BODIBra
心心功能內衣

My Heart Bodibra Group Limited

Incorporated in the Cayman Islands with limited liability
Stock Code：8297

Annual Report 2018-19

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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Tam Chak Chi
(appointed on 11 December 2018)
Mr. Wong Wai Kit
(appointed on 12 October 2018)
Mr. Fok Wai Hung
(resigned on 11 December 2018)
Mr. Lam Ka Yuen
(retired on 14 August 2018)
Ms. Luk Mo Yan
(retired on 14 August 2018)
Mr. Yeung Man Sun
(resigned on 11 December 2018)

NON-EXECUTIVE DIRECTORS

Mr. Ng Chi Ho Dennis
(appointed on 11 December 2018 and resigned on 1 April 2019)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cai Chun Fai
Ms. Chan Ka Ming
(appointed on 11 December 2018)
Mr. Ong King Keung
Mr. Lam Tat Fung
(resigned on 11 December 2018)

BOARD COMMITTEES

Audit Committee

Mr. Cai Chun Fai *(Chairman)*
(appointed as Chairman on 11 December 2018)
Ms. Chan Ka Ming
(appointed on 11 December 2018)
Mr. Ong King Keung
Mr. Lam Tat Fung *(Chairman)*
(resigned on 11 December 2018)

Nomination Committee

Mr. Cai Chun Fai
Ms. Chan Ka Ming *(Chairman)*
(appointed on 11 December 2018)
Mr. Tam Chak Chi
(appointed on 11 December 2018)
Mr. Fok Wai Hung
(resigned on 11 December 2018)
Mr. Lam Tat Fung *(Chairman)*
(resigned on 11 December 2018)

Remuneration Committee

Mr. Cai Chun Fai
Ms. Chan Ka Ming *(Chairman)*
(appointed on 11 December 2018)
Mr. Tam Chak Chi
(appointed on 11 December 2018)
Mr. Fok Wai Hung
(resigned on 11 December 2018)
Mr. Lam Tat Fung *(Chairman)*
(resigned on 11 December 2018)

AUTHORISED REPRESENTATIVES

Mr. Tam Chak Chi
(appointed on 11 December 2018)
Mr. Wong Wai Kit
(appointed on 11 December 2018)
Mr. Yeung Man Sun
(resigned on 11 December 2018)
Mr. Fok Wai Hung
(resigned on 11 December 2018)

COMPLIANCE OFFICER

Mr. Tam Chak Chi
(appointed on 11 December 2018)
Mr. Yeung Man Sun
(resigned on 11 December 2018)

COMPANY SECRETARY

Mr. Fok Wai Hung
(resigned on 1 June 2018)
Ms. Lai Wai Ha of Akron Advisory Limited,
external service provider
(appointed on 1 June 2018)

REGISTERED OFFICE

P.O. Box 1350, Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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75 Fort Street
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Grand Cayman KY1-1108
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Boardroom Share Registrars (HK) Limited
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148 Electric Road
North Point, Hong Kong

PRINCIPAL BANKER

Hang Seng Bank Limited

COMPLIANCE ADVISER

Central China International Capital Limited

AUDITOR

World Link CPA Limited

GEM STOCK CODE

8297

WEBSITE

www.bodibra.com

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is one of the leading retailers of lingerie with shaping functions in Hong Kong, with production facilities in the People's Republic of China (the "**PRC**") and Hong Kong. During the year ended 31 March 2019 and up to the date of this report, the Group is principally engaged in the designing, manufacturing and sales of core lingerie products under the core brand of "Bodibra" and sub-brands, namely "June", "ooobiki", "Bodicare" and "invisi". The Group principally offers a wide range of the Group's own branded lingerie that are designed with shaping functions which aim to achieve better body appearances, including bras and panties, body shaping underwear and chest support vests. The Group also (1) sells other products without shaping functions, which primarily include breast cream, panties, nude bras, swimwear, bras straps and pads, and waist bands; (2) carries out trading of garments business; and (3) provides beauty services.

