million), respectively.

CONTINGENT LIABILITIES

As at 31 March 2019, the Group did not have material contingent liabilities.

CHARGES ON THE GROUP'S ASSETS

Details of charges on the Group's assets are set out in notes 15 and 18 to the consolidated financial statements.

FOREIGN EXCHANGE EXPOSURE

The Group carries out its business in Hong Kong and most of its transactions are denominated in Hong Kong dollars. The Group currently does not have significant foreign currency exposure. The management continually assesses and monitors the foreign exchange exposure and, if necessary, will hedge its foreign exchange exposure by entering forward foreign exchange contracts.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board, as assisted by the audit committee of the Company (the "**Audit Committee**"), oversees the Group's internal control and risk management system, and conducts periodic reviews of such system to ensure good corporate governance practice. The supervision process and outcome of the latest review is set out in more detail in the section headed "Internal Control and Risk Management" in corporate governance report in this report (the "**Corporate Governance Report**"). The following is a discussion of the principal risks and uncertainties facing the Group. The Board meets periodically to discuss these risks, and where appropriate, will monitor the situation closely and adopt any necessary risk mitigation measures.

Business risk

The Group's business is dependent on its ability to attract and retained skilled registered medical practitioners and other competent skin care professionals. The Group's ability to provide its services is reliant on the services of these professionals. The ability to attract and retain them is dependent on several factors such as the Group continued reputation, financial remuneration and job satisfaction. In the event that the Group is unable to find suitable and timely replacements should a significant number of the registered medical practitioners resign, our financial position and results, business operations as well as future growth and prospects may be adversely affected. The number of registered medical practitioners with necessary experience and qualifications is limited in the market and the Group are competing for suitable candidates with other medical skin care services providers. We may not be able to attract and retain sufficient suitable registered medical practitioners to enter into or maintain cooperative agreement or employment contract with the Group to keep pace with the growth of the Group.

Industry risk

The medical skin care industry is sensitive to negative media reports or allegations, which may affect consumer confidence, reputation and market perception of the industry. The industry is also subject to rapidly changing market trends and intense competition amongst different players, including both medical skin care service providers and beauty parlours without medical staff. This may materially and adversely affect the Group's business performance. To maintain competitiveness, our doctors seek to keep abreast of the latest and most suitable treatment products and technology available.

Regulatory and political risk

The Hong Kong government has been reviewing existing laws and regulations which may affect compliance standards of certain procedures, such as those carried out by the Group. However, we are committed to health and safety and most of our Treatment Service are only performed by doctors.

Our operations are based in Hong Kong and are vulnerable to economic, social and political conditions, such as social unrest or civil disturbance, especially those which may disrupt our clients' and staff's access to our centres and in turn our business performance.

Economy risk

The continued growth in revenue from the Group's operations is highly dependent on the sustainable growth of consumer spending on medical skin care services and products. However, there is no assurance that the local economy can sustain a stable growth in consumer spending. Moreover, if the local economy slows down, it is highly likely that consumer demand and spending on medical skin care services and products may be reduced. Any continued economic slowdown or recession may result in a decrease in consumer spending in relation to medical skin care services and products, and may lead to a material adverse effect upon the Group's business and results of operations.

Reputation risk

The Group's success depends to a significant extent on the recognition of the Group's brand and reputation in the medical skin care services industry as a reliable services provider. Any litigation claims or complaints from the Group's clients in relation to the quality of services or products provided by the Group's service centres may adversely affect the reputation and image of the Group, and may in turn, materially and adversely affect the demand for the Group's services.

Severe communicable and uncontrollable disease

As a substantial part of the Group's revenue is derived from clients in Hong Kong which is in close proximity to China, any outbreak of severe communicable disease in Hong Kong or China may have an adverse effect on the economic conditions and consumer environment in Hong Kong and our future growth and overall financial position will be adversely affected.

Financial risk

Credit risk

To minimise credit risk, the Group has monitoring procedures to ensure there is follow-up action to recover overdue debts. The Group also reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The Board therefore considers that the Group's credit risk is significantly reduced.

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents which it deems adequate to finance the Group's operations and mitigate the effects of cash flow fluctuations. As at 31 March 2019 and 2018, the Group had no external borrowing.

Foreign currency risk

The Group is exposed to foreign currency risk related primarily to cash and cash equivalents that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily RMB. The Group does not hold or issue any derivative financial instruments for trading purposes or to hedge against fluctuations in foreign exchange rates.

Interest risk

The Group is exposed to cash flow interest rate risk in relation to floating rate bank balances. It does not currently have any interest rate hedging policy, but closely monitors its exposure to interest rate risk due to changes in market rates and will consider hedging changes should the need arise.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2019, the Group employed a total of 43 full-time and 9 part-time employees (2018: 37 full-time and 6 part-time employees). The staff costs, including Directors' emoluments, of the Group were approximately HK$25.9 million for the year ended 31 March 2019 (2018: approximately HK$27.8 million). Remuneration is determined with reference to factors such as comparable market salaries and the performance, time commitment and responsibilities of each individual. Employees are provided with relevant in-house and/or external trainings from time to time. In addition to a basic salary, year-end bonuses are offered to those staff with outstanding performance to attract and retain eligible employees to contribute to the Group. The Company has adopted a share option scheme (the "**Share Option Scheme**") on 3 December 2014 under which the Company may grant share options to eligible employees for subscribing the Shares.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the prospectus issued by the Company dated 12 December 2014 (the "**Prospectus**") with the Group's actual business progress for the period from the date of the listing of the Shares on GEM of the Stock Exchange (the "**Listing**") to 31 March 2019 is set out below:

Business objectives	**Actual progress**
(i) Expand and strengthen our presence in Hong Kong	– The Group used approximately HK$6.4 million for relocation of its Central Medicskin Centre to another prime location within the Central district. The new Centre Medicskin Centre was opened in May 2016. – The Group used approximately HK$5.4 million for the opening of MS Medicspa in Causeway Bay and Ray Lui Centre in Tsim Sha Tsui during the year ended 31 March 2019.
(ii) Enhance quality and variety of our services and products offering	The Group used approximately HK$4.1 million for enhancement of quality and variety of its services and products offerings in which HK$3.4 million was used for purchase of new medical devices and HK$0.7 million was used for development and procurement of new skin care products.
(iii) Maintain and enhance our professional expertise	The Group has organised and provided trainings to our doctors and professional staff.

USE OF PROCEEDS

The net proceeds from the Placing (as defined in the Prospectus) were approximately HK$22.9 million, which was based on the placing price of HK$0.6 per Share and the actual expenses related to the Listing. After the Listing, these proceeds were and will be used for the purposes in accordance with the future plans as set out in the Prospectus.

The net proceeds from the Placing from the date of the Listing to 31 March 2019 were used 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)	Actual use of proceeds from the date of the Listing to 31 March 2019	Unutilised amount as at 31 March 2019
	HK$'000	*HK$'000*	*HK$'000*
Expand and strengthen our presence in Hong Kong	11,804	(11,804)	–
Enhance quality and variety of our services	4,072	(4,072)	–
Repayment of debts	4,777	(4,777)	–
Working capital	2,293	(2,293)	–
	22,946	(22,946)	–

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited consolidated financial statements of the Group for the year ended 31 March 2019.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. Details of the principal activities of its subsidiaries are set out in note 33 to the consolidated financial statements.

Details of the business review, including analysis of the Group's performance using financial key performance indicators, principal risks and uncertainties faced by the Group and an indication of likely future developments in the Group's business are set out in the Chairman's Statement and Management Discussion and Analysis on pages 3 to 12.

Environmental policies and performance

The Group is committed to the long term sustainability of the environment and communities in which it engages. The Group strives to minimize its impact on the environment by reducing its use of electricity and water and encouraging recycle of office supplies and other materials. The Group has complied with all relevant laws and regulations regarding environmental protection, health and safety, workplace conditions and employment.

Compliance with the laws and regulations

The Group recognises the importance of compliance with regulatory requirements and the risks of non-compliance with the applicable laws and regulations. During the year ended 31 March 2019 and up to the date of this report, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. There was no material breach or non-compliance with the applicable laws and regulations by the Group for the year ended 31 March 2019 and up to the date of this report.

Relationship with employees, clients, suppliers and other stakeholders

The Group understands the success of the Group's business depends on the support from its key stakeholders, including employees, clients, suppliers, banks, regulators and Shareholders. During the year ended 31 March 2019, there were no material and significant disputes between the Group and its key stakeholders. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

RESULTS AND APPROPRIATIONS

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 51.

On 21 June 2019, the Board declared the payment of the Special Dividend to the Shareholders whose names appear on the register of members of the Company on Thursday, 11 July 2019. The Special Dividend will be posted on or around Friday, 26 July 2019 by ordinary mail to the Shareholders. Based on 485,736,000 Shares in issue as of the date of this report, the Special Dividend will amount to approximately HK$19.4 million. The Special Dividend will be paid out of the Share Premium Account pursuant to the Articles of Association.

No dividend was proposed for the Shareholders in respect of the year ended 31 March 2019.

REASONS FOR AND EFFECT OF THE PAYMENT OF SPECIAL DIVIDEND OUT OF SHARE PREMIUM ACCOUNT

As a reward to the Shareholders, the Board considers it appropriate to distribute the Special Dividend for their continuing support. The payment of the Special Dividend out of the Share Premium Account does not involve any reduction in the authorised or issued share capital of the Company nor does it involve any reduction in the nominal value of the Shares or result in any change in the trading arrangements in respect of the Shares. After taking into consideration of the Group's existing cash balance and the expected cash flow requirements in near term, the Board considers that the Company has sufficient cash flow to pay the Special Dividend. The payment of the Special Dividend out of the Share Premium Account will not have any material adverse effect on the financial position of the Group. The Directors consider that the declaration and payment of the Special Dividend out of the Share Premium Account is in the interests of the Company and the Shareholders as a whole.

ANNUAL GENERAL MEETING

The annual general meeting of the Company for the year ended 31 March 2019 (the "**AGM**") will be held on Friday, 2 August 2019. A notice convening the meeting will be issued and sent to the Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 30 July 2019 to Friday, 2 August 2019, both dates inclusive, during which period no transfer of Shares can be registered. In order to be eligible to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m on Monday, 29 July 2019.

For determining the entitlement to the Special Dividend, the register of members of the Company will be closed from Tuesday, 9 July 2019 to Thursday, 11 July 2019, both dates inclusive, during which period no transfer of Shares will be registered. In order to qualify for the entitlement to the Special Dividend, all transfers of Shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at the above address for registration not later than 4:30 p.m on Monday, 8 July 2019.

FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the last five financial years is set out on page 115. The summary does not form part of the audited consolidated financial statements.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 54 and on page 114, respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

BANK LOANS AND OTHER BORROWINGS

As at 31 March 2019, the Group did not have bank loans or other external borrowings.

SHARE CAPITAL

Details of the movements during the year in the share capital of the Company are set out in note 25 to the consolidated financial statements.

FUND RAISING ACTIVITY

On 26 February 2018, the Company entered into the subscription agreement (the "**Subscription Agreement**") with a subscriber, Dragon Dragon Company Limited（灝龍文化有限公司）, pursuant to which the Company has agreed to allot and issue and the subscriber has agreed to subscribe for 5,336,000 ordinary Shares at a subscription price of HK$0.53 per Share on the terms and subject to the conditions set out in the Subscription Agreement. Such subscription price (of HK$0.53 per subscription share) represented (i) the closing price of HK$0.53 per Share as quoted on the Stock Exchange on 26 February 2018; and (ii) a discount of approximately 1.12% to the average closing price of approximately HK$0.536 per Share as quoted on the Stock Exchange for the five trading days of the Shares immediately prior to 26 February 2018. The aggregate nominal value of the Shares subject to such subscription is HK$53,360. The gross and net proceeds from such subscription were approximately HK$2,828,000 and HK$2,678,000, respectively, and were expected to be used for the setting up and operation of the Ray Lui Centre or otherwise as general working capital of the Group. The completion of the subscription took place on 17 September 2018. The details of the Subscription Agreement (including but not limited to (i) the reason for entering in the Subscription Agreement; (ii) the nature and terms of the Subscription Agreement) are set out in the Company's announcement dated 26 February 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

PRE-EMPTIVE RIGHTS

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

DISTRIBUTABLE RESERVES OF THE COMPANY

Pursuant to the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, share premium and retained profits of the Company are distributable to the Shareholders. As at 31 March 2019, the Company's reserves available for distribution to the Shareholders amounted to approximately HK$59.0 million.

MAJOR CLIENTS AND SUPPLIERS

For the year ended 31 March 2019, the percentage of revenue derived from our five largest clients in aggregate was less than 2% (2018: 2%).

For the year ended 31 March 2019, our largest supplier accounted for approximately 22.0% (2018: 15.3%) of our total purchases. For the year ended 31 March 2019, our five largest suppliers in aggregate accounted for approximately 57.7% (2018: 59.4%) of our total purchases.

None of the Directors, their respective close associates or any Shareholders which to the Directors' knowledge own more than 5% of the Company's issued share capital had an interest in any of the Group's five largest suppliers during the year ended 31 March 2019.

DIRECTORS

The Directors during the year and up to the date of this report were as follows:

Executive Directors

Dr. Kong Kwok Leung *(Chairman and Chief Executive Officer)*
Ms. Tsui Kan
Ms. Kong Chung Wai
Ms. Sin Chui Pik Christine

Independent Non-executive Directors

Mr. Chan Cheong Tat
Mr. Lee Ka Lun
Mr. Leung Siu Cheung

Pursuant to the Articles of Association, Dr. Kong Kwok Leung, Mr. Chan Cheong Tat and Ms. Sin Chui Pik Christine will retire and, being eligible, offer themselves for re-election at the forthcoming AGM.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from the date of the Listing (and, for Ms. Tsui Kan and Ms. Sin Chui Pik Christine, commencing from 1 March 2018 and 1 January 2017, respectively) and continuing thereafter until terminated by either party by giving not less than three months' notice in writing to the other.

Each of the independent non-executive Directors has entered into a service agreement with the Company for a term of three years commencing from the date of the Listing, provided that either the Company or the independent non-executive Directors may terminate such appointment at any time by giving at least three months' notice in writing to the other.

Save as aforesaid, none of the Directors proposed for re-election at the forthcoming AGM of the Company has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

There are no directors' service contracts that are exempt under Rule 17.91 of the GEM Listing Rules.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 32 to the consolidated financial statements and those exempted from the reporting, annual review, announcement and independent Shareholders' approval requirements under the GEM Listing Rules, no contract of significance to the business of the Group to which the Company, its holding companies, its subsidiaries, or its controlling Shareholders was a party subsisted at the end of the year or at any time during the year ended 31 March 2019, and no Directors or any entity connected with any Director are or were materially interested either directly or indirectly in any such contract.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 under the GEM Listing Rules. The Company considers all of the independent non-executive Directors are independent.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year ended 31 March 2019.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force during the year ended 31 March 2019. The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

EMOLUMENT POLICY

We have established a remuneration committee (the "**Remuneration Committee**") in compliance with the GEM Listing Rules. The primary duties of the Remuneration Committee are to review and make recommendations to the Board on the remuneration policy and other remuneration related matters, including benefits-in-kind and other compensation payable to the Directors and senior management, after consultation with the chairman and/or chief executive officer of the Company.

Under the remuneration policy of the Company, the Remuneration Committee will consider factors such as corporate and individual performance, salaries paid by comparable companies, time commitment, responsibilities and employment conditions elsewhere in the Group in assessing the amount of remuneration payable to the Directors and senior management.

NON-COMPETITION UNDERTAKINGS

Pursuant to the deed of non-competition dated 11 December 2014, each of Dr. Kong Kwok Leung ("**Dr. Kong**") and Topline Worldwide Limited ("**Topline**"), a company wholly-owned by Dr. Kong has jointly and severally agreed and undertaken with the Company (for the benefit of itself and each of its subsidiaries), inter alia, that with effect from the date of the deed of non-competition until the earlier of the date on which Dr. Kong and Topline cease to be controlling Shareholders of the Group and the date on which the Shares cease to be listed on the Stock Exchange, he/it will not and will procure that none of his/its associates (other than the Group) will, on its own account or with each other or in conjunction with or on behalf of any person, firm or company, carry on or be engaged in, or be interested in, directly or indirectly, whether as a shareholder (other than being a director or a shareholder of the Group or its subsidiaries), director, employee or otherwise, in any business that competes or may compete, directly or indirectly, with any businesses as may from time to time be carried on by the Group in Hong Kong (other than as a holder of not more than 5% of the issued Shares or stock of any class or debentures of any company listed on any recognised stock exchange).

COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling Shareholders of the Company nor any of their respective close associates (as defined under the GEM Listing Rules) that competes or may compete, either directly or indirectly, with the business of the Group, or of any other conflicts of interest which any such person has or may have with the Group during the year ended 31 March 2019.

DISCLOSURE OF INTERESTS

(A) Directors' and Chief Executive' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 March 2019, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571) (the "**SFO**")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long position

(a) Ordinary Shares of the Company

Name of Director	Capacity/Nature of interest	Number of Shares	Percentage of issued Share capital
Dr. Kong *(note)*	Interest in a controlled corporation	274,865,400	56.59%

Note: The 274,865,400 Shares are registered in the name of Topline. Under the SFO, Dr. Kong is deemed to be interested in all the Shares registered in the name of Topline.

(b) Options to subscribe for ordinary Shares of the Company

Particulars of the Directors' interests in the Share Option Scheme were as follows:

					Number of share options		
Name of Director	Grant date	Exercise price per share	Vesting period	Exercise period	As at 1.4.2018	Granted during the year	As at 31.3.2019
Kong Chung Wai	15.08.2018	0.433	N/A	15.08.2018 – 14.08.2022	–	200,000	200,000
	15.08.2018	0.433	15.08.2018 – 14.08.2019	15.08.2019 – 14.08.2022	–	400,000	400,000
	15.08.2018	0.433	15.08.2018 – 14.08.2020	15.08.2020 – 14.08.2022	–	200,000	200,000
Sin Chui Pik Christine	15.08.2018	0.433	N/A	15.08.2018 – 14.08.2022	–	200,000	200,000
	15.08.2018	0.433	15.08.2018 – 14.08.2019	15.08.2019 – 14.08.2022	–	400,000	400,000
	15.08.2018	0.433	15.08.2018 – 14.08.2020	15.08.2020 – 14.08.2022	–	200,000	200,000
Chan Cheong Tat	15.08.2018	0.433	N/A	15.08.2018 – 14.08.2022	–	200,000	200,000
	15.08.2018	0.433	15.08.2018 – 14.08.2019	15.08.2019 – 14.08.2022	–	200,000	200,000
Lee Ka Lun	15.08.2018	0.433	N/A	15.08.2018 – 14.08.2022	–	200,000	200,000
	15.08.2018	0.433	15.08.2018 – 14.08.2019	15.08.2019 – 14.08.2022	–	200,000	200,000
Leung Siu Cheung	15.08.2018	0.433	N/A	15.08.2018 – 14.08.2022	–	200,000	200,000
	15.08.2018	0.433	15.08.2018 – 14.08.2019	15.08.2019 – 14.08.2022	–	200,000	200,000
					–	2,800,000	2,800,000

Save as disclosed above, as at 31 March 2019, none of the Directors and chief executive of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

(B) Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 31 March 2019, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares and underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long position in the ordinary Shares of the Company

Name	Capacity/Nature of interest	Number of Shares	Percentage of issued Share capital
Topline *(note a)*	Beneficial owner	274,865,400	56.59%
Rich Unicorn *(note b)*	Beneficial owner	80,000,000	16.47%
Fullshare *(note b)*	Interest in a controlled corporation	80,000,000	16.47%
Magnolia Wealth *(note b)*	Interest in a controlled corporation	80,000,000	16.47%
Mr. Ji *(note b)*	Interest in a controlled corporation	80,000,000	16.47%

Notes:

(a) The entire issued share capital of Topline is beneficially owned by Dr. Kong. Therefore, Dr. Kong is deemed to be interested in all the Shares of the Company held by Topline.