During the year, in addition to maintaining its focus on Hong Kong market, the Group kept on developing the lingerie markets in the PRC and Macau. For the year ended 31 March 2019, the Group had leased new retail outlets at (1) Rua de Francisco Xavier Pereira No. 103A, EDF. TAK KEING A,B R/C, Macau, which has commenced operation from 14 June 2018; (2) Rua Norte do Mercado de S. Domingos No. 2-4A,B R/C, Macau, which has commenced operation from 11 December 2018; and (3) 3/F., Dong Peng Long Shang Ye Cheng (Hai Ya Bin Fen Guang Chang) Nan Hai Da Dao, Yue Hai Jie Dao, Nan Shan, Shenzhen, Guangdong Province, the PRC, which has commenced operation from 1 September 2018. On the other hand, the Group had ceased the operation of retail outlet at Shop 61, 1/F., Nan Tang Shang Ye Guang Chang B, Yongxin Jie, Luohu, Shenzhen, Guangdong Province, the PRC, since 20 May 2018.

During the year, the Group started to expand its business scope to aesthetic services by (1) setting up a body clinic which relates to body shaping in November 2018 at Shop No. 285, 2/F., Mira Place 2, 118–130 Nathan Road, Tsimshatsui, Kowloon, Hong Kong; and (2) acquiring 34% of the issued share capital of a company which, through its subsidiaries, is principally engaged in the business of medical aesthetic service. The Company believes such expansion and acquisition will complement and provide synergy to the existing line of business of the Group.

PROSPECTS

Looking forward, with the expected economic fluctuation and ongoing challenging operating environment, the Group will always strive to remain sensitive to the increasing and changing needs of its customers and to develop new design or function and a wide range of products with a competitive price by investing more resources for product development and keep on reinforcing cost control measures to deal with the increasing costs in the PRC. The Group will also implement cost-effective marketing strategies and keep on enhancing the inventory management to bring a desirable return to the shareholders of the Company (the "**Shareholders**") and facilitate the long-term growth of the business of the Group.

The board of directors of the Company (the "**Board**") will also strive to improve the Group's business operations and financial position by strengthening the cost control measures and proactively seeking potential investment opportunities (i) which is in line with the existing business of the Group so as to bring synergy effect to business of the Group; and (ii) which would diversify the Group's existing business portfolio and broaden its source of income, and enhance value to the Shareholders.

FINANCIAL REVIEW

Revenue

For the year ended 31 March 2019, the Group's revenue principally represents income derived from (1) sales of lingerie products and other complementary and ancillary products; (2) trading of garments; (3) provision of beauty services; and (4) income from unused credit packages, recorded a total amount of approximately HK$72.9 million, representing a decrease of approximately 8.0% compared with the revenue of approximately HK$79.2 million for the year ended 31 March 2018 as a result of the decrease in sales volume due to ongoing keen competition in the lingerie market and economic fluctuation.

Cost of Sales and Gross Profit

The Group's cost of sales recorded approximately HK$18.0 million for the year ended 31 March 2019, representing an increase of approximately 22.4% compared with the cost of sales of approximately HK$14.7 million for the year ended 31 March 2018. The increase in cost of sales was primarily due to the increase in processing charge and rental expenses.

The gross profit decreased by approximately 14.9% from approximately HK$64.4 million for the year ended 31 March 2018 to approximately HK$54.8 million for the year ended 31 March 2019.

Selling Expenses

Selling expenses increased by approximately HK$6.7 million from approximately HK$30.9 million for the year ended 31 March 2018 to approximately HK$37.6 million for the year ended 31 March 2019, which was mainly due to the increase in advertising expenses and staff costs.

Administrative and Other Operating Expenses

The Group's administrative and other operating expenses increased by approximately HK$12.8 million from approximately HK$29.6 million for the year ended 31 March 2018 to approximately HK$42.4 million for the year ended 31 March 2019, which was primarily due to the increase in staff costs, rental and related expenses, depreciation and allowance for inventories.

Loss before Tax

As a result of the foregoing, the Group recorded a loss before tax of approximately HK$24.3 million for the year ended 31 March 2019 compared with a loss before tax of approximately HK$5.0 million for the year ended 31 March 2018, which was mainly due to the increase in staff costs, rental and related expenses, advertising expenses, depreciation and allowance for inventories.

Income Tax Expense

The Group's income tax increased by approximately HK$3.8 million from income tax credit of approximately HK$3.7 million for the year ended 31 March 2018 as compared to income tax expense of approximately HK$0.1 million for the year ended 31 March 2019. The increase was mainly due to a one-off tax refund approved by the Inland Revenue Department with respect to the Company's subsidiary, My Heart Lingerie Limited, in the last year which did not recur during the year.

Loss Attributable to Owners of the Company

As a result of the cumulative effect of the above factors, the Group had recorded a loss attributable to owners of the Company of approximately HK$24.4 million for the year ended 31 March 2019, compared with a loss attributable to owners of the Company of approximately HK$1.3 million for the year ended 31 March 2018. This was mainly attributable to the increase in selling expenses and administrative and other operating expenses of the Group for the year ended 31 March 2019 as compared to the year ended 31 March 2018 as a result of the increase in staff costs, rental and related expenses, advertising expenses, depreciation and allowance for inventories.

DIVIDEND

The Board does not recommend the payment of dividend for the year ended 31 March 2019 (2018: Nil).

RESULTS OF FINANCIAL POSITION

The Group's total assets decreased by approximately HK$20.8 million to approximately HK$118.5 million as at 31 March 2019 (2018: approximately HK$139.3 million).

The Group's total liabilities increased by approximately HK$3.8 million to approximately HK$102.7 million as at 31 March 2019 (2018: approximately HK$98.9 million).

The equity attributable to owners of the Company decreased by approximately HK$24.7 million to approximately HK$15.8 million as at 31 March 2019 (2018: approximately HK$40.5 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2019, the Group had net current liabilities of approximately HK$35.6 million (31 March 2018: approximately HK$26.5 million of net current assets). The Group had cash and bank balances of approximately HK$12.2 million as at 31 March 2019 (31 March 2018: approximately HK$71.7 million).

CAPITAL STRUCTURE

During the year, there has been no change in the capital structure of the Group. The share capital of the Group only comprises of ordinary shares.

As at 31 March 2019, the Company's issued share capital was HK$4,800,000 of HK$0.01 each and the number of its issued ordinary shares was 480,000,000.

Details of changes in the Company's share capital for the year ended 31 March 2019 are set out in note 29 to the consolidated financial statements.

GEARING RATIO

Gearing ratio is calculated based on the total debts divided by total equity at the respective reporting date. As at 31 March 2019, the Group's gearing ratio was approximately 8.0%, while it was 5.9% as at 31 March 2018. Such increase in gearing ratio was mainly due to the decrease in total equity.

SIGNIFICANT INVESTMENTS/MATERIAL ACQUISITIONS AND DISPOSALS

On 11 January 2019, the Group entered into an agreement (the "**Agreement**") for the acquisition of 34% of the issued share capital of Honour Achieve International Investment Limited ("**Honour Achieve**") at the consideration of HK$32,640,000, which has been fully satisfied in cash. Completion of the aforesaid acquisition took place simultaneously upon signing of the Agreement. Upon completion, Honour Achieve has become an associated company of the Company.

Honour Achieve and its subsidiaries (collectively, the "**Honour Achieve Group**") are principally engaged in provision of non-surgical medical aesthetic services under the brand of "DEAGE by HKMIS" in Hong Kong, in particular, focusing on improving skin condition of clients. Honour Achieve Group operates two medical aesthetic centres at Central and Tsim Sha Tsui. Details of the aforesaid acquisition were set out in the announcements of the Company dated 11 January 2019 and 9 April 2019 respectively.

Saved as disclosed herein, there was no significant investment held by the Company or material acquisition and disposal made by the Company during the year.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the prospectus of the Company dated 26 June 2017 (the "**Prospectus**") and in this annual report, the Group currently has no plans for material investments or capital assets.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2019, the Group had 170 full-time employees (31 March 2018: 157 full-time employees). Remuneration packages offered to the Group's employees are consistent with the prevailing market terms and are reviewed on a regular basis. Discretionary bonuses may be awarded to employees taking into consideration the Group's performance and that of the individual employee.

Pursuant to the applicable laws and regulations, the Group has participated in relevant defined contribution retirement schemes administrated by the responsible government authorities in Macau and the PRC for its employees in Macau and the PRC. For the Group's employees in Hong Kong, all the arrangements pursuant to the mandatory provident fund requirements prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) have been duly implemented.