(b) Rich Unicorn Holdings Limited ("**Rich Unicorn**"), a company incorporated in the British Virgin Islands with limited liability, is beneficially owned by Fullshare Holdings Limited ("**Fullshare**") whose issued shares are listed on the Stock Exchange (stock code: 607). Fullshare is in turn owned as to 45.05% by Magnolia Wealth International Limited ("**Magnolia Wealth**"), a company incorporated in the British Virgin Islands with limited liability, whose entire issued share capital is beneficially owned by Mr. Ji Changqun ("**Mr. Ji**"). In addition, Mr. Ji holds 4.61% of Fullshare directly as the beneficial owner. Therefore, Fullshare, Magnolia Wealth and Mr. Ji are deemed to be interested in all the shares held by Rich Unicorn.

Save as disclosed above, as at 31 March 2019, no other interests or short positions in the Shares or underlying Shares of the Company were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

The Company adopted the Share Option Scheme on 3 December 2014 to provide incentive and/or to reward eligible persons for their contribution to, and continuing efforts to promote the interest of, the Group. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. The following is a summary of the principal terms of the Share Option Scheme:

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide incentive and/or to reward eligible persons for their contribution to, and continuing efforts to promote the interest of, the Group.

(b) Who may join

Subject to the terms of the Share Option Scheme, the Board shall be entitled to make an offer to any employee (whether full time or part-time employee) of the Company and its subsidiaries; any executive Directors and non-executive Directors (including independent non-executive Directors) of the Company and any of its subsidiaries; and any person or entity acting in their capacities as advisers or consultants or other contractors or business partners of the Group.

(c) Maximum number of Shares

The total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share options schemes of the Company shall not exceed 10% of the total number of Shares in issue at the Listing date, which is 40,000,000 Shares, being 8.2% of the issued share capital of the Company as at the date of this annual report, unless the Company seeks the approval of the Shareholders in general meeting for refreshing the 10% limit under the Share Option Scheme.

(d) Maximum entitlement of each eligible person

No option shall be granted to any eligible person if any further grant of options would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including such further grant would exceed 1% of the total number of Shares in issue.

(e) Time of acceptance and exercise of an option

An offer of grant of an option may be accepted by an eligible person within the date as specified in the offer issued by the Company, being a date not later than 21 days after (i) the date on which the offer was issued, or (ii) the date on which the conditions (if any) for the offer are satisfied, provided that such date shall not be more than 10 years after the date of adoption of the Share Option Scheme.

A consideration of HK$1 is payable for each acceptance of grant of option(s) and shall be paid upon acceptance of grant of option(s). Such consideration shall generally not be refundable.

Subject to the other provisions of the Share Option Scheme, an option may be exercised in whole or in part by the grantee (or his personal representatives) at any time before the expiry of the period to be determined and notified by the Board to the grantee which in any event shall not be longer than 10 years commencing on the offer date and expiring on the last day of such 10-year period subject to the provisions for early termination as contained in the Share Option Scheme and provided that the Board may determine the minimum period for which the option has to be held or other restrictions before the exercise of the subscription right attaching thereto.

(f) Subscription price for Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price determined by the Board and notified to an eligible person, and shall be at least the highest of:

(1) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a business day;

(2) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; and

(3) the nominal value of a Share.

(g) Period of the Share Option Scheme

Subject to earlier termination by the Company in general meeting or the Board, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date of adoption of the Share Option Scheme, after which period no further option shall be granted. Subject to the above, in all other respects, in particular, in respect of options remaining outstanding on the expiration of the 10-year period referred to in this paragraph, the provisions of the Share Option Scheme shall remain in full force and effect.

No share options were exercised, cancelled or lapsed during the year ended 31 March 2019 (2018: 1,600,000 share options amounting to HK$294,000 were lapsed). As at 31 March 2019, there were 4,000,000 outstanding share options in aggregate, of which 1,300,000 share options have vested and are issuable for 1,300,000 ordinary shares of the Company under the Share Option Scheme (2018: Nil).

AUDIT COMMITTEE

The Company had established the Audit Committee on 3 December 2014 with written terms of reference in compliance with the GEM Listing Rules. Details of the role and work performed by the committee are set out in the Corporate Governance Report.

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 March 2019 and is of the view that such results complied with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements, and that adequate disclosure has been made.

RETIREMENT BENEFIT SCHEMES

Other than operating a Mandatory Provident Fund Scheme under the Mandatory Provident Fund Schemes Ordinance (Cap. 485), the Group has not operated any other retirement benefit schemes for its employees. Particulars of the retirement benefit schemes are set out in note 27 to the consolidated financial statements.

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group during the year ended 31 March 2019 are set out in note 32 to the consolidated financial statements. Such transactions were fully exempt from the reporting, announcement, annual review and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

EQUITY-LINKED AGREEMENT

Save as disclosed in the Share Option Scheme above, no equity-linked agreements were entered into during the year ended 31 March 2019 or subsisted as at 31 March 2019.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that the Company maintained the amount of public float as required under the GEM Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

On 29 January 2019, the Company entered into a provisional agreement for sale and purchase (the "**Provisional Agreement**") with an independent third party, pursuant to which the Company had agreed to sell the entire issued share capital in Golden Dickson and all such sum of money advanced by way of loan by the Company to Golden Dickson and due and owing by Golden Dickson to the Company for a consideration of HK$46 million. All the conditions precedent under the Provisional Agreement had been fulfilled and the completion took place on 31 May 2019.

AUDITOR

During the year, Messrs. Deloitte Touche Tohmatsu, who acted as auditor of the Company for the past four years, resigned and Messrs. Moore Stephens CPA Limited was appointed as the auditor of the Company. A resolution will be submitted to the annual general meeting to re-appoint the auditor, Moore Stephens CPA Limited.

By Order of the Board
Dr. Kong Kwok Leung
Chairman and Executive Director

21 June 2019

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining a good corporate governance standard, with the chairman being primarily responsible for establishing relevant practices and procedures. The Board believes that a good corporate governance standard will provide a framework for the Group to formulate its business strategies and policies, and manage the associated risks through effective internal control procedures. It will also enhance the transparency of the Group and strengthen accountability to the Shareholders and creditors. Therefore the Board has reviewed and will continue to review and improve the Company's corporate governance practices from time to time.

The Company adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix 15 to the GEM Listing Rules as its own code of corporate governance and, save as disclosed in the section headed "Chairman and Chief Executive" below, the Board is satisfied that the Company had complied with and is not aware of any deviations from the CG Code during the year ended 31 March 2019.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors, its employees, and the directors and employees of its subsidiaries and holding companies, who may likely possess inside information on the Company or its securities, on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors during the year ended 31 March 2019.

BOARD OF DIRECTORS

Board Composition

As at 31 March 2019, the Board comprised of four executive Directors and three independent non-executive Directors. The composition of the Board is as follows:

Executive Directors

Dr. Kong *(Chairman and Chief Executive Officer)*
Ms. Tsui Kan
Ms. Kong Chung Wai
Ms. Sin Chui Pik Christine

Independent Non-executive Directors

Mr. Chan Cheong Tat
Mr. Lee Ka Lun
Mr. Leung Siu Cheung

Functions, Roles and Responsibilities of the Board

The Board is responsible for leadership and control of the Group and is collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's overall strategies, authorising the development plan and budget; monitoring financial and operating performance; reviewing the effectiveness of the internal control system; supervising and managing management's performance of the Group; and setting the Group's values and standards. The Board delegates the day-to-day management, administration and operation of the Group to the chief executive officer of the Company and senior management. The delegated functions are reviewed by the Board periodically to ensure that they accommodate the needs of the Group. The abovementioned personnel should report back and obtain prior approval from the Board before making any significant decisions or entering into any significant commitments on the Company's behalf, and they may not exceed any authority given to them by resolutions of the Board or the Company.

The independent non-executive Directors bring a wide range of business and financial expertise, experience and independent judgement to the Board, on issues of strategic direction, policies, development, performance and risk management. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, they scrutinise the Company's performance in achieving corporate goals and objectives and monitor performance reporting. By doing so, they are able to contribute positively to the Company's strategy and policies through independent, constructive and informed comments at Board and committee meetings.

Each Director has confirmed that he/she can give sufficient time and attention to the Company's affairs, and has regularly provided information on the number and nature of offices held in public companies or organisations and other significant commitments, including the identity of such companies or organisations and an indication of the time involved.

The Company has arranged appropriate insurance cover for Directors' liabilities in respect of legal actions against them for corporate activities.

Board/Board Committee Meetings

The Board regularly meets in person or through other electronic means of communication at least four times a year to, among other matters, review past financial and operating performance and discuss the Group's direction and strategy. An agenda and accompanying papers together with all appropriate information are sent to all Directors at least three days before each Board or committee meeting so as to ensure timely access to relevant information. Appropriate notice of at least 14 days for regular Board meetings and reasonable notice for other Board committee meetings are given to all Directors, who are all given an opportunity to attend and include matters in the agenda for discussion. Senior management is invited to join Board meetings to enhance communication between the Board and management; the Board and each Director also have separate and independent access to senior management whenever necessary. The company secretary of the Company (the "**Company Secretary**") takes detailed minutes of the meetings and keeps records of matters discussed and decisions resolved at the meetings, including any concerns raised or dissenting views expressed by Directors, and the voting results of Board meetings fairly reflect Board consensus. Both draft and final versions of the minutes are sent to all Directors for their comments and records respectively, within a reasonable time after each meeting, and such minutes are open for inspection with reasonable advance notice by any Director. Directors are entitled to have access to board papers and related materials, and any queries will be responded to fully.

Upon reasonable request to the Board, the Directors can seek independent professional advice in performing their duties at the Company's expense, if necessary. According to the current Board's practice, should a potential conflict of interest involving a substantial Shareholder or Director arise, the matter is discussed in a Board meeting, as opposed to being dealt with by written resolution. Independent non-executive Directors with no conflict of interest should be present at such meetings. When the Board considers any proposal or transaction in which a Director has a conflict of interest, the Director declares his interest and abstains from voting.

Directors' Attendance at Board/Board Committee Meetings

A summary of all Directors' attendance at the Board meeting, Board committee meetings and general meeting held during the year ended 31 March 2019 is set out in the following table:

	Number of meetings attended				
Name of Director	**Board meetings**	**Audit Committee meetings**	**Remuneration Committee meetings**	**Nomination Committee meetings**	**General meeting**
Executive Directors					
Dr. Kong	8/8	N/A	2/2	1/1	1/1
Ms. Tsui Kan	8/8	N/A	N/A	N/A	0/1
Ms. Kong Chung Wai	8/8	N/A	N/A	1/1	1/1
Ms. Sin Chui Pik Christine	8/8	6/6	2/2	1/1	1/1
Independent Non-executive Directors					
Mr. Chan Cheong Tat	8/8	6/6	2/2	1/1	1/1
Mr. Lee Ka Lun	8/8	6/6	2/2	1/1	1/1
Mr. Leung Siu Cheung	8/8	6/6	2/2	1/1	1/1

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee of the Company has been established. In compliance with code provision D.3 of the CG Code, the Board as a whole is responsible for performing the corporate governance duties including: (a) to develop and review the Company's policies and practices on corporate governance; (b) to review and monitor the training and continuous professional development of Directors and senior management; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and (e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

CHAIRMAN AND CHIEF EXECUTIVE

In accordance with 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 and their respective responsibilities should be clearly defined in writing. Dr. Kong is the chairman of the Board and the chief executive officer of the Company who is primarily responsible for providing leadership to the Board, overseeing the overall operation of the Group and leading and directing the Group's overall business and development strategies. Dr. Kong also chairs the Board and nomination committee (the "**Nomination Committee**") meetings and briefs the Board members and Nomination Committee members on the issues arising at the respective meetings to ensure that Directors receive adequate information in a timely manner which is accurate, clear, complete and reliable. He encourages all Directors to make full and active contribution to the Board's affairs and takes the lead to ensure that it acts in the Company's best interest. He aims to ensure constructive relations between executive and non-executive Directors. Being aware of the said deviation from code provision A.2.1, the Board believes that with the support of the management, vesting the roles of both chairman of the Board and the chief executive officer of the Company in Dr. Kong, the founder of the Group, can facilitate the execution of the Group's business strategies and boost effectiveness of its operation. In addition, the Board is also supervised by three independent non-executive Directors. The Board considers that the present structure will not impair the balance of power and authority between the Board and the management of the Group as the Board assumes collective responsibility on the decision-making process of the Company's business strategies and operation. The Directors will meet regularly to consider major matters affecting the operations of the Group.

Code provision A.2.7 of the CG Code requires the chairman of the Board to hold meetings at least annually with the non-executive Directors (including independent non-executive Directors) without the executive Directors present. During the year ended 31 March 2019, four meetings between the chairman of the Board and the non-executive Directors were held. All independent non-executive Directors attended the meetings.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from the date of the Listing (and, for Ms. Tsui Kan and Ms. Sin Chui Pik Christine, commencing from 1 March 2018 and 1 January 2017, respectively) and continuing thereafter until terminated by either party by giving not less than three months' notice in writing to the other.

Each of the independent non-executive Directors has entered into a service agreement with the Company for a term of three years commencing from the date of the Listing, provided that either the Company or the independent non-executive Directors may terminate such appointment at any time by giving at least three months' notice in writing to the other.

By virtue of article 16.2 of the Articles of Association, the Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. In compliance with the code provision A.4.2 of the CG Code, any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting. The Board has delegated the power to the Nomination Committee to make recommendations to the Board on the appointment and re-appointment of Directors. The responsibilities of the Nomination Committee are set out in the sub-heading "Nomination Committee" below. Directors to be appointed will have a formal letter of appointment setting out the key terms and conditions of their appointment.

In compliance with the code provision A.4.2 of the CG Code, every Director shall be subject to retirement by rotation at least once every three years. Furthermore, pursuant to article 16.18 of the Articles of Association, at every annual general meeting of the Company one-third of the Directors for the time being shall retire from office by rotation. A retiring Director shall retain office until the close of the meeting at which he/she retires and shall be eligible for re-election thereat.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

According to the code provision A.6.5 of the CG Code, all Directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. The Company would arrange and/or introduce suitable training and information for the Directors to ensure they are fully aware of their responsibilities under statute and common law, the GEM Listing Rules and other applicable legal and regulatory requirements. During the year ended 31 March 2019, the Company had arranged a seminar on the GEM Listing Rules, the Hong Kong Companies Ordinance (Cap. 622) (the "**Companies Ordinance**") and the SFO for the Directors. All Directors attended the seminar.

All Directors, namely Dr. Kong, Ms. Tsui Kan, Ms. Kong Chung Wai, Ms. Sin Chui Pik Christine, Mr. Chan Cheong Tat, Mr. Lee Ka Lun and Mr. Leung Siu Cheung, have confirmed that they had participated in continuous professional development by attending seminars and reading materials during the year ended 31 March 2019, and have provided a record of their training to the Company, in compliance with the code provision A.6.5 of the CG Code.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, to oversee particular aspects of the Company's affairs. All Board committees are established with written terms of reference, which have complied with the CG Code and are available on the Stock Exchange website at www.hkexnews.hk and the Company's website at www.medicskin.com and are available to Shareholders upon request. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense. The Board committees will report back to the Board on their decisions or recommendations.

AUDIT COMMITTEE

The Company had established the Audit Committee on 3 December 2014 with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Company, make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and review the Company's financial information.

The Audit Committee currently consists of three independent non-executive Directors, namely, Mr. Chan Cheong Tat, Mr. Lee Ka Lun and Mr. Leung Siu Cheung. Mr. Chan Cheong Tat is the chairman of the Audit Committee.

During the year ended 31 March 2019, six meetings of the Audit Committee were held to review and discuss the annual/interim/quarterly results and internal control report of the Group and discuss with the external auditor regarding the audit approach, and the nature and scope of the audit for the year ended 31 March 2019. Two meetings were attended by the Company's external auditor so that the members of the Audit Committee could exchange their views and concerns on the financial reporting process of the Group with the auditors. Details of the attendance of the members of the Audit Committee in the said meetings are set out under the sub-heading "Directors' Attendance at Board/ Board Committee Meetings" above.

The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 March 2019 and this report and is of the view that such results complied with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements, and that adequate disclosure had been made. The Audit Committee has also reviewed the effectiveness of the risk management and internal control systems of the Group, as detailed in the section headed "Internal Control and Risk Management" below.

REMUNERATION COMMITTEE

The Company had established the Remuneration Committee on 3 December 2014 with written terms of reference in compliance with the GEM Listing Rules.

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

The Remuneration Committee currently consists of two executive Directors and three independent non-executive Directors, namely, Dr. Kong, Ms. Sin Chui Pik Christine, Mr. Chan Cheong Tat, Mr. Lee Ka Lun and Mr. Leung Siu Cheung. Mr. Leung Siu Cheung is the chairman of the Remuneration Committee.

During the year ended 31 March 2019, two meetings of the Remuneration Committee were held. The meetings of the Remuneration Committee were held to make recommendations to the Board on the Company's policy and structure for remuneration of the Directors and the senior management and on the establishment of a procedure for developing policy on such remuneration; to approve the terms of executive Director's service contracts; to assess the performance of and to determine the remuneration packages of all the executive Directors and the senior management; and to make recommendations to the Board on the remuneration of the independent non-executive Directors. Details of the attendance of the members of the Remuneration Committee in the said meetings are set out under the sub-heading "Directors' Attendance at Board/Board Committee Meetings" above.

NOMINATION COMMITTEE

The Company had established the Nomination Committee on 3 December 2014 with written terms of reference in compliance with the GEM Listing Rules. The primary duty of the Nomination Committee is to make recommendations to the Board regarding the structure, size and composition of the Board and candidates to fill vacancies on the Board.