FOREIGN CURRENCY EXPOSURE

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars, Macau Pataca and Renminbi, being in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy. Management monitors foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arises. As at 31 March 2019, the Directors considered the Group's foreign exchange risk remained minimal.

CAPITAL COMMITMENTS

Save as disclosed in note 33 to the consolidated financial statements, as at 31 March 2019, the Group did not have other material capital commitments.

CONTINGENT LIABILITIES

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

PLEDGE OF ASSETS

As at 31 March 2019, the Group did not have any other mortgage or charge over its assets except for the deposits pledged to a bank to secure the rental of the office of the Group.

EVENTS AFTER THE REPORTING PERIOD

There are no material subsequent events undertaken by the Company or by the Group after the reporting period.

COMPARISON OF BUSINESS OBJECTIVES AND ACTUAL BUSINESS PROGRESS

The following is a comparison between the business objectives of the Group as set out in the Prospectus with actual business progress for the year ended 31 March 2019.

Business objectives for the year ended 31 March 2019 as set out in the Prospectus	Actual business progress up to 31 March 2019
Expand the retail network of the Group	
• Open three retail stores in Hong Kong, one retail store in Macau and five retail stores in the PRC, including one-off renovation, rental deposits and inventory	The Group has opened one retail store in Shenzhen, the PRC and two retail stores in Macau, including one-off renovation, rental deposits, during the period. The Group is in the process of finding suitable retail shops in Hong Kong and the PRC
• Employ 23 more sales persons in Hong Kong, the PRC and Macau for our new retail stores and retain the new sales persons employed for our new retail stores	The Group employed a total of 26 sales persons in Hong Kong, the PRC and Macau for the new retail stores during the period

Business objectives for the year ended 31 March 2019 as set out in the Prospectus	Actual business progress up to 31 March 2019
Further strengthen the brand awareness and reputation of the Group	
• Increase our marketing efforts by, among others, placing more advertisements in newspapers, magazines, social media, websites and billboards	The Group kept on placing advertisements in social media, online video sharing platform and has engaged famous Hong Kong artist as spokesperson
Increase the production capacity and product development capabilities of the Group	
• Retain the production workers and product designers employed during the six months ending 31 March 2018 to continue to strengthen the production and research and development capabilities	The Group has employed 2 designers in Hong Kong during the period The Group is in the process of finding a suitable new factory or a warehouse in the PRC, therefore, no additional production workers are being employed except for those for replacement of the production workers for the existing factory and warehouse
• Continue to work with CDAHK to improve the functionality of our lingerie products	The Group ceased the cooperation with CDAHK and will look for suitable professionals for the cooperation opportunities in order to improve the functionality of the lingerie products
Strengthen the operational efficiency of the Group	
• Purchase an enhanced POS module for our new retail stores	The Group is in the process of formulating the plan for upgrading the POS and VIP system to improve the efficiency of the Group's operation. The Group has enhanced a VIP mobile application that allows VIP members to login to obtain VIP account information
• Maintain and upgrade the software including finance, supply chains management and manufacturing modules	The Group is in the process of formulating the plan for improving such functions
• Continue to integrate the information technology systems and upgrade our information technology hardware such as servers, computers, printers and scanners	The Group is in the process of formulating the plan for the integration The Group has upgraded some of the information technology hardware and is in the process of upgrading other hardware, such as servers, printers and computers

The financial condition, results of operations, business and prospects of the Group would be affected by a number of risks and uncertainties as set out in the Prospectus under the section headed "Risk Factors".

USE OF PROCEEDS FROM THE LISTING

The net proceeds (the "**Net Proceeds**") from the public offer were approximately HK$16.7 million, which was based on the final offer price of HK$0.4 after deducting commission and expenses borne by the Company in connection with the public offer.

As disclosed in the announcement of the Company dated 11 January 2019, the Board on 11 January 2019 resolved to reallocate certain unutilized amount of the Net Proceeds, being approximately HK$8 million which was originally intended for expanding the Group's retail network to the working capital of the Group and other general corporate purposes (the "**Reallocation**"). Save for the Reallocation, the Company intends to allocate the remaining Net Proceeds as originally intended. The reasons and relevant details for the change in use of proceeds are set out in the announcement of the Company dated 11 January 2019.