The Nomination Committee currently consists of two executive Directors and three independent non-executive Directors, namely, Dr. Kong, Ms. Kong Chung Wai, Mr. Chan Cheong Tat, Mr. Lee Ka Lun and Mr. Leung Siu Cheung. Dr. Kong is the chairman of the Nomination Committee.

During the year ended 31 March 2019, a meeting of the Nomination Committee was held. The meeting of the Nomination Committee was held to review the structure and composition of the Board, and to review and make recommendations to the Board on adoption of the Board diversity policy. Details of the attendance of the members of the Nomination Committee in the said meeting are set out under the sub-heading "Directors' Attendance at Board/Board Committee Meetings" above.

Board Nomination Policy

The Company has adopted a nomination policy in compliance with the CG Code to set out the guidelines to the Nomination Committee to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for selection and appointment of new Directors.

The Board, through the delegation of its authority to the Nomination Committee, has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in business, finance and management skills critical to the Group's business to enable the Board to make sound and well considered decisions. Collectively, they have competencies in areas which are relevant and valuable to the Group.

Nomination Process

The Nomination Committee shall assess whether any vacancy on the Board has been created or is expected on a regular basis or as required. The Nomination Committee utilizes various methods for identifying director candidates, including recommendations from Board members, management, and professional search firms. All director candidates are evaluated by the Nomination Committee based upon the director qualifications in the Nomination Committee's meetings. While director candidates will be evaluated on the same criteria through review of resume, personal interview and performance of background checks, the Nomination Committee retains the discretion to establish the relative weighting of such criteria, which may vary based on the composition, skill sets, age, gender and experiences of the collective Board rather than on the individual candidate for the purpose of diversity perspectives appropriate to the requirement of the Company's business. The Nomination Committee shall make recommendations for the Board's consideration and approval.

Selection Criteria

The Nomination Committee will take into account whether a candidate has the qualifications, skills, experience and gender diversity that add to and complement the range of skills, experience and background of existing Directors. The Nomination Committee will also consider other factors including personal and professional ethics and integrity of the candidate, proven achievement and competence in the nominee's field and the candidate's ability to exercise sound business judgment, whether the candidate possesses skills that are complementary to those of the existing Board, the candidate's ability to assist and support management and make significant contributions to the Company's success, and such other factors as it may deem are in the best interests of the Company and the Shareholders.

Board Diversity Policy

The Board adopted the Board diversity policy which aims to set out its approach to achieve diversity on the Board. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Board has in its composition a balance of skills, expertise, qualifications, experience and diversity of perspectives necessary for independent decision making and fulfilling its business needs. The Board will consider a number of aspects when selecting candidates, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board appointments will ultimately be based on merit and the contribution that the selected candidates will bring to the Board, having due regard for the benefits of diversity on the Board.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is responsible for overseeing the preparation of financial statements on a going concern basis, with supporting assumptions or qualifications as necessary, for each financial period with a view to ensuring that such financial statements give a true and fair view of the state of affairs of the Group and of the results and cash flows for the financial year.

Management of the Company has provided such explanation and information to the Board to enable the Board to make an informed assessment of the financial and other information put before the Board for approval. This includes monthly management updates to the Board, with a balanced, understandable and sufficiently detailed assessment of the Company's performance, position and prospects, enabling the Board and each Director to discharge their duties under the GEM Listing Rules.

The Group accounts are prepared in accordance with the GEM Listing Rules, the Companies Ordinance, all relevant statutory requirements and applicable accounting standards. The Group has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgements and estimates. The Directors endeavor to ensure a balanced, clear and understandable assessment of the Group's position and prospects in the annual reports, interim reports, quarterly reports, price-sensitive announcements and other disclosures required under the GEM Listing Rules and other regulatory requirements.

The Directors acknowledge their responsibility for the preparation of consolidated financial statements of the Group that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the GEM Listing Rules and the 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.

The responsibility of the Company's auditor, Messrs. Moore Stephens CPA Limited, is set out in the section headed "Independent Auditor's Report" on pages 47 to 50 of this report.

Internal Control and Risk Management

The Board is responsible for maintaining a sound and effective internal control system to safeguard the Company's assets and Shareholders' interests. The Group has the Audit Committee to assist the Board by overseeing the audit process and providing independent view on the effectiveness of the financial reporting process and internal control and risk management systems. However, such systems are designed to manage rather than to eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not obsolete assurance against material misstatements or loss.

The Board convened meetings periodically to discuss business risk, financial risk, compliance risks and operation and other risks. The Audit Committee, through the engagement of Shinewing Risk Services Limited ("**Shinewing**"), the outsourced internal auditor of the Company, has conducted a review of the effectiveness of the risk management and internal control systems of the Group, covering all material controls such as financial, operational and compliance controls and risk management functions. Shinewing has reported to the Audit Committee that they have identified, evaluated and managed risks through: (i) risk identification, (ii) risk analysis, (iii) risk evaluation, (iv) risk treatment and (v) risk monitoring and reporting and considered that the risk management and internal control systems and procedures of the Group, including the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their training programs and budget, are adequate and effective and have complied with the provisions of the CG Code during the year ended 31 March 2019.

The Company will perform the ongoing assessment to update the all material risk factors on a regular basis. In any case, review on risk management and internal control system will be conducted annually.

Internal Audit

During the year ended 31 March 2019, the Company had engaged Shinewing as the internal auditor of the Group to review the Group's risk management and internal control systems and to give recommendations to make any enhancement. Such review covered material controls, including controls on operation cycle in relation to medical skin care services and skincare products, procurement and payments, inventory management, information technology and corporate governance and did not reveal any significant defects. Shinewing has reported major findings and areas for improvement to the Audit Committee. Relevant recommendations made by Shinewing have been properly followed up by the Group to further enhance its internal control policies, procedures and practices. The Audit Committee reviewed the internal control review report issued by Shinewing on the Group's risk management and internal control systems in respect of the year ended 31 March 2019 and considered that such systems are effective and adequate. The Board assessed the effectiveness of internal control systems by considering the internal control review report and reviews performed by the Audit Committee and concurred the same. The Board is of the view that the internal control measures of the Group are adequately and effectively monitor our business operations for the year ended 31 March 2019.

Inside Information

The Group conducts its affairs having close regard to the disclosure requirements under the GEM Listing Rules and the SFO. The Group has established procedures to identify and evaluate events or circumstances which potentially involve or constitute inside information and restrict dissemination of such information to a need-to-know basis. The Company's disclosure policies provide the procedures and internal controls for the handling and dissemination of inside information by publication of announcements to the websites of the Stock Exchange and the Company on a timely basis to enable the public, namely the Shareholders, institutional investors, potential investors and other stakeholders of the Company to access the latest information of the Group, unless such information fall within the safe harbours with the SFO. Prior to disclosure, the Board is responsible for ensuring that any inside information relating to the Group is kept strictly confidential. The Group has also designated persons to be responsible for making any necessary announcement in respect of such inside information to ensure consistent and timely disclosure and to respond to external enquiries about the affairs of the Group.

AUDITOR'S REMUNERATION

The Audit Committee is responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal.

Messrs. Moore Stephens CPA Limited was appointed by the Board as the auditor of the Company. The remuneration paid or payable to Moore Stephens CPA Limited for services rendered for the year ended 31 March 2019 were as follows:

	HK$'000
Audit services	370
Non-audit services	
– other services (review of preliminary results announcement and review of working capital sufficiency)	55

COMPANY SECRETARY

Ms. Sin Chui Pik Christine ("**Ms. Sin**") was appointed by the Board as the Company Secretary on 23 June 2014. The biographical details of Ms. Sin are set out under the section headed "Biographical Details of Directors and Senior Management" in this report.

The primary duties of the Company Secretary include, but are not limited to, the following: (a) to ensure the Board procedures are followed and that the activities of the Board are carried out efficiently and effectively; (b) to assist the chairman to prepare agendas and Board papers for meetings and disseminate such documents to the Directors and Board committees in a timely manner; (c) to timely disseminate announcements and information relating to the Group; and (d) to maintain formal minutes of the Board meetings and other Board committee meetings.

Ms. Sin has confirmed that she had received no less than 15 hours of relevant professional training for the year ended 31 March 2019, in compliance with Rule 5.15 of the GEM Listing Rules.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting ("**EGM**").

To ensure compliance with the CG Code, the notice of the meeting, the annual report and the circular containing information on the proposed resolutions will be sent to the Shareholders at least 20 clear business days before the annual general meeting. Voting at the forthcoming AGM will be by way of a poll. An explanation of the detailed procedures of conducting a poll will be provided to the Shareholders at the commencement of the AGM to ensure that the Shareholders are familiar with such procedures.

Poll results will be counted by the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, and will be posted on the websites of the Company and of the Stock Exchange on the day the shareholders' meeting is held. The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. The chairman of the Board as well as the chairmen of the Remuneration Committee, the Nomination Committee and the Audit Committee, or in their absence, other members of the respective committees, are available to answer questions at the Shareholders' meetings. The Company will also arrange for the external auditor of the Company to attend the annual general meeting to answer relevant questions if necessary.

Separate resolutions are proposed at Shareholders' meetings on each substantial issue, including the election of individual Directors.

SHAREHOLDERS COMMUNICATION POLICY

The Company has established a shareholders communication policy to set out the Company's procedures in providing the Shareholders and the investment community with ready, equal and timely access to balanced and understandable information about the Company, in order to enable the Shareholders to exercise their rights in an informed manner and to allow the Shareholders and the investment community to engage actively with the Company.

Rights to convene an EGM

Pursuant to article 12.3 of the Articles of Association, any two or more members holding at the date of the 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 sent to the Company's principal office as set out in the manner below, to require an EGM to be called by the Board for the transaction of any business specified in such requisition.

The written requisition must state the objects of the meeting, be signed by the requisitionist(s), be marked for the attention of the Board or the Company Secretary and be deposited at the Company's principal place of business in Hong Kong at 21st Floor, New World Tower II, 16-18 Queen's Road Central, Hong Kong.

If within 21 days from the date of the deposit of the requisition the Board fails to proceed to convene such meeting to be duly held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them may convene a meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed by the Company to the requisitionist(s).

The notice period to be given to Shareholders for general meetings varies as follows:

(a) At least 14 days' notice in writing if the proposal constitutes an ordinary resolution of the Company; and

(b) At least 21 days' notice in writing if calling for an annual general meeting or the proposal constitutes a special resolution of the Company in EGM.

Right to Put Enquiries to the Board

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong or by e-mail to christine.sin@medicskin.com for the attention of the Company Secretary.

Right to Put Forward Proposals at General Meetings

There are no provisions allowing the Shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised). However, the Shareholders may follow the procedure set out in the section headed "Rights to convene an EGM" above for including a resolution at an EGM. The requirements and procedures are set out above.

Right to Propose a Person for Election as a Director

Detailed procedures for a Shareholder to propose a person for election as a Director are available on the Company's website.

DIVIDEND POLICY

The Company has adopted a dividend policy in compliance with the CG Code to set out the Company's procedures on declaring and recommending the dividend payment of the Company. The Company may distribute dividends to the Shareholders by way of cash or shares and any distribution of dividends shall be in accordance with the Articles of Association.

The declaration and payment of dividends and the amount of dividends will be at the discretion of the Board and will depend on, inter alia, the Group's earnings, financial condition, capital requirements and surplus and any other factors that the Board may consider relevant.

Any declaration of dividends will be subject to the approval of the Board, having considered the above factors, and, Shareholders' approval, where applicable. Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. The Board may also consider declaring special dividends from time to time, in addition to interim and/or final dividends.

The Company shall review and reassess its dividend policy and its effectiveness on a regular basis or as required.

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its Shareholders, investors and other stakeholders. These include the annual general meeting, the annual, interim and quarterly reports, notices, announcements and circulars and the Company's website at www.medicskin.com.

CONSTITUTIONAL DOCUMENTS

For the year ended 31 March 2019, there had been no significant change in the Company's constitutional documents.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This report covers certain environmental and social responsibility aspects underlying the Group's business operation in Hong Kong during the year ended 31 March 2019 (the "**ESG Report**") and is prepared with reference to the Environmental Social and Governance Reporting Guide as set out in Appendix 20 of the GEM Listing Rules (the "**ESG Reporting Guide**").

The Company has complied with the "comply or explain" provisions set out in the ESG Reporting Guide during the year ended 31 March 2019.

The data and information used in this report are referenced from archived documents, records as well as statistics. Financial data is extracted from or calculated based on the Group's audited annual financial statements for the year ended 31 March 2019.

MISSION AND VISION ON SUSTAINABILITY

The Group aims to maintain its leading position in the medical skin care industry in Hong Kong. We believe that the followings strengths allow us to achieve our goal:

– industry reputation as a trustworthy, reliable and quality service provider;

– professionalism in the delivery of medical skin care services;

– use of reliable treatment devices which are evidence-based for medical skin care treatment services offered to clients; and

– an experienced and dedicated medical and management team with in-depth knowledge of industry and client's needs.

OUR MANAGEMENT OF ESG ASPECTS

To pursue sustainable business growth, the Group would maintain relationship with its stakeholders and implement responsible corporate governance policies. The Group has complied with the CG Code. Three board committees, namely Audit Committee, Remuneration Committee and Nomination Committee, have been established for overseeing different functions in accordance with their respective terms of reference. All existing policies and procedures in relation to management, corporate and operation matters are reviewed by the Board or management committees delegated by the Board on regular basis. More information on governance and the Board is available in the Corporate Governance Report.

BOARD APPROVAL

This ESG Report was reviewed and approved by the Board on 21 June 2019.

CONTACT INFORMATION

Should you have any questions or enquiries about this ESG Report or its content, you are welcomed to contact us via the following channels:

Address: 21/F, Tower 2, New World Tower, 16-18 Queen's Road Central, Central, Hong Kong
Website: www.medicskin.com
Email: info@medicskin.com

OUR STAKEHOLDERS

During the reporting year, the Group has engaged internal and external stakeholders, including but not limited to Board members, management, frontline staff, customers and shareholders. The Group places emphasis on stakeholders and their opinions on the business and ESG issues of the Group. We have put tremendous efforts in listening to our stakeholders to build a trustful and supporting relationship. We strongly believe that our stakeholders play an important role in sustaining the success of our business. The Group identified stakeholders and our main communication channels are listed in the following table:

Communication with Stakeholders

	Areas of concern	Communication Channels
Government and regulatory authorities	– Compliance with laws and regulations	– Routine reports – Symposium – Workshop
Shareholders	– Investment return – Corporate governance – Information disclosure and transparency	– Regular reports and announcements – General meetings – Company website
Employees	– Employees compensation and benefit – Career development – Working environment	– Meetings – Performance appraisal – Training – Email, notice board, multimedia communications
Customers	– Product safety and quality control – Privacy data handling	– Customer service hotline and email – Newsletters – Company website – Face-to-face meetings
Suppliers	– Fair and open procurement – Contract fulfillment morality	– Meetings – Telephone and mails
General Public	– Community involvement	– Cooperation with communities – Communication with non-govemmental organisations

MATERIALITY ASSESSMENT

The Group performs annual review in identifying and understanding our stakeholders' main concerns for the ESG reports by conducting a materiality assessment survey. The selected stakeholders (both internal and external) were invited to express their views and concerns on a list of sustainability issues via a survey. The result from the materiality assessment identified three concerns which have attracted most of our stakeholder's attention, namely (i) customer data privacy, (ii) employee development and training, and (iii) health & safety relating to products & services.

Environmental concerns	Social concerns	Operating Practices	Community
1. Emissions	6. Composition of employees	10. Selection of suppliers	15. Public welfare and charity
2. Waste management	7. Employee remuneration and benefit	11. Procurement practice	
3. Water & electricity consumption	8. Employee development and training	12. Health and safety relating to products and services	
4. Packaging materials used	9. Occupational health and safety	13. Customer data privacy	
5. Management of environmental and natural resources		14. Anti-corruption policies and whistle-blowing procedures	

ENVIRONMENTAL PROTECTION POLICY

The Group regularly follows the latest environmental protection laws and regulations in Hong Kong. The management team has the overall responsibility for environmental protection matters. The management team reviews the Group's environmental compliance on a regular basis. The Group was not subject to any environmental claims, lawsuits, penalties or administrative sanctions during the reporting period.

Hazardous Waste – Clinical Waste

In the course of business operation of the Group, in addition to the general emission of greenhouse gases ("**GHG**"), clinical waste is discharged during the provision of medical skin care services which causes potential influence on the environment and may expose the Group to relevant compliance risk. The Group exercises the greatest care possible in managing any clinical waste it may produce. The Group has policies and procedures in place for waste treatment in accordance with the Waste Disposal Ordinance (Cap. 354) (the "**WDO**") and the Water Disposal (Clinical Waste) (General) Regulation (Cap. 354O) (the "**WDR**"). To comply with the WDO and the WDR, employees dispose of clinical waste into specific containers which are carefully coded and sealed with ties separately. They are then collected by a licensed clinical waste collector and delivered to a licensed disposal facility. A detailed record of waste production and collection is also maintained in-house and be inspected by management on a regular basis.

During the reporting period, approximately 40.5 kg (intensity 20.25kg per location) compared to 59kg (intensity 30kg per location) for the corresponding period in 2018 of clinical waste have been generated as a result of the Group's business operations. The Group complied with all applicable laws and regulations in relation to clinical waste in Hong Kong.

Non-Hazardous Waste – Solid Waste

In addition to clinical waste, the Group generates general non-hazardous waste during its operation, including paper, paper towels, masks and plastic gloves. After collection and classification, such wastes will eventually be collected and disposed by property management company. Recyclable waste (such as paper) will be recycled for reuse. With a view to minimizing the environmental impact brought by these emission and wastes, the Group has adopted the following paper saving practices:

1. using of recycled papers, and 100% recycling rate of ink and toner cartridges;

2. setting duplex printing as the default mode for most networks printers;

3. reminding employees to practice photocopying wisely;

4. encouraging the employees to use both sides of paper;

5. separating the paper waste from other waste for easier recycling; and

6. placing boxes and trays besides photocopiers as containers to collect single-side paper for reuse purpose.

During the reporting period, these non-hazardous waste were approximately 4.9 tonnes.

Non-Hazardous Waste – Expired Medicine

For any medicine which has expired during the year ended 31 March 2019, it was sent back to our purchasing department for further handling and then returned to the Environmental Protection Department in Hong Kong. A total of approximately 18kg of expired medication was generated during the year.