The details of the original allocation of the Net Proceeds, the utilised amount of the Net Proceeds (taking into account of the Reallocation) up to 31 March 2019 and the remaining balance of the Net Proceeds (taking into account of the Reallocation) are set out as follows:

	Original allocation of the Net Proceeds *HK$ million*	**Utilised amount of the Net Proceeds (taking into account of the Reallocation) up to 31 March 2019** *HK$ million*	**Balance (taking into account of the Reallocation) as at 31 March 2019** *HK$ million*
Expand the Group's retail network	13.4	5.0	0.4
Strengthen the Group's brand awareness and reputation	0.5	0.5	–
Increase the Group's production capacity and product development capabilities	1.2	–	1.2
Strengthen the Group's operational efficiency	1.4	1.4	–
Working capital and other general corporate purposes	0.2	1.8	6.4
	16.7	8.7	8.0

The Group will use the remaining net proceeds from the public offering of the shares of the Company in accordance with the purposes stated in the Prospectus and the announcement of the Company dated 11 January 2019.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Tam Chak Chi ("Mr. Tam"), aged 42, was appointed as an executive Director in December 2018. Mr. Tam is a member of each of the remuneration committee and nomination committee of the Board.

Mr. Tam holds a bachelor's degree of commerce from the University of Toronto. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Taxation Institute of Hong Kong and a member of each of the American Institute of Certified Public Accountants and the Chartered Global Management Accountant. Mr. Tam has more than 15 years of experience in providing accounting, auditing and financial services and has served various senior positions at various private and listed companies. Further, he is currently an independent non-executive director of Wealth Glory Holdings Limited (stock code: 8269) and AL Group Limited (stock code: 8360), the respective shares of which are listed on the GEM of the Stock Exchange, and a financial consultant of various private companies.

Mr. Wong Wai Kit ("Mr. Wong"), aged 47, was appointed as an executive Director in October 2018. Mr. Wong joined the Group in May 2017 and is currently a director of certain subsidiaries of the Company. He is primarily responsible for administration and operation of the Group. Prior to joining the Group, Mr. Wong was the chairman of a food and beverage services company in China and has over 18 years of management experience, in particular the food and beverage sector.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Cai Chun Fai ("Mr. Cai"), aged 37, was appointed as an independent non-executive Director in February 2018. Mr. Cai is the chairman of the audit committee and a member of each of the nomination committee and remuneration committee of the Board.

Mr. Cai is an executive director and the company secretary of Zhaobangji Properties Holdings Limited (stock code: 1660), the shares of which are listed on the main board of the Stock Exchange, since March 2019. Mr. Cai holds the degree of Bachelor of Arts in Accountancy from the Hong Kong Polytechnic University. He is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Cai has over ten years' experience in auditing, accounting and financial management. Mr. Cai is an independent non-executive director of Royal Catering Group Holdings Company Limited (stock code: 8300) and was an independent non-executive director of Inno-Tech Holdings Limited (stock code: 8202) in February 2018, both the shares of which are listed on the GEM of the Stock Exchange.

Ms. Chan Ka Ming ("Ms. Chan"), aged 42, was appointed as an independent non-executive Director in December 2018. Ms. Chan is the chairman of each of the remuneration committee and nomination committee and a member of the audit committee of the Board.

Ms. Chan holds a bachelor's degree in Manufacturing Engineering from City University of Hong Kong. She has over 20 years of experience in leading and managing public relations and marketing projects for beauty and luxurious brands. She is a founder of a private company with principal business of digital marketing and is an assistant marketing director of a marketing and management consultants company.

Mr. Ong King Keung ("Mr. Ong"), aged 43, was appointed as an independent non-executive Director in December 2017 and is a member of the audit committee of the Board.

Mr. Ong obtained a bachelor degree in accountancy from the Hong Kong Polytechnic University and a master degree in corporate finance from the City University of Hong Kong. He is a member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He is currently a director of a professional audit firm in Hong Kong. He has over 15 years of experience in auditing and accounting industry.