Carbon Emission

The principal GHG emissions of the Group are generated from purchased electricity. The Group actively adopts electricity conservation and energy saving measures as well as other measures to reduce GHG emissions, including:

– Measures for environmental protection, energy conservation, and water saving. Relevant measures are described in "Electricity" and "Water" under section "Resources Consumption"

– Paper saving measures are described in the section "Non-Hazardous Waste"

As a summary, based on its electricity consumption alone, in terms of carbon dioxide equivalent, the total emission of the Group during the reporting period was 70,228 kgCO_2e (intensity 1,377 kgCO_2e per employee) as compared to 55,310 kgCO_2e (intensity 1,286 kgCO_2e per employee) for the corresponding period in 2018. The reason for increment on carbon emissions was due to the commencement of a new medical spa centre in causeway bay during the year ended 31 March 2019.

Resources Consumption

The Group recognizes the importance of efficient use of resources consumption and aims to develop an energy saving cultures. By reducing the amount of energy consumption in its operations can lead to cost savings and reducing carbon footprint. The measures taken by the Group to promote efficient usage are discussed below:

Electricity

The major energy consumption of the Group during its daily operation is electricity consumption in our operation. The Group has adopted the following practices to achieve the goal of saving and using electricity effectively. During the reporting period, the Group has adopted the following practices:

1. The room temperature in Group's premises is monitored and regulated at 25 degree Celsius to maintain a balance between thermal comfort and electricity consumption;

2. Cleaning air-conditioning systems and dust filters regularly;

3. The lighting of our two Medicskin Centres and back office was upgraded from traditional lighting to energy-saving LED lights. As of the end of the reporting period, the percentage of Medicskin Centres using LED lamps accounted for around 90% of the total;

4. Turn off facilities, lights and air-conditioning when not in use;

5. Activate "Sleep" mode in some of office equipment during office hours, including photocopiers and printers;

6. Turn off unnecessary equipment completely including computers; and

7. Make conference calls or use other electronic media to reduce travelling for business meetings.

During the reporting period, the Group reported a total consumption of approximately 90,892 kWh (intensity of 1,782 kWh per employee) of electricity as compared to 73,151kWh (intensity of 1,701kWh per employee) for the corresponding period in 2018.

Water

Payment for water usage has been included in the management fee to the landlords. Thus, consumption data of water cannot be obtained. Nevertheless, the Group regularly reminds and encourages its employees to use water efficiently. The Group implements water saving policy by posting reminders in premises to reduce waste on water usage.

Packaging Materials

For medicinal cream/ointment jars, bottles have been used for packaging of skin care or pharmaceutical products. During the year ended 31 March 2019, our Group has consumed approximately 411 kg of packaging materials.

SOCIAL

Employment

The Group has a Code of Conduct Policy distributed to employees outlining expectations for employee's conduct, employee's right and benefit. We also set up relevant policies and arrangements for employees including but not limited to recruitment and promotion, compensation and dismissal, benefit programs and performance evaluation. The adoption of the Code of Conduct Policy and other relevant policies and arrangements for employees also ensure the Group's compliance with the applicable labour laws and regulations in Hong Kong, including the Employment Ordinance (Cap. 57). During the year ended 31 March 2019, the Group strictly comply with the Employment Ordinance (Cap. 57).

To attract, retain and motivate employees, the Group has devised a competitive compensation and benefits package. In addition to the basic package, for instance annual leave, paid sick leave, severance payment, mandatory provident fund, employment compensation insurance, the Group also offers additional compensation and benefits such as paid leaves (study leave, personal emergency leave, marriage leave), group life insurance, year-end bonus, free skincare products, education sponsorship, medical treatments, deliver festive foods to employees during certain traditional festivals and beauty products discount to its employees. In addition, the Group has established the Share Option Scheme to provide incentives and rewards to eligible employees who have made significant contributions to the Group.

The Group carries out regular performance assessment on a yearly basis, enabling employees to gain an accurate sense of their prospects and potential future paths. Salaries are reviewed annually for each grade of employees by the management, to ensure that its remuneration packages remain competitive. This enables the Group to retain high quality employees and provide them with strong initiatives for performing well.

Equal Opportunity

The Group provides equal opportunities for employees in respect of recruitment, training and development, job advancement, and compensation and benefits. The employees are not discriminated or deprived of such opportunities on the basis of gender, ethnic background, colour, sexual orientation, age, marital status, family status, retirement, disability, pregnancy or any other discrimination prohibited by applicable laws. The Group appreciates the importance of cultural diversity in the development of the Group, and employs employees of a wide range of ages, genders, and ethnicities. During the year ended 31 March 2019, the Group strictly complies with the Sex Discrimination Ordinance (Cap. 480), the Family Status Discrimination Ordinance (Cap. 527), the Disability Discrimination Ordinance (Cap. 487) and the Race Discrimination Ordinance (Cap. 602).

Working Environment

The Group places a strong emphasis on work-life balance and tries to enhance employees' sense of belonging and morale. As a caring employer, the Group caters to the needs and schedules of its employees and offers flexible work-hour arrangements for employees. Complementing these are social activities such as Christmas party, monthly departmental tea meal and birthday celebration for each staff, which can help foster a sense of belonging and loyalty.

Health and Safety

The Group implements internal policies including procedures and guidelines on handling equipment, needle sticks, sharp objects and medical waste to ensure compliance with applicable laws and regulations in Hong Kong. The Group also arranges regular employees training on operational safety and the handling of emergency and accidents to enhance safety awareness.

During the year ended 31 March 2019, none of our employees were involved in any material accident in the course of employment and the Group has not been subject to any disciplinary actions with respect to occupational safety.

Development and Training

The Group provides its employees with clear and viable opportunities for self-development and career advancement within the Group. It supports its employees to develop and enhance their professional knowledge and skills to cope with the evolving market environment and compliance level. By providing the following in-house training programs, its employee's competency can be developed further:

Trainings on service-related knowledge, such as, skincare products available at our skin care centres, training courses in relation to latest medical and/or skin care technology, skin, treatment theories, functions, operations, safety precautions of medical equipment (provided by suppliers of devices), client handling skills and complaint management skills are provided from time to time.

All newly-hired employees attend employment orientation to understand the Group operation, working atmosphere, code of conduct and work safety to ensure all newly-hired employees are properly trained. Employees are also encouraged to take external professional trainings to strengthen their work-related expertise, subject to the management's approval, education sponsorship is available to employees in the form of job-related courses provided by external institutions.

During the reporting period, the Group has organized (i.e. In-house) and/or arranged our employees to participate (i.e. external) 47 training programs in total. We believes the above activities will not only enhance employees professional knowledge and improve their efficiency, but also increase their sense of belonging and reduce employee turnover rate.

Labour Standard

The Group's recruitment process strictly adheres to the Group's Human Resources Policies and Procedures and complies with the relevant laws and regulations in Hong Kong. Job applicants must complete an "Employment Application Form" with personnel information for internal record keeping and legal compliance. Review and verification of applicant's identity information is required during the recruitment process, and recruitment of child labour is strictly prohibited. Applicants are also required to provide document proofs of academic qualifications and working experience for verifications, applicant who is suspected to have false academic qualifications and working experience will not be employed. The Group enters employment contract with each of its employees in accordance with the relevant laws in Hong Kong. For those employees who are medical practitioners in Hong Kong, they have registered with the Medical Council of Hong Kong in accordance with the provisions of the Medical Registration Ordinance (Cap. 161).

During the year ended 31 March 2019, the Group was not aware of any non-compliance with the laws and regulations that have a significant impact relating to employment and labour practices or occupational health and safety. Nor did the Group identify any incidents relating to the hire of child and forced labour.

Supply Chain Management

The source of medications of the Group are from licensed drug dealers (i.e qualified pharmaceutical or medical manufacturers and/or distributors) in Hong Kong.

The quality and safety of skincare products are among the top priorities of the Group. The Group has policies and procedures for selecting suitable pharmaceutical products and medicine, skincare products and treatment consumables, as well as selecting reliable and quality suppliers. The Group has been continuously evaluating the performance of its suppliers. Our suppliers are assessed by background, qualification (for example, whether they hold the necessary license to provide such services), quality control of service, past performance and fulfillment of contract.

Apart from the above measures, to ensure the supply chain of the Group is operating as accurately and efficiently, purchased medicine and skincare products are registered with traceable suppliers and their distribution are shown clearly in our real time inventory system. Inventory review and inventory count are also carried out regularly in each centre.

The Group has over 10 years' business relationship with our top five suppliers. Given the Group's solid and steady relationships with suppliers, the Group believes that it maintains a good and long-term relationship with selected suppliers by successfully establishing mutual trust and understanding. Generally, the Group has the right to reject goods, to require replacement and the payment of damages from its suppliers if the goods are defective or non-conforming.

During the year ended 31 March 2019, the Group did not encounter any material problem in sourcing pharmaceutical products and medicine, skincare products or treatment consumables based on the needs of Medicskin Centres or experience any material delays in receiving supplies from suppliers that would have had material impact on our business, financial condition or results of operations.

Product Responsibility

Pharmaceutical Handling & labelling

The Group has standard procedures for storage of pharmaceutical and skincare products. Labels of pharmaceutical products to customers must show name of customers, date of dispensing, name and address of the doctor, name of medicine, dosage per unit, method and dosage of administration and precaution, where applicable.

Advertisement

During the year ended 31 March 2019, the Group complied with the Undesirable Medical Advertisements Ordinance (Cap. 231) to protect public health without publication of advertisements for medicine, surgical appliance or treatment that may induce the seeking of improper management of certain health conditions.

Health and safety

Quality and safety of the pharmaceutical products are ensured through certifications and qualifications from its suppliers.

All treatment devices used to perform treatments on clients are evaluated and assessed by the Group's doctors, with reference to the doctors' clinical knowledge and experience as well as by certain selection criteria including whether the devices are evidenced-based, i.e whether the use, effectiveness or technology of the devices are approved by national government agencies such as Food and Drug Administration of the US (FDA) or Ministry of Food and Drug Safety of Korea (MFDS) and/or supported by independent medical journals, to ensure that they are reliable and are capable of delivering desired outcomes and results of clients.

During the year ended 31 March 2019, we did not encounter any quality issue on our purchases or receive any defective products that would have had material impact on our business, financial condition or results of operations

Data Protection and Privacy

The Group has policy in place to provide adequate protection and confidentiality of all corporate data and information. Information collected would only be used for the purpose for which it has been collected and clients would be told about how the data collected would be used in the Group's business. The Group prohibits the provision of client information to a third party without authorisation from the clients. Clients reserve the rights to review and revise their data, and also reserve the rights to opt out from any direct marketing activities. All collected personal data is treated confidentially, kept secure and accessible by designated personnel only. Through internal trainings and confidential agreements with employees, the Group emphasizes on confidentiality obligations and the legal consequences for the breaches of obligations. During the reporting period, the Group complied with the Personal Data (Privacy) Ordinance (Cap. 486) and the relevant customer information protection laws and regulations in Hong Kong.

Anti-corruption

The Group is committed to conducting all businesses without undue influence and has regarded honesty, integrity, and fairness as its core values that must be upheld by all directors and employees at all times. To formalise the commitments, a series of policies and handbooks are in place in the Group and has set out the requirements expected of all directors and employees when dealing with its business. Some of the guiding documents include:

Code of Conduct Policy

– Neither directors nor employees shall obtain or provide benefit to clients, contractors, suppliers or people with business relationship with the Group;

– Employees should avoid any conflict of interest situation, when actual or potential conflict of interest arises, the directors or employees shall make a declaration to the management; and

– Accepting voluntary gifts must be declared. All directors and employees are required to strictly follow the Gift and Entertainment Policy and have to undergone the approval process as stipulated in that policy.

Whistleblowing Policy

– Providing the necessary mechanism for employees who report misconduct within the organisation.

Purchasing and Stock Control Policy

– Preventing and managing possible abuse of power and authority, conflict of interest and bribery.

During the year ended 31 March 2019, the Group was in compliance with the Prevention of Bribery Ordinance (Cap. 201) and there were no legal cases regarding corrupt practices brought against the Group or its directors or employees.

Community Involvement

The Group is fully aware of the importance of interacting with the wider community in fulfilling corporate social responsibility. In this aspect, the Group would explore the possibility to identify suitable partners and support community and environmental programmes that align with the Group's missions and values.

The Group has been supporting Medecins Sans Frontieres ("**MSF**") and placed MSF's donation boxes in the Group's Medicskin Centres to support MSF's worldwide relief work.

During the reporting period, the Group made donations-in-kind amounting to approximately HK$210,000, including the sponsorship of Tong Sham Charity Association, Pok Oi Charity Dinner, Food for Good Fundraising Gala Dinner, MSF, Rotary Club of Peninsula Sunrise.

EXECUTIVE DIRECTORS AND COMPANY SECRETARY

Dr. Kong Kwok Leung（江覺亮）, aged 65, is an executive Director, the chairman and chief executive officer of the Company as well as the founder of the Group. Dr. Kong is a person cohabiting as spouse with Ms. Tsui Kan, an executive Director. Dr. Kong is the uncle of Ms. Kong Chung Wai, an executive Director. He is responsible for overseeing the overall operation of the Group and leading and directing the Group's overall business and development strategies. He is also the chairman of the Nomination Committee and a member of the Remuneration Committee. He is also a director of certain subsidiaries of the Company. Dr. Kong graduated from the Faculty of Medicine of the University of Hong Kong in November 1978 and obtained a Bachelor of Medicine and Bachelor of Surgery (MBBS (HK)). He subsequently obtained a Diploma in Dermatology from the University of London in September 1995 and a Postgraduate Diploma in Practical Dermatology from Cardiff University in October 2007. He had also obtained the qualifications of Diploma in Child Heath from Royal College of Physicians of London in January 1985. Dr. Kong has been in private medical practice for more than three decades and has over 23 years of practising experience in the medical skin care services sector. In 1996, Dr. Kong commenced the practice of providing medical skin care services in Central, Hong Kong. In July 2000, Dr. Kong founded the Group by setting up Medicskin to provide skin treatment services.

Ms. Tsui Kan（徐勤）, aged 35, is an executive Director and the vice-president of the Group. Ms. Tsui is a person cohabiting as spouse with Dr. Kong. She joined the Group in January 2016 and is responsible for overseeing the product development and marketing strategies of the Group. She is also a director of certain subsidiaries of the Company. Ms. Tsui obtained her bachelor's degree of Laws from Zhejiang University in June 2004.

Ms. Kong Chung Wai（江聰慧）, aged 41, is an executive Director and the legal and compliance officer of the Group. Ms. Kong is the niece of Dr. Kong. She joined the Group in 2001 and is mainly responsible for overseeing the general compliance matters of the Group. She is also a member of the Nomination Committee. She is also a director of certain subsidiaries of the Company. Ms. Kong obtained a Bachelor of Business Administration in Accounting from the Hong Kong University of Science and Technology in November 2000 and a Bachelor of Laws degree from the University of London in August 2010. Ms. Kong has been a fellow member of the Association of Chartered Certified Accountants since 2010 and has accumulated over 18 years of accounting, auditing and compliance experience.

Ms. Sin Chui Pik Christine（冼翠碧）, aged 40, is an executive Director, the chief financial officer of the Group and the Company Secretary. She joined the Group in March 2014 and is responsible for overseeing the financial and accounting matters of the Group and engaging in company secretarial functions for the Company. She is also a member of the Remuneration Committee. She is also a director of certain subsidiaries of the Company. Ms. Sin obtained her bachelor's degree of Business Administration in Accounting from the Hong Kong Baptist University in December 2001. Ms. Sin has been a member of the HKICPA, a member and subsequently fellow of the Association of Chartered Certified Accountants since December 2007, April 2007 and April 2012, respectively. She has accumulated over 17 years of accounting and auditing experience. Before joining the Group, Ms. Sin worked for Deloitte Touche Tohmatsu, an international public accounting and auditing firm from 2001 to 2004 and from 2005 to 2014, where she most recently served as a manager.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Cheong Tat（陳昌達）, aged 69, was appointed as an independent non-executive Director on 3 December 2014. He is also the chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee. Mr. Chan graduated from Central Queensland University with a master degree in financial management in October 1995 through distance learning. He has also been an associate of the Institute of Chartered Secretaries and Administrators (U.K.) since 1974 and the Hong Kong Institute of Chartered Secretaries since 1994. Mr. Chan is also a fellow member of the HKICPA, the Association of Chartered Certified Accountants and the Australian Society of Certified Practising Accountants for over 29 years. Mr. Chan has over 32 years of work experience in the Hong Kong Inland Revenue Department. He was an Assistant Commissioner and was responsible for tax compliance before he retired in 2005. Mr. Chan has been the sole director of a tax consultancy company, C T Tax Consultants Limited, since August 2006. He also serves as an independent non-executive director of the following three listed companies in Hong Kong:

Name of company	Stock code	Date of appointment
Guangdong Tannery Limited	01058	March 2006
Hyfusin Group Holdings Limited	08512	June 2018
Dominate Group Holdings Limited	08537	March 2019

He was an independent non-executive director of Man Sang International Limited (stock code: 938) from January 2015 to December 2016, Noble Jewelry Holdings Limited (currently known as Zhong Fa Zhan Holdings Limited) (stock code: 475) from October 2006 to December 2011 and Wasion Group Holdings Limited (stock code: 3393) from May 2014 to May 2015.

Mr. Lee Ka Lun（李家麟）, aged 64, was appointed as an independent non-executive Director on 3 December 2014. He is also a member of the Audit Committee, Remuneration Committee and Nomination Committee. Mr. Lee obtained a Higher Diploma in Accountancy from the Hong Kong Polytechnic (currently known as the Hong Kong Polytechnic University) in November 1978 and has been an associate of the Association of Certified Accountants since 1980 and a fellow member of the Chartered Association of Certified Accountants since 1985. Mr. Lee has over 25 years of experience in the banking and auditing fields. He joined Lloyds TSB Bank Plc (which was then known as Hill Samuel Bank Limited) in 1982 as an Accountant. He was then promoted to Regional Director — Finance and Operation of Lloyds TSB's operations in Asia in 1987 and had been the Regional Deputy Chief Executive of Lloyds TSB Bank plc from 1991 until 2007. Mr. Lee has also been a responsible officer of Asia Investment Research Limited licensed under the SFO to carry on Type 4 (advising on securities) and Type 9 (asset management) regulated activities since July 2008. He also serves as an independent non-executive director of the following five listed companies in Hong Kong:

Name of company	Stock code	Date of appointment
Yuexiu Property Company Limited	0123	April 2000
Chow Sang Sang Holdings International Limited	0116	September 2004
Chong Hing Bank Limited	1111	February 2014
Ever Harvest Group Holdings Limited	1549	June 2016

He was an independent non-executive director of REXLot Holdings Limited (stock code: 555) from April 2007 to June 2018.