Mr. Ong is an independent non-executive director of China Water Affairs Group Limited (stock code: 855) and Risecomm Group Holdings Limited (stock code: 1679) respectively, the respective shares of which are listed on the main board of the Stock Exchange. Mr. Ong is also an independent non-executive director of Bingo Group Holdings Limited (stock code: 8220), the shares of which are listed on the GEM. Mr. Ong had also been an independent non-executive director of Deson Construction International Holdings Limited (stock code: 8268), the shares of which are listed on the GEM, since December 2014 and has been subsequently re-designated as a non-executive director since December 2015. Mr. Ong was an independent non-executive director of Koala Financial Group Limited (formerly Sunrise (China) Technology Group Limited) (stock code: 8226) for the period from February 2017 to September 2017 and China Candy Holdings Limited (stock code: 8182) for the period from February 2016 to September 2017 respectively, the respective shares of which are listed on the GEM. Mr. Ong was also an independent non-executive director of Tech Pro Technology Development Limited (stock code: 3823) for the period from March 2017 to February 2019, the shares of which are listed on the main board of the Stock Exchange.

SENIOR MANAGEMENT

Mr. Fok Wai Hung ("Mr. Fok"), aged 42, is the financial controller of the Group. Mr. Fok is responsible for the overall financial management and reporting and the corporate secretarial matters of the Group. He joined the Group in December 2014 as finance manager of My Heart Lingerie Limited, an indirect wholly-owned subsidiary of the Company. Mr. Fok is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

INTRODUCTION

The Board is committed to achieve high standards of corporate governance by emphasising transparency, independence, accountability, responsibility and fairness. The Board strives to ensure that effective self-regulatory practices exist to protect the interests of the Shareholders and to enhance long-term Shareholders' value.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the principles of, and complied with, the applicable code provisions of the Corporate Governance Code (the "**CG Code**") as contained in Appendix 15 to the GEM Listing Rules during the year ended 31 March 2019 (the "**Period**"), except for the deviations as specified below. The Board will keep reviewing and updating such practices from time to time to ensure compliance with legal and commercial standards.

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

Under Code Provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and to gain and develop a balanced understanding of the views of shareholders. During the Period, Mr. Ong King Keung, independent non-executive Director, did not attend the annual general meeting of the Company held on 14 August 2018 due to other prior business engagements.

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

The Board takes the responsibility to oversee all major matters of the Company, including but not limited to formulating and approving the overall strategies and business performance of the Company, monitoring the financial performance and internal control as well as overseeing the risk management system of the Company and monitoring the performance of senior executives. The Board is also responsible for performing the corporate governance duties including the development and reviewing the Company's policies and practices on corporate governance.

Directors have full access to all relevant information affecting the Group and may take independent professional advice, which will be paid by the Company as appropriate.

The Board has the responsibility for leadership and control of the Company. The Board is collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board is accountable to the Shareholders for the strategic development of the Group with the goal of maximising long-term Shareholder value, while balancing broader stakeholder interests.

As at the date of this report, the Board is comprised of five Directors including two executive Directors and three independent non-executive Directors. At least one-third of the Board are independent non-executive Directors and at least one of them has appropriate professional qualifications, or accounting or related financial management expertise. The Board members as at the date of this annual report are:

Executive Directors:
Mr. Tam Chak Chi (*Compliance officer)*
Mr. Wong Wai Kit

Independent non-executive Directors:
Mr. Cai Chun Fai
Ms. Chan Ka Ming
Mr. Ong King Keung

Biographical details of the Directors are set out in the section of "Directors and Senior Management" on pages 11 to 12 of this annual report.

Directors' Training and Continuing Professional Development

Each newly appointed Director would receive a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the GEM Listing Rules and other relevant regulatory requirements.

In compliance with 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 that their contribution to the Board remains informed and relevant. During the Period, all Directors have participated in continuous professional development in the following manner:

Directors	Attended directors training session on the topics relating to directors' responsibilities and the GEM Listing Rules arranged by the Company	Attended seminar in relation to directors' responsibilities and the GEM Listing Rules	Reading materials relating to GEM Listing Rules update
Executive Directors			
Tam Chak Chi		✓	✓
Wong Wai Kit			✓
Independent non-executive Directors			
Chan Ka Ming			✓
Cai Chun Fai	✓		✓
Ong King Keung	✓		✓

The Group also provides briefings and other training to develop and refresh the Directors' knowledge and skills, and update all Directors on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirement to ensure compliance and to enhance their awareness of good corporate governance practices.