Mr. Leung Siu Cheung（梁兆祥）, aged 67, was appointed as an independent non-executive Director on 3 December 2014. He is also the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee. Mr. Leung completed the Law Society Solicitors Qualifying Examinations in 1982 and obtained a Master of Laws in Chinese and Comparative Law from the City University of Hong Kong in 2004. Mr. Leung is a member of the Law Society of Hong Kong and has been a practising solicitor in Hong Kong since October 1983. Mr. Leung has also been a qualified solicitor in England and Wales since 1990, Australian Capital Territory since 1991 and New South Wales of Australia since 1997. He has been a partner of Lo, Chan & Leung, Solicitors and Notaries since 1986. He has over 35 years of professional experience in the legal field and his major area of practice is banking and finance, civil litigation and conveyancing.

SENIOR MANAGEMENT

Ms. Sze Betty Suet Ling（施雪玲）, aged 39, is the head of business and product development of the Group. She joined the Group in January 2013 and is mainly responsible for overseeing the business development and execution of the Group's corporate communication and product research and development plans. Ms. Sze is also the Medicskin Centre Manager, mainly responsible for planning and coordinating the day-to-day centre operations, staff supervision and evaluations as well as fiscal management for the Medicskin Centre. Ms. Sze obtained a bachelor's degree of Science with a major in Nutritional Sciences from the University of British Columbia in May 2002 and an International Advanced Diploma in Administrative Management from the Institute of Administrative Management in March 2006. Ms. Sze has over 16 years of experience in the field of product development for skincare brands, retail brand management and skincare business development. Before joining the Group, Ms. Sze was employed as an Executive Trainee of Glycel (Hong Kong) Co. Ltd. in February 2004 and was subsequently promoted to be the Business Development Executive in April 2005. Ms. Sze resigned from Glycel (Hong Kong) Co. Ltd. in April 2007. From June 2007 to December 2012, Ms. Sze worked as Product Manager of Belle Cosmetic Limited.

MOORE STEPHENS

Moore Stephens CPA Limited
801-806 Silvercord, Tower 1,
30 Canton Road, Tsimshatsui,
Kowloon, Hong Kong

T +852 2375 3180
F +852 2375 3828

www.moorestephens.com.hk

大華馬施雲
會計師事務所有限公司

Independent Auditor's Report to the Shareholders of Medicskin Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Medicskin Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 51 to 114, 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 the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 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.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 March 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 15 June 2018.

KEY AUDIT MATTERS

Key audit matter is that matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current period. This matter was 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 this matter.

KEY AUDIT MATTERS *(Continued)*

Estimation of expected unexercised rights on Treatment Service	
We identified the estimation of expected unexercised rights on Treatment Service as a key audit matter due to significant estimation required by management in the application of revenue recognition policies. The Group offers prepaid treatment packages to in relation to Treatment Service ("Prepaid Treatment Packages") to customers as Treatment Service requires multiple sessions to achieve desired results. Upon receipts of a prepayment from customers, the Group recognised contract liabilities in the consolidated statement of financial position for the performance obligation to transfer in the future. These non-refundable prepayments give the customer a right to receive Treatment Service in the future (and oblige the Group to stand ready to provide Treatment Service). However, customers may not exercise all of their contractual rights within the valid service periods for various reasons. Those expected unexercised rights are referred to as "breakage". The expected unexercised rights on Treatment Service is estimated by management based on historical customer behaviour and usage pattern and is recognised as revenue when the likelihood of the customer exercising its remaining rights become remote. As disclosed in note 2.1 to the consolidated financial statements, the Group recognised the expected breakage amount of HK$278,000 in the opening retained profits at 1 April 2018 upon transition to HKFRS 15. The Group recognised the expected breakage amount of HK$175,000 as revenue in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2019.	Our procedures in relation to the estimation of expected unexercised rights on Treatment Service included: • Obtaining an understanding of the Group's internal control on revenue recognition and estimation of expected unexercised rights on Treatment Service; • Assessing the integrity, completeness and accuracy of the data used by management by inspecting cash receipt from customers on Prepaid Treatment Package; its valid service period, number of session being entitled and its usage on a sampling basis; • Assessing the reasonableness significant assumptions used by management with reference to the historical usage pattern of Prepaid Treatment Packages of the Group; • Performing recalculation of revenue recognised for expected unexercised rights on Treatment Service.

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

As part of an audit in accordance with HKSAs, 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.

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

- 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.

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.

Moore Stephens CPA Limited
Certified Public Accountants

Law Yuen Man, Ida
Practising Certificate Number: P05878

Hong Kong, 21 June 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	5 & 6	**51,449**	57,793
Other income, gains and losses	7	**429**	1,157
Impairment loss in respect of trade receivables	17	**–**	(2)
Inventories used		**(7,706)**	(7,862)
Staff costs		**(25,919)**	(27,759)
Depreciation		**(4,592)**	(4,176)
Other expenses		**(22,388)**	(15,623)
(Loss) profit before tax	10	**(8,727)**	3,528
Income tax expense	11	**(177)**	(1,241)
(Loss) profit for the year		**(8,904)**	2,287
Other comprehensive income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		**26**	–
		(8,878)	2,287
(Loss) profit for the year attributable to:			
Owners of the Company		**(5,480)**	2,533
Non-controlling interests		**(3,424)**	(246)
		(8,904)	2,287
Total comprehensive (loss) income attributable to:			
Owners of the Company		**(5,466)**	2,533
Non-controlling interests		**(3,412)**	(246)
		(8,878)	2,287
(Loss) earnings per share, basic (HK cent)	14	**(1.13)**	0.53
(Loss) earnings per share, diluted (HK cent)	14	**(1.13)**	0.53

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	15	**6,248**	52,616
Rental deposits		**3,003**	1,650
Deposits paid for purchase of property, plant and equipment		**–**	75
		9,251	54,341
Current assets			
Inventories	16	**4,122**	3,031
Trade receivables	17	**699**	279
Other receivable, deposits and prepayments	17	**1,947**	3,592
Tax recoverable		**951**	–
Pledged bank deposits	18	**9,837**	–
Bank balances and cash	18	**15,920**	18,746
		33,476	25,648
Assets classified as held for sale	12	**45,586**	–
		79,062	25,648
Current liabilities			
Trade payables	19	**499**	423
Other payable and accrued liabilities	20	**2,524**	2,403
Amount due to a non-controlling shareholder of a subsidiary	24	**539**	–
Deposit received	20	**4,600**	–
Contract liabilities	21	**24,344**	–
Deferred revenue	21	**–**	15,895
Tax payable		**–**	65
		32,506	18,786
Liabilities associated with assets classified as held for sale	12	**318**	–
		32,824	18,786
Net current assets		**46,238**	6,862
Total assets less current liabilities		**55,489**	61,203
Non-current liabilities			
Deferred tax liability	22	**–**	115
Provision for reinstatement costs	23	**400**	–
		400	115
Net assets		**55,089**	61,088

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Capital and reserves			
Share capital	25	**4,857**	4,804
Reserves		**53,125**	55,765
Equity attributable to owners of the Company		**57,982**	60,569
Non-controlling interests		**(2,893)**	519
Total equity		**55,089**	61,088

The consolidated financial statements on pages 51 to 114 were approved and authorised for issue by the Board of Directors on 21 June 2019 and are signed on its behalf by:

Kong Kwok Leung
DIRECTOR

Tsui Kan
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Attributable to owners of the Company								
	Share capital *HK$'000*	Share premium *HK$'000*	Capital reserve *HK$'000* *(Note)*	Share options reserve *HK$'000*	Exchange reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 April 2017	4,804	72,463	1,181	294	–	3,856	82,598	–	82,598
Profit (loss) and total comprehensive income (loss) for the year	–	–	–	–	–	2,533	2,533	(246)	2,287
Recognition of equity-settled share-based payments *(Note 26)*	–	–	419	–	–	–	419	–	419
Lapse of share options	–	–	–	(294)	–	294	–	–	–
Capital contribution from non-controlling interests of a subsidiary	–	–	–	–	–	–	–	765	765
Transfer to retained profits	–	–	(1,600)	–	–	1,600	–	–	–
Dividends recognised as distribution *(Note 13)*	–	(24,020)	–	–	–	(961)	(24,981)	–	(24,981)
At 31 March 2018	4,804	48,443	–	–	–	7,322	60,569	519	61,088
Effect arising from initial application of HKFRS 15	–	–	–	–	–	278	278	–	278
At 1 April 2018 (restated)	**4,804**	**48,443**	**–**	**–**	**–**	**7,600**	**60,847**	**519**	**61,366**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(5,480)**	**(5,480)**	**(3,424)**	**(8,904)**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**14**	**–**	**14**	**12**	**26**
Total comprehensive income (loss) for the year	**–**	**–**	**–**	**–**	**14**	**(5,480)**	**(5,466)**	**(3,412)**	**(8,878)**
Recognition of equity-settled share-based payments *(Note 26)*	**–**	**–**	**–**	**502**	**–**	**–**	**502**	**–**	**502**
Issue of shares *(Note 25)*	**53**	**2,775**	**–**	**–**	**–**	**–**	**2,828**	**–**	**2,828**
Transaction costs attributable to issue of shares	**–**	**(8)**	**–**	**–**	**–**	**–**	**(8)**	**–**	**(8)**
Dividends recognised as distribution *(Note 13)*	**–**	**–**	**–**	**–**	**–**	**(721)**	**(721)**	**–**	**(721)**
At 31 March 2019	**4,857**	**51,210**	**–**	**502**	**14**	**1,399**	**57,982**	**(2,893)**	**55,089**

Note: The capital reserve represented equity-settled share-based payments in respect to the Group's Share Reward as detailed in note 26.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	2019 *HK$'000*	2018 *HK$'000*
OPERATING ACTIVITIES		
(Loss) profit before tax	**(8,727)**	3,528
Adjustments for:		
Impairment loss in respect of trade receivables	**–**	2
Interest income on bank deposits	**(328)**	(129)
Share-based payment expenses	**502**	419
Depreciation	**4,592**	4,176
Net unrealised foreign exchange loss	**453**	–
Allowance for inventories	**120**	58
Loss on write-off of property, plant and equipment	**93**	–
Impairment loss in respect of property, plant and equipment	**783**	–
Impairment loss in respect of investment property	**783**	–
Operating cash flows before movements in working capital	**(1,729)**	8,054
(Increase) decrease in inventories	**(1,211)**	610
(Increase) decrease in trade receivables	**(420)**	324
Decrease (increase) in other receivable, deposits and prepayments	**384**	(1,552)
Increase (decrease) in trade payables	**76**	(562)
Increase (decrease) in other payable and accrued liabilities	**273**	(943)
Increase in contract liabilities	**23,876**	–
(Decrease) increase in deferred revenue	**(15,895)**	1,728
Cash generated from operations	**5,354**	7,659
Net income tax paid	**(1,142)**	(1,164)
NET CASH FROM OPERATING ACTIVITIES	**4,212**	6,495
INVESTING ACTIVITIES		
Interest received	**328**	129
(Placement) withdrawal of pledged bank deposits	**(9,837)**	8,500
Deposit received from disposal of a subsidiary	**4,600**	–
Acquisition of a business	**(17)**	–
Purchase of property, plant and equipment	**(3,977)**	(583)
Deposits paid for purchase of property, plant and equipment	**–**	(75)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(8,903)**	7,971

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
FINANCING ACTIVITIES			
Dividends paid		**(721)**	(24,981)
Advance from a non-controlling shareholder of a subsidiary		**539**	–
Capital contribution from non-controlling interests of a subsidiary		**–**	765
Proceeds from issue of shares		**2,828**	–
Transaction costs attributable to issue of shares		**(8)**	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**2,638**	(24,216)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(2,053)**	(9,750)
Effect of foreign exchange rate changes, net		**(427)**	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**18,746**	28,496
Bank balances and cash transferred to assets classified as held for sale	*12*	**(346)**	–
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY Bank balances and cash		**15,920**	18,746

1. GENERAL

The Company is a limited company incorporated in the Cayman Islands and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its immediate and ultimate holding company is Topline Worldwide Limited ("**Topline**"), a company incorporated in the British Virgin Islands ("**BVI**") with limited liability. Its ultimate controlling party is Dr. Kong Kwok Leung ("**Dr. Kong**"), who is also the Chairman, Chief Executive Officer and Executive Director of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the corporation information section of the annual report.

The Company is an investment holding company. Details of the principal activities of its subsidiaries are set out in note 33.

The functional currency of the Company is Hong Kong dollars ("**HK$**"), which is the same as the presentation currency of the consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.1 HKFRS 15 Revenue from Contracts with Customers *(Continued)*

Revenue of the Group are derived from the (i) provision of consultation services ("**Consultation Service**"), (ii) provision of skin care treatments ("**Treatment Service**"), and (iii) prescription and dispensing of medication and/or skincare products ("**Prescription and Dispensing Service**").

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 5 and 3 respectively.

Impact on the application of HKFRS 15 Revenue from Contracts with Customers are set out below.

Accounting for expected unexercised rights on Treatment Service

The Group offers prepaid treatment packages in relation to Treatment Service ("**Prepaid Treatment Packages**") to customers as Treatment Service requires multiple sessions to achieve desired results.

Receipts of a prepayment from customers are deferred and recognised as deferred revenue under HKAS 18 or contract liabilities under HKFRS 15 in the consolidated statement of financial position initially and subsequently recognised as revenue when the services are provided to customers. These non-refundable prepayments give the customer a right to receive Treatment Service in the future (and oblige the Group to stand ready to provide Treatment Service). Customers may not exercise all of their contractual rights within the valid service periods.

Under HKAS 18 Revenue, deferred revenue of unexercised rights on Treatment Service were recognised in the consolidated statement of profit or loss upon the first anniversary of the contractual expiry date of the prepaid treatment package (i.e. the end of the valid service period).

Under HKFRS 15, those expected unexercised rights are referred to as "breakage". The expected unexercised rights on Treatment Service is estimated by management based on historical customer behaviour and usage pattern and is recognised as revenue when the likelihood of the customer exercising its remaining rights become remote.

Application of HKFRS 15 may result in acceleration of revenue. Upon transition to HKFRS 15, at 1 April 2018, the Group recognised the expected breakage amount of HK$278,000 in the opening retained profits. The Group recognised the expected breakage amount of HK$175,000 as revenue in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2019. Moreover, at the date of initial application of HKFRS 15 (i.e. 1 April 2018), deferred revenue of HK$15,895,000 related to the receipt in respect of Prepaid Treatment Packages was reclassified to contract liabilities.

Incremental costs of obtaining a contract

In respect of provision for Treatment Service, the Group incurred incremental commission paid/payable to employees in connection with obtaining Prepaid Treatment Packages with customers. These amounts were previously expensed as incurred.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.1 HKFRS 15 Revenue from Contracts with Customers *(Continued)*

Incremental costs of obtaining a contract *(Continued)*

Under HKFRS 15, incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Incremental costs of obtaining a contract with a customer shall be recognised as an asset in the Group's consolidated statement of financial position if the Group expects to recover those costs. Such costs shall be recognised in the consolidated statement of profit or loss in the period in which the contract liabilities to which they relate is recognised as revenue. At the date of initial application of HKFRS 15, incremental costs of obtaining contracts have had no material financial impact on the Group's financial position and performance.

Summary of effects arising from initial application of HKFRS 15 Revenue from Contracts with Customers

The following table summarises the impacts of transition to HKFRS 15 Revenue from Contracts with Customers on retained profits at 1 April 2018.

	HK$'000
Retained profits	7,322
Recognition of revenue	278
As at 1 April 2018	7,600

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2018	Reclassification	Remeasurements	**Carrying amounts under HKFRS 15 at 1 April 2018**
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***
Current liabilities				
Contract liabilities	–	15,895	(278)	**15,617**
Deferred revenue	15,895	(15,895)	–	**–**
Capital and reserves				
Reserves	55,765	–	278	**56,043**

The following tables summarise the impacts of applying HKFRS 15 Revenue from Contracts with Customers on the Group's consolidated statement of financial position as at 31 March 2019 and its consolidated statement of profit or loss and other comprehensive income for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.1 HKFRS 15 Revenue from Contracts with Customers *(Continued)*

Impact on the consolidated statement of financial position

	As reported *HK$'000*	Adjustments *HK$'000*	Amounts without application of HKFRS 15 *HK$'000*
Current liabilities			
Contract liabilities	24,344	(24,344)	–
Deferred revenue	–	24,591	24,591
Capital and reserves			
Reserves	53,125	(247)	52,878

Impact on the consolidated statement of profit or loss and other comprehensive income

	As reported *HK$'000*	Adjustments *HK$'000* *(Note)*	Amounts without application of HKFRS 15 *HK$'000*
Revenue	51,449	31	51,480
Loss before tax	(8,727)	31	(8,696)
Income tax expense	(177)	–	(177)
Loss for the year	(8,904)	31	(8,873)

Note: Upon transition to HKFRS 15, at 1 April 2018, the Group recognised the expected breakage amount of HK$278,000 in the opening retained profits, in which unexercised rights on Treatment Service amounted to HK$206,000 would have been recognised in as revenue upon the end of the valid service periods during year ended 31 March 2019 under HKAS 18 Revenue. Under HKFRS 15, the Group recognised the expected breakage amount of HK$175,000 as revenue in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2019. The net impact to revenue is amounted to HK$31,000.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.2 HKFRS 9 Financial Instruments and the related amendments

In the current year, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 Financial Instruments 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 Financial Instruments in accordance with the transition provisions set out in HKFRS 9 Financial Instruments, 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 retained profits, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

Accounting policies resulting from application of HKFRS 9 Financial Instruments are disclosed in note 3.

Summary of effects arising from initial application of HKFRS 9 Financial Instruments

The table below illustrates the classification and measurement of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

	Original measurement category under HKAS 39	**New measurement category under HKFRS 9**	**Original carrying amount at 31 March 2018 under HKAS 39** *HK$'000*	**New carrying amount at 1 April 2018 under HKFRS 9** *HK$'000*
Rental deposits	Loans and receivables	Financial assets at amortised cost	1,650	1,650
Trade receivables	Loans and receivables	Financial assets at amortised cost	279	279
Other receivable and deposits	Loans and receivables	Financial assets at amortised cost	1,310	1,310
Bank balances and cash	Loans and receivables	Financial assets at amortised cost	18,746	18,746

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.2 HKFRS 9 Financial Instruments and the related amendments *(Continued)*

Impairment under ECL model

In relation to the impairment of financial assets, HKFRS 9 requires an ECL model, as opposed to an incurred credit loss model under HKAS 39. The ECL model requires an entity to account for ECL and changes in those ECL at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

In the current year, the Group has applied the HKFRS 9 simplified approach to measure lifetime ECL for all trade receivables.

ECL for other financial assets at amortised cost, including rental deposits, other receivables and deposits, pledged bank deposits, and bank balances and cash, are measured on 12-month ("**12m ECL**") basis as there had been no significant increase in credit risk since initial recognition.

Details of the ECL assessment are stated in note 3.

As at 1 April 2018, the management of the Group 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 and concluded that no material financial impact exists, and therefore no adjustment to the opening retained profits as at 1 April 2018 has been recognised.

2.3 Amendments to HKAS 40 Transfers of Investment Property

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in HKAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

At the date of initial application, the Group assessed the classification of certain properties based on conditions existing at that date. There is no impact to the classification at 1 April 2018.

2. 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[1]
HKFRS 17	Insurance Contracts[4]
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[3]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKAS 1 and HKAS 8	Amendments to Definition of Material[2]
Amendments to HKAS 19	Plant Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2015-2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
4 Effective for annual periods beginning on or after 1 January 2021
5 Effective for annual periods beginning on or after a date to be determined

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

2. 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

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. In addition, HKFRS 16 Leases requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 Revenue from Contracts with Customers as to whether the transfer of the relevant asset should be accounted as a sale.

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.

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 upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented 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 and operating cash flows respectively by the Group.

Under HKAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, 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.

2. 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)*

As at 31 March 2019, the Group has non-cancellable operating lease commitments of HK$21,480,000 as disclosed in note 29. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will 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.

In addition, the Group currently considers refundable rental deposits paid of HK$3,003,000 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. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

Upon application of HKFRS 16, the Group will apply the requirements of HKFRS 15 to assess whether sales and leaseback transaction constitutes a sale. For a transfer that does not satisfy the requirements as a sale, the Group will account for the transfer proceeds as financial liabilities within the scope of HKFRS 9. In accordance with the transition provisions of HKFRS 16, sale and leaseback transactions entered into before the date of initial application will not be reassessed but the new requirements may impact the Group's future sale and leaseback transactions.

The application of new requirements may result changes in measurement, presentation and disclosure as indicated above. The Group elects the practical expedient to apply HKFRS 16 Leases to contracts that were previously identified as leases applying HKAS 17 Leases and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 Leases. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group elects the modified retrospective approach for the application of HKFRS 16 Leases as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical basis at the end of each reporting period, as explained in the accounting policies set out below.

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 the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Shared-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 controlled by the Company and its subsidiaries. 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.

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

When 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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities, assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangement of the acquiree or share-based payment arrangement of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amounts of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell, except for financial assets within the scope of HKFRS 9 which continue to be measured in accordance with the accounting policies as set out in respective sections.

Revenue from contracts with customers (upon application of HKFRS 15 Revenue from Contracts with Customers in accordance with transitions in note 2)

Under HKFRS 15 Revenue from Contracts with Customers, 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 is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and 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 distinct good or service.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers (upon application of HKFRS 15 Revenue from Contracts with Customers in accordance with transitions in note 2) *(Continued)*

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9 Financial Instruments. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

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

Output method

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.

Revenue from Consultation Service is recognised when the related services are rendered. Payment of transaction price is due immediately after customer receives the service.

Revenue from Treatment Service is recognised over time using output method by reference to the progress towards complete satisfaction of relevant performance obligation. The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. Prepaid Treatment Packages are sold to customers and the receipts in respect of which are deferred and recognised as contract liabilities in the consolidated statement of financial position initially and subsequently recognised as revenue when the services are provided to customers. Customers may not exercise all of their contractual rights within the valid service periods. Those expected unexercised rights are referred to as "breakage". The expected unexercised rights on Treatment Service is estimated by management based on historical customer behaviour and usage pattern and is recognised as revenue when the likelihood of the customer exercising its remaining rights become remote. Any contract liabilities outstanding at the expiry of the service period are fully recognised in profit or loss.

Revenue from Prescription and Dispensing Service is recognised when control of the goods has transferred, being at the point the customers takes possession of and accepts the medication and/or skincare products at the Group's service centres. Payment of transaction price is due immediately at the point the customer purchases the goods.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition (prior to 1 April 2018)

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probably that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from Consultation Service are recognised when services are provided.

Revenue from Treatment Service are recognised when services are provided. Prepayments received are initially recorded as deferred revenue in the consolidated statement of financial position, and subsequently recognised as revenue when the services are provided to customers.

Revenue from Prescription and Dispensing Service are recognised when delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the medication and/or skincare products;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the medication and/or skincare products sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition (for both reporting periods)

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance leases) and buildings held for use in the production or supply of goods or 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.

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

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.

Reinstatement costs are provided for and included in property, plant and equipment and charged to the consolidated statement of profit or loss on a straight-line basis over the lease term.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment on tangible assets

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

The recoverable amount of tangible assets are estimated individually. When it is not possible to estimate the recoverable amount 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or 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 cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Leasing

Lease 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.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and building

When the Group makes payments for a property interest which includes both 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.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into presentation currency (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (and attributed to non-controlling interests as appropriate).

Short-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, annual leave and sick leave) after deducting any amount already paid.

Retirement benefits costs

Payments to defined contribution retirement benefit plans and state-managed retirement benefit scheme are recognised as an expense when employees have rendered services entitling them to the contributions.

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 26 to the Group's consolidated financial statements.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of options expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment arrangements *(Continued)*

Equity-settled share-based payment transactions *(Continued)*

Share Reward granted to employees

For the Share Reward (as defined in note 26) granted to a doctor of the Group by the shareholder (i.e. Dr. Kong) for services rendered to the Group, the fair value of services received was determined by reference to the fair value of the Share Reward at the grant date. The fair value of services received was expensed on a straight-line basis over the vesting period, with a corresponding increase in capital reserve as deemed contribution from the shareholder.

The Group shall recognise, as a minimum, the services received measured at the grant date fair value of the Share Reward granted, unless the Share Reward did not vest because of failure to satisfy a vesting condition (other than a market condition) that was specified at the grant date. In addition, an expense was recognised for the effect of modifications to the terms and conditions on which the Share Reward was granted, if any, that increases the total fair value of the Share Reward or were otherwise beneficial to the employee as measured at the date of the modification.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'loss/profit before tax' 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 profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

The measurement of deferred tax 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.

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost 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 that obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at 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).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statements of financial position 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 and 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 Financial Instruments in accordance with transitions in note 2)

All financial assets are recognised and derecognised on a trade date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 Financial Instruments in accordance with transitions in note 2) (Continued)

Amortised cost and interest income

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

Interest income is recognised using the effective interest method for financial assets 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 (see below). 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 (i.e. the gross carrying amount after deducting the impairment). 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.

Impairment of financial assets (upon application of HKFRS 9 Financial Instruments in accordance with transitions in note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including rental deposits, trade receivables, other receivables and deposits, pledged bank deposits and bank balances and cash). 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. The ECL on these financial assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

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 increases in the likelihood or risk of a detail occurring since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application of HKFRS 9 Financial Instruments in accordance with transitions in note 2) (Continued)

(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.

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, 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; and

- 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 aforegoing, 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.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application of HKFRS 9 Financial Instruments in accordance with transitions in note 2) (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when 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 financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(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;
- A breach of contract, such as a default or past due event;
- 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; or
- The disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application of HKFRS 9 Financial Instruments in accordance with transitions in note 2) (Continued)

(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. A write-off constitutes a derecognition event. Any subsequent recoveries made are recognised in profit or loss.

(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.

Where ECL is measured on a collective basis or cater for cases where evidence 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 management 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.

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 corresponding adjustment is recognised through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (before application of HKFRS 9 Financial Instruments 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. All regular way purchases or sales of financial assets are recognised on the trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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 rental deposits, trade receivables, other receivables and deposits, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of loans and receivables below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables that the recognition of interest would be immaterial.

Impairment of loans and receivables (before application of HKFRS 9 Financial Instruments 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 when 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.

For loans and receivables, 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 and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For trade receivables that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. 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 in the portfolio past the credit period 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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

The carrying amount of loans and receivables is reduced by the impairment loss directly 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.

Financial liabilities and equity instruments

Debt and equity instruments 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.

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 group entities are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities (including trade payables, other payable, deposit received and amount due to a non-controlling shareholder of a subsidiary) are subsequently measured at amortised cost using the effective interest method.

Derecognition

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, the difference between the asset's carrying amount and the sum of consideration received and receivable is recognised in profit or loss.

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.

4. KEY SOURCE OF ESTIMATION UNCERTAINTY

The following is the key source of estimation that the management of the Group has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

The Group offers Prepaid Treatment Packages in relation to Treatment Service to customers as Treatment Service requires multiple sessions to achieve desired results. Upon receipts of a prepayment from customers, the Group recognised contract liabilities in the consolidated statement of financial position for the performance obligation to transfer in the future. These non-refundable prepayments give the customer a right to receive Treatment Service in the future (and oblige the Group to stand ready to provide Treatment Service). However, customers may not exercise all of their contractual rights within the valid service periods for various reasons. Those expected unexercised rights are referred to as "breakage".

The expected unexercised rights on Treatment Service is estimated by management based on historical customer behaviour and usage pattern and is recognised as revenue when the likelihood of the customer exercising its remaining rights become remote. As disclosed in note 2.1, the Group recognised the expected breakage amount of HK$278,000 in the opening retained profits at 1 April 2018 upon transition to HKFRS 15. The Group recognised the expected breakage amount of HK$175,000 as revenue in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2019.

5. REVENUE

The Group's revenue represents revenue arising from provision of Consultation Service, Prescription and Dispensing Service and Treatment Service during the year.

Disaggregation of revenue from contracts with customers:

	2019	2018
	HK$'000	*HK$'000*
Consultation Service	**1,875**	2,762
Prescription and Dispensing Service	**17,015**	21,075
Treatment Service	**32,559**	33,956
	51,449	57,793

(a) Revenue from contracts with customers within the scope of HKFRS 15 by timing of revenue recognition:

	Consultation Service		**Prescription and Dispensing Service**		**Treatment Service**		**Total**	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
A point in time	**–**	–	**17,015**	21,075	**–**	–	**17,015**	21,075
Over time	**1,875**	2,762	**–**	–	**32,559**	33,956	**34,434**	36,718
	1,875	2,762	**17,015**	21,075	**32,559**	33,956	**51,449**	57,793

5. REVENUE *(Continued)*

(b) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

As at 31 March 2019, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is HK$24,344,000. This amount represents revenue expected to be recognised in the future from contracts for Treatment Service entered into by the customers with the Group. The Group will recognise the expected revenue in future when or as the service is rendered, which is expected to occur over the next 12 to 36 months.

6. SEGMENT INFORMATION

The Group's operating activities are attributable to a single operating segment focusing on Consultation Service, Prescription and Dispensing Service and Treatment Service. This operating segment has been identified on the basis of internal management reports prepared in accordance with the Group's accounting policies set out in note 3. Dr. Kong and Mr. Lo Kwok Bun (before his resignation as the Chief Executive Officer of the Company on 1 March 2018) have been identified as the chief operating decision makers ("**CODM**"). The CODM review the Group's revenue analysis by services and products in order to assess performance and allocation of resources.

Other than revenue analysis, no operating results or other discrete financial information is available for the assessment of performance and allocation of resources. The CODM review the results of the Group as a whole to make decisions. Accordingly, other than entity wide information, no analysis of this single operating segment is presented.

Geographical information

The Group's operations are located in Hong Kong. All of the Group's revenue from external customers based on the location of the Group's operations is from Hong Kong.

The geographical locations of the Group's non-current assets are mostly situated in Hong Kong based on physical location of assets.

Information about major customers

During each of the years ended 31 March 2019 and 2018, there was no revenue from any customer who individually contributing over 10% of the total revenue of the Group.

7. OTHER INCOME, GAINS AND LOSSES

	2019 ***HK$'000***	2018 *HK$'000*
Rental income	**616**	974
Interest income on bank deposits	**328**	129
Loss on write-off of property, plant and equipment	**(93)**	–
Net foreign exchange (loss) gain	**(453)**	50
Others	**31**	4
	429	1,157

8. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

During the year, the emoluments paid or payable to the Directors were as follows:

	Executive Directors				Independent non-executive Directors			
	Dr. Kong *HK$'000* *(Note ii)*	**Ms. Tsui Kan** *HK$'000* *(Note i)*	**Ms. Kong Chung Wai** *HK$'000*	**Ms. Sin Chui Pik Christine** *HK$'000*	**Mr. Chan Cheong Tat** *HK$'000*	**Mr. Lee Ka Lun** *HK$'000*	**Mr. Leung Siu Cheung** *HK$'000*	**Total** *HK$'000*
For the year ended 31 March 2019								
Fee	**60**	**60**	**60**	**60**	**180**	**180**	**180**	**780**
Other emoluments:								
Salaries	**3,226**	**480**	**622**	**912**	**–**	**–**	**–**	**5,240**
Performance bonus *(Note iii)*	**3,895**	**44**	**53**	**88**	**–**	**–**	**–**	**4,080**
Share-based payments	**–**	**–**	**95**	**95**	**60**	**60**	**60**	**370**
Contributions to retirement benefits scheme	**9**	**18**	**18**	**18**	**–**	**–**	**–**	**63**
Total emoluments	**7,190**	**602**	**848**	**1,173**	**240**	**240**	**240**	**10,533**

	Executive Directors					Independent non-executive Directors			
	Dr. Kong *HK$'000* *(Note ii)*	Ms. Tsui Kan *HK$'000* *(Note i)*	Mr. Lo Kwok Bun *HK$'000* *(Note ii)*	Ms. Kong Chung Wai *HK$'000*	Ms. Sin Chui Pik Christine *HK$'000*	Mr. Chan Cheong Tat *HK$'000*	Mr. Lee Ka Lun *HK$'000*	Mr. Leung Siu Cheung *HK$'000*	Total *HK$'000*
For the year ended 31 March 2018									
Fee	60	5	55	60	60	180	180	180	780
Other emoluments:									
Salaries	2,942	488	998	690	912	–	–	–	6,030
Performance bonus *(Note iii)*	3,521	44	99	64	88	–	–	–	3,816
Contributions to retirement benefits scheme	18	18	17	18	18	–	–	–	89
Total emoluments	6,541	555	1,169	832	1,078	180	180	180	10,715

Notes:

(i) Ms. Tsui Kan was appointed as an executive Director with effect from 1 March 2018.

(ii) Mr. Lo Kwok Bun resigned as an executive Director and the chief executive officer of the Company on 1 March 2018. Dr. Kong was appointed as the chief executive officer of the Company on 1 March 2018.

(iii) The performance bonuses are determined by reference to the performance of the individual Directors.

8. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

Mr. Lo Kwok Bun was also the chief executive officer of the Company before 1 March 2018 and his emoluments disclosed above include those for services rendered by him as the chief executive officer of the Company to manage the affairs of the Company and the Group.

The executive directors' emoluments shown above were mainly 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 Directors.

During each of the years ended 31 March 2019 and 2018, no emolument was paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors waived any emoluments during the years.

9. EMPLOYEES' EMOLUMENTS

The five highest paid employees of the Group during the year included three directors (2018: two directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2018: three) highest paid employees who are neither a director nor the chief executive officer of the Company are as follows:

	2019	2018
	HK$'000	*HK$'000*
Salaries, allowances and other benefits	**2,637**	3,613
Performance bonus	**732**	3,004
Share-based payments	**44**	419
Contributions to retirement benefits scheme	**36**	54
	3,449	7,090

9. EMPLOYEES' EMOLUMENTS *(Continued)*

Their emoluments were within the following bands:

	2019 **Number of individuals**	2018 Number of individuals
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**1**	–
HK$4,000,001 to HK$4,500,000	**–**	1

During each of the years ended 31 March 2019 and 2018, no emolument was paid by the Group to the five highest paid individual as an inducement to join or upon joining the Group or as compensation for loss of office.

10. (LOSS) PROFIT BEFORE TAX

	2019 ***HK$'000***	2018 *HK$'000*
(Loss) profit before tax has been arrived at after charging (crediting):		
Auditors' remuneration	**387**	626
Cost of inventories recognised as an expense	**7,706**	7,862
Allowance for inventories	**120**	58
Operating lease charge: minimum lease payments	**7,149**	6,937
Rental income less direct outgoing	**(616)**	(974)
Impairment loss in respect of property, plant and equipment *(Note 12)*	**783**	–
Impairment loss in respect of investment property *(Note 12)*	**783**	–
Staff costs		
Directors' emoluments *(Note 8)*	**10,533**	10,715
Other staff costs		
– salaries, allowance and other benefits	**14,750**	16,134
– share-based payments *(Note 26)*	**132**	419
– contributions to retirement benefits schemes	**504**	491
	25,919	27,759
Depreciation		
– property, plant and equipment	**4,268**	4,176
– investment property	**324**	–
	4,592	4,176

11. INCOME TAX EXPENSE

	2019	2018
	HK$'000	*HK$'000*
Income tax expense comprises of:		
Hong Kong Profits Tax		
Current year	**258**	1,280
Under provision in prior years	**34**	16
	292	1,296
Deferred tax credit *(Note 22)*	**(115)**	(55)
	177	1,241

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 profit tax rates regime. The Bill was gazetted on 29 March 2018.

Under the two tiered profits tax rates regime, the first HK$2.0 million of profits of qualifying entity will be taxed at 8.25%, and profits above HK$2.0 million will be taxed at 16.5%. For the year ended 31 March 2019, Hong Kong Profits Tax of the qualified entity is calculated in accordance with the two-tiered profits tax rates regime. The profits of group entities 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 2018, Hong Kong Profits Tax was calculated at the flat rate of 16.5%.

	2019	2018
	HK$'000	*HK$'000*
(Loss) Profit before tax	**(8,727)**	3,528
Tax at applicable rates (2018: 16.5%)	**(1,605)**	582
Tax effect of expenses that are not deductible	**632**	510
Tax effect of income not taxable for tax purpose	**(53)**	(21)
Tax losses not recognised	**1,244**	–
Utilisation of tax losses previously not recognised	**–**	(75)
Under provision in prior years	**34**	16
Others	**(75)**	229
Income tax expense for the year	**177**	1,241

As at 31 March 2019, the Group has unused tax losses of HK$7,574,000 (31 March 2018: HK$33,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

12. A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 29 January 2019, the Company entered into a provisional sale and purchase agreement (the "**Provisional Agreement**") with an independent third party (the "**Purchaser**"), pursuant to which the Company has agreed to sell its 100% equity interest in Golden Dickson (HK) Limited ("**Golden Dickson**") for a consideration of HK$46,000,000. All the conditions precedent under the Provisional Agreement have been fulfilled and the transaction was completed on 31 May 2019. The assets and liabilities attributable to Golden Dickson have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position. The rental income from Golden Dickson is included in the Group's other income (see Note 7).

The Directors consider the sales proceeds less the directly attributable cost which amounted to HK$45,268,000 as the fair value less cost of disposal for the disposal of Golden Dickson. An impairment loss of HK$1,566,000 including property, plant and equipment of HK$783,000 and investment property of HK$783,000, which represents the sale proceeds less the carrying amount of the net assets of Golden Dickson as at the reporting date, was charged to the consolidated profit or loss.

The major classes of assets and liabilities of Golden Dickson classified as held for sale are as follows:

	HK$'000
Property, plant and equipment	22,595
Investment property	22,595
Deposits and prepayments	50
Bank balances and cash	346
Total assets classified as held for sale	45,586

	HK$'000
Other payable and accrued liabilities	152
Tax payable	166
Total liabilities classified as held for sale	318

13. DIVIDENDS

On 5 December 2017, the Board of Directors (the "**Board**") resolved to declare the payment of a special dividend of HK5 cents per share, amounting to HK$24,020,000 and which was distributed by the Company to the shareholders of the Company (the "**Shareholders**") during the year ended 31 March 2018.

A final dividend in respect of the year ended 31 March 2017 of HK0.2 cent per share, amounting to HK$961,000, was approved by the Shareholders in the annual general meeting and distributed by the Company to the Shareholders during the year ended 31 March 2018.

A final dividend in respect of the year ended 31 March 2018 of HK0.15 cent per share, amounting to HK$721,000, was approved by the Shareholders in the annual general meeting of the Company and distributed by the Company to the Shareholders during the year ended 31 March 2019.

On 21 June 2019, the Board declared the payment of a special dividend of HK4 cents per share (the "**Special Dividend**") to the shareholders whose names appear on the register of members of the Company on Thursday, 11 July 2019. The Special Dividend will be posted on or around Friday, 26 July 2019 by ordinary mail to the shareholders.

14. (LOSS) EARNINGS PER SHARE

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

	2019	2018
	HK$'000	*HK$'000*
(Loss) profit for the purpose of calculating basic and diluted (loss) earnings per share ((loss) profit for the year attributable to owners of the Company)	**(5,480)**	2,533

	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share	**483,265**	480,400
Effect of diluting potential ordinary shares:		
Share options issued by the Company	**–**	–
Weighted average number of ordinary shares for the purpose of calculating diluted (loss) earnings per share	**483,265**	480,400

In current year, the computation of diluted loss per share does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price of shares for the year ended 31 March 2019.

In prior year, the computation of diluted earnings per share did not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price of shares for the year ended 31 March 2018.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building HK$'000	Leasehold improvements HK$'000	Office equipment HK$'000	Medical equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1 April 2017	48,619	5,853	2,363	13,846	759	71,440
Additions	–	48	85	622	–	755
Write-off	–	–	–	(60)	–	(60)
At 31 March 2018	48,619	5,901	2,448	14,408	759	72,135
Additions	–	867	325	3,260	–	4,452
Acquisition of a business (Note 28)	–	593	8	20	–	621
Write-off	–	(509)	(226)	–	–	(735)
Transfer to investment property	(24,309)	–	–	–	–	(24,309)
Transfer to assets classified as held for sale	(24,310)	–	–	–	–	(24,310)
At 31 March 2019	–	6,852	2,555	17,688	759	27,854
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 April 2017	81	3,455	1,592	9,997	278	15,403
Provided for the year	972	1,272	292	1,488	152	4,176
Eliminated on write-off	–	–	–	(60)	–	(60)
At 31 March 2018	1,053	4,727	1,884	11,425	430	19,519
Provided for the year	486	1,766	230	1,635	151	4,268
Impairment loss	783	–	–	–	–	783
Eliminated on write-off	–	(465)	(177)	–	–	(642)
Transfer to investment property	(607)	–	–	–	–	(607)
Transfer to assets classified as held for sale	(1,715)	–	–	–	–	(1,715)
At 31 March 2019	–	6,028	1,937	13,060	581	21,606
CARRYING VALUES						
At 31 March 2019	–	824	618	4,628	178	6,248
At 31 March 2018	47,566	1,174	564	2,983	329	52,616

The above items of property, plant and equipment are depreciated on a straight-line basis after taking into account of their residual values at the following rates per annum:

Leasehold land and building	Over the shorter of the term of the lease or 50 years
Leasehold improvements	Over the term of the lease
Office equipment	20%
Medical equipment	20%
Motor vehicles	20%

At 31 March 2018, the Group pledged leasehold land and building with carrying amount of HK$47,566,000 to a bank to secure general banking facilities granted and credit card settlement services provided to the Group. The Group did not utilise any of the general banking facilities. The general banking facilities were subsequently cancelled during the year ended 31 March 2019 and the aforesaid pledged leasehold land and building were released. Time deposits amounted to HK$9,837,000 (2018: Nil) were pledged for the card settlement services during the year.

During the year ended 31 March 2019, leasehold land and building with a carrying amount of HK$23,702,000 was transferred from property, plant and equipment to investment property due to change in use of the property to earn rentals. As at year end, the aforesaid investment property of HK$22,595,000 (carrying amount of HK$23,702,000 net of depreciation of HK$324,000 and impairment loss of HK$783,000) was transferred to assets classified as held for sale. The remaining carrying amount of leasehold land and building of HK$22,595,000 was also transferred to assets classified as held for sale. For details, please refer to Note 12.

16. INVENTORIES

	2019	2018
	HK$'000	*HK$'000*
Medication and skincare products	**3,102**	2,047
Treatment consumables	**1,020**	984
	4,122	3,031

17. TRADE RECEIVABLES, OTHER RECEIVABLE, DEPOSITS AND PREPAYMENTS

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**700**	280
Less: Allowance for expected credit loss	**(1)**	(1)
Total trade receivables	**699**	279

The customers of the Group would usually settle payments by cash, credit cards, Easy Pay System ("**EPS**") or medical cards. For credit card and EPS payments, the banks will normally settle the amounts from a few days to 60 days after the trade date. Payments by customers using medical cards will normally be settled by the medical card issuing companies within 60 to 90 days from the invoice dates.

The following is an aged analysis of trade receivables net of allowance for expected credit loss presented based on the trade dates for the receivables from the customers settling payments by credit cards and EPS and invoice dates for the receivables from the customers and medical card issuing companies at the end of the reporting period, which approximate the respective revenue recognition dates.

	2019	2018
	HK$'000	*HK$'000*
0–30 days	**590**	259
31–60 days	**94**	20
61–90 days	**15**	–
Total	**699**	279

Before accepting any medical cards, the Group assesses the credit quality of the companies issuing the medical cards by evaluating their historical credit records and defines credit limits by corporates. Recoverability and credit limit of the corporates are reviewed by the Group regularly.

The Group's trade receivables were not past due nor impaired at the end of the reporting period and were due from debtors which do not have historical default of payments.

17. TRADE RECEIVABLES, OTHER RECEIVABLE, DEPOSITS AND PREPAYMENTS

(Continued)

Movement in allowance for expected credit loss

	2019	2018
	HK$'000	HK$'000
Beginning of the year	**1**	7
Impairment loss in respect of trade receivable	**–**	2
Bad debt written off against allowance	**–**	(8)
At the end of the year	**1**	1

During the year ended 31 March 2018, the Group made an allowance of HK$2,000 in respect of the trade receivables which was past due at the end of the reporting period. Management of the Group considered the related receivables may be impaired due to no settlement after the follow-up actions being taken by the Group to recover the overdue debts and specific allowance is made. In determining the recoverability of a trade receivable, the Group considers that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. Management of the Group believes that no further credit provision is required in excess of the allowance for expected credit loss.

Breakdown of other receivable, deposits and prepayments

	2019	2018
	HK$'000	HK$'000
Other receivable	**54**	28
Deposits	**457**	1,282
Prepayments	**1,436**	2,282
Total other receivable, deposits and prepayments	**1,947**	3,592

18. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

Pledged bank deposits and bank balances and cash comprise cash held by the Group and short-term bank deposits at variable market interest rates with an original maturity of three months or less. For the year ended 31 March 2019, the deposits carried an average effective interest rate of 2.26% (2018: 0.46%) per annum.

As at 31 March 2019, time deposits amounted to HK$9,837,000 (2018: Nil) were pledged to a bank for card settlement services.

19. TRADE PAYABLES

The average credit period on purchase of goods is 30 days. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2019	2018
	HK$'000	HK$'000
0–30 days	**499**	382
31–60 days	**–**	41
	499	423

20. OTHER PAYABLE, ACCRUED LIABILITIES AND DEPOSIT RECEIVED

	2019 *HK$'000*	2018 *HK$'000*
Rental deposit	–	285
Accrued staff costs	**1,450**	1,044
Other accruals	**1,074**	1,074
	2,524	2,403

Deposit received represents HK$4,600,000 paid by the Purchaser to the Company pursuant to the Provisional Agreement entered on 29 January 2019 in relation to a disposal transaction as set out in more details in note 12.

21. CONTRACT LIABILITIES/DEFERRED REVENUE

	2019 *HK$'000*	2018 *HK$'000*
Prepaid treatment packages *(Note)*	**24,344**	15,895

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities.

	Prepaid Treatment Packages *HK$'000*
Revenue recognised that was included in the contract liability balance at the beginning of the year	9,059

Note: As customers are able to exercise their contractual rights in relation to these prepaid treatment packages at their discretion, the amount is presented as current liabilities in the consolidated statement of financial position.

22. DEFERRED TAX LIABILITY

The deferred tax liability recognised and movements thereon during the year are as follows:

	Accelerated tax depreciation
	HK$'000
At 1 April 2017	170
Credit to profit or loss *(Note 11)*	(55)
At 31 March 2018	**115**
Credit to profit or loss *(Note 11)*	(115)
At 31 March 2019	–

23. PROVISION FOR REINSTATEMENT COSTS

	2019	2018
	HK$'000	*HK$'000*
At 1 April	**–**	–
Provision during the year	**400**	–
At 31 March	**400**	–
Represented by:		
– Non-current	**400**	–
– Current	**–**	–
	400	–

Under the terms of operating leases in respect of properties entered into by the Group, the Group is required to reinstate the properties to the original physical conditions at the end of the respective leases. Provision is therefore made for the best estimate of the expected costs that related to the restoration of the alternations made to the properties.

24. AMOUNT DUE TO A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

The amount is unsecured, interest-free and repayable on demand.

25. SHARE CAPITAL

The share capital at 31 March 2018 and 2019 represented the issued share capital of the Company as detailed below:

	Number of shares	**Share capital** *HK$'000*
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 April 2017, 31 March 2018 and 2019	1,000,000,000	10,000
Issued:		
As at 1 April 2017, 31 March 2018 and 1 April 2018	480,400,000	4,804
Issue of shares	5,336,000	53
At 31 March 2019	485,736,000	4,857

On 26 February 2018, the Company entered into the subscription agreement (the "**Subscription Agreement**") with an independent third party (the "**Subscriber**"), pursuant to which the Company has agreed to allot and issue and the Subscriber has agreed to subscribe for 5,336,000 ordinary shares at a subscription price of HK$0.53 per share on the terms and subject to the conditions as set out in the Subscription Agreement. Subject to the fulfillment of the conditions precedent, the transaction was completed on 17 September 2018. The total gross proceeds amounted to HK$2,828,000. The details of the Subscription Agreement are set out in the Company's announcement dated 26 February 2018.

26. SHARE-BASED PAYMENT TRANSACTIONS

Share Option Scheme

The Company adopted a share option scheme ("**Share Option Scheme**") on 3 December 2014 to provide incentive and/or to reward eligible persons for their contribution to, and continuing efforts to promote the interest of, the Group. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to a Director, chief executive or substantial shareholder (or any of their respective associates) of the Company shall not be valid unless it has been approved by the independent non-executive Directors, excluding any independent non-executive Director who is a prospective grantee of the option. Options granted to substantial shareholders or independent non-executive Directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

An offer of grant of an option may be accepted by an eligible person within the date as specified in the offer issued by the Company, being a date not later than 21 days after (i) the date on which the offer was issued, or (ii) the date on which the conditions (if any) for the offer are satisfied, provided that such date shall not be more than ten years after the date of adoption of the Share Option Scheme. A consideration of HK$1.00 is payable for each acceptance of grant of option(s). Such consideration shall generally not be refundable. Subject to the other provisions of the Share Option Scheme, an option may be exercised in whole or in part by the grantee (or his personal representatives) at any time before the expiry of the period to be determined and notified by the Board to the grantee which in any event shall not be longer than 10 years commencing on the offer date and expiring on the last day of such 10-year period subject to the provisions for early termination as contained in the Share Option Scheme and provided that the Board may determine the minimum period for which the option has to be held or other restrictions before the exercise of the subscription right attaching thereto.

The exercise price is determined by the Directors, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

A summary of the share options granted under the Share Option Scheme are as follows:

Type of Participants	Grant date	Exercise price per share	Vesting period	Exercise period	Outstanding at 1.4.2017	Number of share options lapsed during the year	Outstanding at 31.3.2018	Number of share options Granted during the year	Number of share options Outstanding at 31.3.2019
Directors	17.08.2015	0.67	17.08.2015 – 16.08.2016	17.08.2016 – 16.08.2017	1,200,000	(1,200,000)	–	–	–
	15.08.2018	0.433	N/A	15.08.2018 – 14.08.2022	–	–	–	1,000,000	1,000,000
	15.08.2018	0.433	15.08.2018 – 14.08.2019	15.08.2019 – 14.08.2022	–	–	–	1,400,000	1,400,000
	15.08.2018	0.433	15.08.2018 – 14.08.2020	15.08.2020 – 14.08.2022	–	–	–	400,000	400,000
Employees	17.08.2015	0.67	17.08.2015 – 16.08.2016	17.08.2016 – 16.08.2017	400,000	(400,000)	–	–	–
	15.08.2018	0.433	N/A	15.08.2018 – 14.08.2022	–	–	–	300,000	300,000
	15.08.2018	0.433	15.08.2018 – 14.08.2019	15.08.2019 – 14.08.2022	–	–	–	600,000	600,000
	15.08.2018	0.433	15.08.2018 – 14.08.2020	15.08.2020 – 14.08.2022	–	–	–	300,000	300,000
					1,600,000	(1,600,000)	–	4,000,000	4,000,000

26. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Share Option Scheme *(Continued)*

On 17 August 2015, an aggregate of 2,000,000 share options were granted to certain Directors and certain employees of the Group. The closing price of the shares as stated in the Stock Exchange's daily quotations sheet immediately before the date on which the options are granted (i.e. 14 August 2018) was HK$0.67. The granted share options are vested over the relevant vesting periods commencing from 17 August 2015 to 16 August 2016.

On 15 August 2018, an aggregate of 4,000,000 share options were granted to certain Directors and certain employees of the Group. The closing price of the shares as stated in the Stock Exchange's daily quotations sheet immediately before the date on which the options are granted (i.e. 14 August 2018) was HK$0.360. The granted share options are vested over the relevant vesting periods commencing from 15 August 2018 to 14 August 2020.

The estimated fair value of the share options granted on 17 August 2015 and 15 August 2018 were HK$367,000 and HK$733,000, respectively. The fair value was calculated using the binomial option pricing model.

The inputs into the model were as follows:

	17 August 2015	15 August 2018
Closing share price at date of grant	HK$0.67	HK$0.360
Exercise price	HK$0.67	HK$0.433
Option life	2 years	4 years
Expected volatility	49.9%	85.03%
Dividend yield	0.37%	0.417%
Risk free interest rate	0.44%	1.962%

The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimates. Changes in variables and assumptions may result in changes in the fair value of the options. Expected volatility was determined by historical daily volatilities of the Company's share prices as at the valuation date.

26. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Share Option Scheme *(Continued)*

Share option outstanding under Share Option Scheme is presented in the table below:

	2019		2018	
	No. of shares	**Weighted average exercise price**	No. of shares	Weighted average exercise price
At 1 April	**–**	**–**	1,600,000	HK$0.670
Granted	**4,000,000**	**HK$0.433**	–	–
Lapsed	**–**	**–**	(1,600,000)	HK$0.670
At 31 March	**4,000,000**	**HK$0.433**	–	–
Exercisable at the year end date	**1,300,000**	**HK$0.433**	–	–

During the year ended 31 March 2019, the Group recognised HK$502,000 (2018: Nil) as an expense in the consolidated statement of profit or loss and other comprehensive income in relation to share options granted by the Company.

No share options were exercised, cancelled or lapsed during the year ended 31 March 2019 (2018: 1,600,000 share options amounted to HK$294,000 were lapsed). As at the date of this report, there were 4,000,000 outstanding share options in aggregate, of which 1,300,000 share options have vested and are issuable for 1,300,000 ordinary shares of the Company under the Share Option Scheme.

26. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Share Reward

On 8 August 2012, a service agreement (the "**Service Agreement**") was entered into between Medicskin Laboratories Limited ("**Medicskin**") and Dr. Lam Yee Ming Alice ("**Dr. Lam**") pursuant to which Medicskin employed Dr. Lam as an employee for a term of 5 years commencing from 1 September 2012 and ending on 31 August 2017 (the "**5 Year Term**").

On 20 August 2012, Topline, which was wholly owned by the Group's controlling shareholder, Dr. Kong, had entered into an agreement with Attractive Beauty Limited ("**Attractive Beauty**", a company wholly owned by Dr. Lam) pursuant to which Attractive Beauty acquired two ordinary shares of Tally Scholar Limited ("**Tally Scholar**"), the immediate holding company of the Group prior to the reorganisation of the Group (representing 2% of the then issued share capital of Tally Scholar) for a consideration of HK$1,600,000 (the "**S&P Agreement**").

Also, Dr. Kong, Topline, Dr. Lam and Attractive Beauty entered into a supplemental agreement on 20 August 2012 (the "**Share Reward Agreement**") and a deed of amendment and restatement on 28 June 2014 (the "**Deed**") which supplemented the above mentioned agreements. The major terms of the Share Reward Agreement as amended and restated pursuant to the Deed are summarised below:

1. In consideration of the satisfactory service by Dr. Lam and Dr. Lam & Co (a sole proprietorship established by Dr. Lam) to Medicskin during the 5 Year Term pursuant to the Service Agreement and the relevant Cooperation Agreement which was entered into among Medicskin, Dr. Lam and Dr. Lam & Co ("**Dr. Lam Cooperation Agreement**"), Dr. Lam shall be entitled to purchase up to 5% of the existing issued share capital of Tally Scholar or the Company (the "**5% Share Entitlement**", calculated on a time proportional basis by reference to the aggregate length of service provided over the 5 Year Term) as at 20 August 2012 (the "**Existing Issued Share Capital**") from Dr. Kong and/or Topline. The purchase of such 5% Share Entitlement by Dr. Lam shall be fully financed by Dr. Kong (the "**Financing**") as follows:

   (a) subject to the terms relating to the early termination of the Service Agreement or Dr. Lam Cooperation Agreement as discussed below, 2% of the Existing Issued Share Capital of Tally Scholar will be transferred to Dr. Lam pursuant to the S&P Agreement, while the related Financing shall become without recourse at the end of the first two years in the 5 Year Term (the "**First 2 Year Term**", that is, on 31 August 2014);

   (b) subject to the terms relating to the early termination of the Service Agreement or Dr. Lam Cooperation Agreement as discussed below, the next 1% of the Existing Issued Share Capital of Tally Scholar or equivalent percent of share capital of the Company will be transferred to Dr. Lam upon Listing or completion of First 2 Year Term, whichever is earlier, while the related Financing shall become without recourse at the end of the anniversary of the First 2 Year Term (that is, on 31 August 2015); and

   (c) the remaining 2% of the Existing Issued Share Capital of Tally Scholar or equivalent percent of share capital of the Company will be transferred to Dr. Lam at the completion of the 5 Year Term and the related Financing shall become without recourse at the end of the 5 Year Term (that is, on 31 August 2017).

26. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Share Reward *(Continued)*

2. Pursuant to the terms of Share Reward Agreement as amended and restated pursuant to the Deed, upon the occurrence of early termination of the Service Agreement or Dr. Lam Cooperation Agreement for whatever reason during the 5 Year Term, the proportion of shares transferred to Dr. Lam or Attractive Beauty in advance which Dr. Lam is not entitled to receive as a result of early termination of Service Agreement or Dr. Lam Cooperation Agreement shall be transferred back to Dr. Kong or Topline and the related Financing will also be returned to Dr. Kong.

Hereinafter, the above-mentioned share entitlement is referred to as "**Share Reward**".

The following table discloses movements of the Share Reward held by Dr. Lam during the year ended 31 March 2018:

	Outstanding at 1 April 2017	Vested during the year	Outstanding at 31 March 2018
Share Reward	0.42%	0.42%	–

Fair value of the Share Reward granted is expensed over the vesting period, with a corresponding credit to the Group's capital reserve. For the year ended 31 March 2018, share-based payment expense of HK$419,000 was recognised with a corresponding credit recognised in the Group's capital reserve.

27. RETIREMENT BENEFITS PLANS

The Group operates a defined contribution scheme, MPF Scheme, for all qualifying employees in Hong Kong. The MPF Scheme was established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees. The maximum monthly contribution made by the Group is limited to HK$1,500 per employee, while an employee can contribute more than HK$1,500 per month if the employee is willing to do so.

For the year ended 31 March 2019, the total cost of HK$567,000 (2018: HK$580,000) charged to the consolidated statement of profit or loss and other comprehensive income represented contributions paid or payable to the MPF Scheme by the Group. There was no forfeited contribution throughout the year ended in 31 March 2019 (2018: Nil).

28. ACQUISITION OF A BUSINESS

On 11 June 2018, the Group acquired a group of assets that constitute a business of beauty spa services from an independent third party, which offers extensive range of professional services from medical treatments to relaxing facial massages and body treatments in a luxurious and relaxing environment. At the time of acquisition, Directors are of the view that the acquisition constitutes businesses acquisition. The transaction has been accounted for using the business combination method accordingly.

Consideration transferred

	HK$'000
Cash	20

Acquisition-related costs of HK$9,000 were insignificant and have been recognised as an expense in the current year and included in the other expenses in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	621
Deposit	142
Bank balances and cash	3
Contract liabilities	(746)
Net assets	20

Net cash outflow arising on acquisition:

	HK$'000
Cash consideration paid	(20)
Bank balances and cash acquired	3
Net outflow of cash and cash equivalents Included in cash flows from investing activities	(17)

29. COMMITMENTS

Operating Lease Arrangements

The Group as lessee

	2019	2018
	HK$'000	*HK$'000*
Minimum lease payments paid under operating leases during the year in respect of rented premises included in other expenses	**7,149**	6,937

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

	2019	2018
	HK$'000	*HK$'000*
Within one year	**8,017**	5,223
In the second to fifth year inclusive	**13,463**	60
	21,480	5,283

Operating lease payments represent rentals payable by the Group for its office premises and skin care centres. Leases are negotiated for the lease terms of one to three years (2018: one to three years) and rentals are fixed throughout the lease terms.

The Group as lessor

A property was acquired by the Group on 24 March 2017 and has been occupied by a tenant. The property was classified as held for sale (Note 12) as at 31 March 2019. The commitment amount below represents the rental income arising from this property up to the date when the property was disposed of. The disposal transaction was completed on 31 May 2019.

At the end of the reporting period, the Group had contracted with a tenant for the following future minimum lease payments:

	2019	2018
	HK$'000	*HK$'000*
Within one year *(Note)*	**86**	–

Note: This amount represents the commitment up to the date of disposal of Golden Dickson (Note 35).

Capital commitment

	2019	2018
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided for in the consolidated financial statements in respect of		
Purchase of property, plant and equipment	**–**	175
Capital contribution to a subsidiary	**244**	385
	244	560

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 shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the year.

The existing capital structure of the Group consists of equity attributable to owners of the Company, comprising share capital and reserves.

Management of the Group reviews the capital structure on a regular basis. As part of this review, management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of management of the Group, the Group will balance its overall capital structure through the payment of dividends and new shares issue.

31. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2019	2018
	HK$'000	*HK$'000*
Financial assets		
Financial assets at amortised cost	**29,970**	–
Loans and receivables (including cash and cash equivalents)	**–**	21,985
	29,970	21,985
Financial liabilities		
Amortised cost	**5,638**	708

Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivable and deposits, rental deposits, pledged bank deposits, bank balances and cash, trade payables, other payable, deposit received and amount due to a non-controlling shareholder of a subsidiary. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (foreign currency risk and 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.

31. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group is exposed to foreign currency risk related primarily to cash and cash equivalents that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily Chinese Renminbi ("**RMB**"). The Group does not hold or issue any derivative financial instruments for trading purposes or to hedge against fluctuations in foreign exchange rates.

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised monetary assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2019	2018
	HK$'000	*HK$'000*
Bank balances and cash in RMB	**6,927**	7,072

As at 31 March 2019, if the HK$ had weakened/strengthened 10% against the RMB with all other variables held constant, the Group's loss/profit after tax for the year would have been HK$578,000 (2018: HK$591,000) lower/higher.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to floating-rate bank balances (see note 18 for details of these bank balances).

The Group currently does not have any interest rate hedging policy. However, management closely monitors its exposure to 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.

Management considers the Group's exposure to cash flow interest rate risk of floating-rate bank balances is not significant, hence no sensitivity analysis is presented for the year ended 31 March 2019 and 2018.

31. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the credit quality of each individual debt at the end of the reporting periods to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 Financial Instruments (2018: incurred loss model) on trade balances individually or based on provision matrix. For trade receivables with gross carrying amount of HK$700,000, the Group has applied the simplified approach under HKFRS 9 to measure the loss allowance at lifetime ECL. No trade receivables at 1 April 2018 and 31 March 2019 is identified as credit-impaired based on historical credit loss experience adjusted by forward-looking estimates without undue cost or effort. The Group considered that the counterparties have a low risk of default and do not have any material past-due amounts and thus did not provide any allowance for credit loss during the year ended 31 March 2019. During the year ended 31 March 2018, the Group made an allowance of doubtful debt of HK$2,000 in respect of trade receivables which was past due at the end of the reporting period.

The credit risk of other receivables and deposits and rental deposits are managed through an internal process. The Group also actively monitors the outstanding amounts owed by each debtor and identifies any credit risks in a timely manner in order to reduce the risk of a credit related loss. The Group performs impairment assessment under ECL model upon application of HKFRS 9 (2018: incurred loss model) on these outstanding balance.

For other receivables and deposits and rental deposits with gross carrying amount of HK$3,514,000, the Group measures the loss allowance at 12m ECL. There has been no significant increase in credit risk since initial recognition. The balances are monitored on an ongoing basis and the Group's exposure to ECL is not significant since the Group trades only with recognised and creditworthy third parties.

Where applicable, an impairment analysis on other receivables and deposits and rental deposits is performed at each reporting date by considering the probability of default of comparable companies with published credit ratings, if any. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. As at 31 March 2019, the Group has not provided 12m ECL for other receivables and deposits and rental deposits.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Other than the concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk, with exposure spread over a number of counterparties.

31. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk

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

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

The 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.

Liquidity tables

	Weighted average effective interest rate	Repayable on demand or repayable in 1 to 3 months	Total undiscounted cash flows	Carrying amount at the end of the reporting date
	%	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2019				
Non-derivative financial liabilities				
Trade payables	**N/A**	**499**	**499**	**499**
Amount due to a non-controlling shareholder of a subsidiary	**N/A**	**539**	**539**	**539**
Deposit received	**N/A**	**4,600**	**4,600**	**4,600**
		5,638	**5,638**	**5,638**
At 31 March 2018				
Non-derivative financial liabilities				
Trade payables	N/A	423	423	423
Other payable	N/A	285	285	285
		708	708	708

Fair value

The fair values of financial assets and financial liabilities have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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.

32. RELATED PARTY TRANSACTIONS

(a) Transactions

During the year, the Group entered into the following transactions with related parties:

	Rental income		Purchase of goods		Endorsement expenses		Consultancy fee expenses	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Non-controlling shareholders of subsidiaries	**616**	–	**230**	–	**2,762**	146	**31**	3

(b) Outstanding balances

As as 31 March 2019, prepayments for endorsement expenses and consultancy fee expenses of HK$562,000 (2018: HK$554,000) and HK$29,000 (2018: HK$60,000), respectively, were paid to non-controlling shareholders of a subsidiary.

Other receivables of HK$54,000 (2018: Nil) is due from a non-controlling shareholder of a subsidiary. The amount is unsecured, interest-free and repayable on demand.

Saved as disclosed above and in note 24, as at 31 March 2019 and 2018, the Group had no other outstanding balance with related parties.

(c) Compensation of key management personnel

	2019	2018
	HK$'000	*HK$'000*
Short-term benefits	**10,981**	11,165
Post-employment benefits	**81**	107
	11,062	11,272

The remuneration of Directors and key executives is determined having regard to the performance of the individuals.

33. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries of the Company at 31 March 2019 and 2018 are as follows:

Name of subsidiary	Date and place of incorporation/ establishment	Principal country of operation	Type of legal entity	Issued and fully paid up share capital/ registered capital	Proportion of nominal value of share capital/registered capital held by the Company				Principal activities
					Directly		Indirectly		
					2019	2018	**2019**	2018	
Multiple Profit Enterprise Limited ("**Multiple Profit**")	1 February 2012 BVI	Hong Kong	BVI business company	Ordinary share US$1	**100%**	100%	**–**	–	Investment holding
MS Medicspa Limited (formerly known as "Massada Medicspa Limited")	19 April 2018 Hong Kong	Hong Kong	Private limited company	Ordinary share HK$1	**–**	–	**51%**	–	Provision of beauty spa services
Medicskin	12 July 2000 Hong Kong	Hong Kong	Private limited company	Ordinary share HK$10,000	**–**	–	**100%**	100%	Provision of medical skin care services
Beauty Snow Development Limited	1 September 2014 BVI	Hong Kong	BVI business company	Ordinary share US$1	**100%**	100%	**–**	–	Investment holding
Beauty Choice Investment Limited	19 September 2014 Hong Kong	Hong Kong	Private limited company	Ordinary share HK$1	**–**	–	**100%**	100%	Sale of skincare products
Active True Mark Limited	22 April 2015 BVI	Hong Kong	BVI business company	Ordinary share US$1	**100%**	100%	**–**	–	Investment holding
Amazing Queen Limited	30 January 2015 Hong Kong	Hong Kong	Private limited company	Ordinary share HK$1	**–**	–	**100%**	100%	Investment holding
Internet Plus Beauty (Shenzhen) Trading Company Limited ("**Internet Plus**")	19 August 2015 Shenzhen	People's Republic of China ("**PRC**")	Wholly foreign owned enterprise	RMB500,000*	**–**	–	**100%**	100%	Sale of skincare products
High Rank Ventures Limited	1 July 2015 BVI	Hong Kong	BVI business company	Ordinary share US$1	**100%**	100%	**–**	–	Investment holding
Golden Dickson	1 November 2016 Hong Kong	Hong Kong	Private limited company	Ordinary share HK$1	**100%**	100%	**–**	–	Property holding
Hong Kong Precision and Preventive Medicine Centre Limited	31 March 2017 Hong Kong	Hong Kong	Private limited company	Ordinary share HK$1	**–**	–	**100%**	100%	Not yet commence business

33. PARTICULARS OF SUBSIDIARIES *(Continued)*

Particulars of the subsidiaries of the Company at 31 March 2019 and 2018 are as follows:

Name of subsidiary	Date and place of incorporation/ establishment	Principal country of operation	Type of legal entity	Issued and fully paid up share capital/ registered capital	Proportion of nominal value of share capital/registered capital held by the Company				Principal activities
					Directly		Indirectly		
					2019	2018	**2019**	2018	
Right Success Investment Development Limited	18 September 2017 BVI	Hong Kong	BVI business company	Ordinary share US$1	**100%**	100%	**–**	–	Investment holding
Rightway Honour Holdings Limited ("**Rightway Honour**")	18 September 2017 BVI	Hong Kong	BVI business company	Ordinary share US$200,000	**–**	–	**51%**	51%	Investment holding
Ray Lui's Anti-aging & Health Management Centre Limited	9 October 2017 Hong Kong	Hong Kong	Private limited Company	Ordinary share HK$100	**–**	–	**51%**	51%	Provision of skin care and health management services
Success Guide Limited	22 December 2017 BVI	Hong Kong	BVI business company	Ordinary share US$100	**–**	–	**51%**	–	Investment holding
Wealthy Plenty Limited	19 September 2017 Hong Kong	Hong Kong	BVI business company	Ordinary share US$1	**100%**	100%	**–**	–	Investment holding
偉之健抗衰老健康管理(廣州)有限公司 ("**RayLui GZ**")	1 June 2018	PRC	Wholly foreign owned enterprise	HK$1,150,000#	**–**	–	51%	–	Provision of skin care and health management service

* As at 31 March 2019, registered capital of RMB291,000 (2018: RMB170,000) was paid. As at 31 March 2019 and 2018, the Group of Internet Plus is required to pay the registered capital up to RMB500,000 on or before 19 August 2045.

As at 31 March 2019, register capital of HK$1,150,000 was paid.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

34. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Total comprehensive loss allocated to non-controlling interests		Non-controlling interests	
		2019	2018	**2019**	2018	**2019**	2018
				HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Rightway Honour and its subsidiaries	Hong Kong	**49%**	49%	**(2,914)**	(246)	**(2,395)**	519
Individual immaterial subsidiaries with non-controlling interests						**(498)**	–
						(2,893)	519

Summarised financial information in respect of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Rightway Honour and its subsidiaries

	2019	2018
	HK$'000	*HK$'000*
Current assets	**3,005**	1,179
Non-current assets	**58**	49
Current liabilities	**(7,953)**	(169)
Equity attributable to owners of the Company	**(2,495)**	540
Non-controlling interests	**(2,395)**	519

34. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

Rightway Honour and its subsidiaries *(Continued)*

	2019	2018
	HK$'000	*HK$'000*
Revenue	**1,445**	–
Expenses	**(7,417)**	(501)
Loss for the year	**(5,972)**	(501)
Other comprehensive income for the year		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising from translation of a foreign operation	**24**	–
	(5,948)	(501)
Loss attributable to		
– owners of the Company	**(3,046)**	(255)
– non-controlling interests	**(2,926)**	(246)
Loss for the year	**(5,972)**	(501)
Total comprehensive loss attributable to		
– owners of the Company	**(3,034)**	(255)
– non-controlling interests	**(2,914)**	(246)
	(5,948)	(501)
Net cash outflow from operating activities	**(5,411)**	(1,550)
Net cash outflow from investing activities	**(105)**	(49)
Net cash inflow from financing activities	**6,103**	1,729
Net cash inflow	**587**	130

35. EVENTS AFTER THE REPORTING PERIOD

On 29 January 2019, the Company entered into a Provisional Agreement with the Purchaser, pursuant to which the Company has agreed to sell its 100% equity interest in Golden Dickson and the Purchaser has agreed to acquire the same for a consideration of HK$46,000,000 on and subject to the terms and conditions contained in the Provisional Agreement. All the conditions precedent under the Provisional Agreement have been fulfilled and the transaction was completed on 31 May 2019.

36. STATEMENT OF FINANCIAL POSITION OF AND RESERVES OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2019	2018
	HK$'000	*HK$'000*
Non-current assets		
Unlisted investment in subsidiaries	**5,680**	12,626
Amounts due from subsidiaries	**10,045**	49,736
	15,725	62,362
Current assets		
Deposits and prepayments	**176**	190
Amount due from subsidiaries	**50,862**	80
Bank balances	**4,772**	316
	55,810	586
Current liabilities		
Accrued liabilities	**81**	235
Deposit received	**4,600**	–
	4,681	235
Net current assets	**51,129**	351
Total assets less current liabilities	**66,854**	62,713
Capital and reserves		
Share capital	**4,857**	4,804
Reserves	**61,997**	57,909
Total equity	**66,854**	62,713

36. STATEMENT OF FINANCIAL POSITION OF AND RESERVES OF THE COMPANY

(Continued)

Movement in reserves

	Share premium *HK$'000*	Retained profits *HK$'000*	Share options reserve *HK$'000*	Other reserve *HK$'000* *(Note)*	Total *HK$'000*
At 1 April 2017	72,463	2,680	294	2,461	77,898
Profit for the year	–	4,992	–	–	4,992
Lapse of share options	–	294	(294)	–	–
Dividends recognised as distribution	(24,020)	(961)	–	–	(24,981)
At 31 March 2018	48,443	7,005	–	2,461	57,909
Profit for the year	–	1,540	–	–	1,540
Recognition of equity-settled share-based payments	–	–	502	–	502
Issue of shares	2,775	–	–	–	2,775
Transaction costs attributable to issue of issue of shares	(8)	–	–	–	(8)
Dividends recognised as distribution	–	(721)	–	–	(721)
At 31 March 2019	51,210	7,824	502	2,461	61,997

Note: The other reserve represents the total equity of Multiple Profit upon the Company became the holding company of Multiple Profit.

FINANCIAL SUMMARY

	For the year ended 31 March				
	2019	2018	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
Revenue	**51,449**	57,793	62,062	60,073	66,738
(Loss) profit before tax	**(8,727)**	3,528	4,368	3,677	5,884
Income tax expense	**(177)**	(1,241)	(1,200)	(1,323)	(2,556)
(Loss) profit for the year	**(8,904)**	2,287	3,168	2,354	3,328
(Loss) profit for the year attributable to:					
Owners of the Company	**(5,480)**	2,533	3,168	2,354	3,328
Non-controlling interests	**(3,424)**	(246)	–	–	–
	(8,904)	2,287	3,168	2,354	3,328

	As at 31 March				
	2019	2018	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES					
Total assets	**88,313**	79,989	101,266	54,099	58,323
Total liabilities	**(33,224)**	(18,901)	(18,668)	(16,331)	(11,140)
	55,089	61,088	82,598	37,768	47,183
Total equity attributable to:					
Owners of the Company	**57,982**	60,569	82,598	37,768	47,183
Non-controlling interests	**(2,893)**	519	–	–	–
	55,089	61,088	82,598	37,768	47,183