Directors' Attendance at Board Meeting and General Meeting

The Board is responsible for the management of the Company. During the Period, the Board had scheduled regular meeting and additional Board meetings were held as and when necessary. During the Period, the Board had held 13 Board meetings and an annual general meeting of the Company, which was held on 14 August 2018, with the attendance of the external auditor to answer questions. The attendance of each Director is set out as follows:

	Number of Meetings Attended/ Eligible to Attend for the Period	
Name of Directors	**Board meeting**	**Annual general meeting**
Executive Directors		
Tam Chak Chi (appointed on 11 December 2018)	3/3	N/A
Wong Wai Kit (appointed on 12 October 2018)	6/6	N/A
Fok Wai Hung (resigned on 11 December 2018)	10/10	1/1
Lam Ka Yuen (retired on 14 August 2018)	5/5	0/1
Luk Mo Yan (retired on 14 August 2018)	4/5	0/1
Yeung Man Sun (resigned on 11 December 2018)	10/10	1/1
Non-executive Directors		
Ng Chi Ho Dennis (appointed on 11 December 2018 and resigned on 1 April 2019)	3/3	N/A
Independent non-executive Directors		
Cai Chun Fai	13/13	1/1
Chan Ka Ming (appointed on 11 December 2018)	3/3	N/A
Ong King Keung	13/13	0/1
Lam Tat Fung (resigned on 11 December 2018)	10/10	1/1

Independent non-executive Directors

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 5.09 of the GEM Listing Rules and considers that all three independent non-executive Directors as at the date of this report, namely, Mr. Cai Chun Fai, Ms. Chan Ka Ming and Mr. Ong King Keung are independent in accordance with the terms of the independence guidelines set out in Rule 5.09 of the GEM Listing Rules.

With respect to Mr. Cai Chun Fai, Mr. Cai reported to the Board that his spouse is an employee of a professional advisor who has been involved in providing services to the Company during the Period. The Company is of the view that Mr. Cai's continued independence in accordance with the independence guidelines set out in Rule 5.09 of the GEM Listing Rules is not affected for the reasons: (i) the tasks/services were carried out by a team of employees of the professional advisor; (ii) the services were provided to the Company/Group as a whole; and (iii) neither Mr. Cai nor his spouse holds any interest, either directly or indirectly, in the subject professional advisor and/or its group companies.

CHAIRMAN AND CHIEF EXECUTIVE

According to the code provision A.2.1 of the CG Code, the roles of the chairman and chief executive shall be separate and should not be performed by the same individual.

Save as disclosed in the section headed "Corporate Governance Practices", the Company (i) has not appointed chief executive officer ("**CEO**") since 27 October 2017 and (ii) has not appointed chairman since 6 February 2018. The roles and functions of the chairman and CEO have been performed by all the executive Directors collectively. The Board will keep reviewing the current structure of the Board from time to time and will appoint CEO and chairman if the Board considers appropriate and necessary.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the Directors has entered into a letter of appointment with the Company for an initial fixed term of one year commencing from their respective date of appointment and thereafter shall continue year to year unless terminated by at least one month's notice in writing served by either party on the other.

Save as disclosed aforesaid, none of the Directors has a service agreement or letter of appointment with the Company or any of its subsidiaries other than the agreements/letters of appointment expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the Shareholders in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not three or a multiple of three, then the number nearest to but not less than one-third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

BOARD COMMITTEES

The Board established three committees, namely the audit, remuneration and nomination committees, to oversee particular aspects of the Group's affairs. Each of the three committees has its specific terms of reference relating to authority and duties. The majority of members of the audit, remuneration and nomination committees of the Board are independent non-executive Directors.

The Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, they 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.

The Board is responsible for performing the corporate governance duties set out in the CG Code which include developing and reviewing the Company's policies and practices on corporate governance, training and continuous professional development of the Directors, and reviewing the Company's compliance with the code provisions in the CG Code and disclosures in this report.

Audit Committee

The audit committee of the Board (the "**Audit Committee**") was established on 13 July 2017 with written terms of reference, which was updated on 31 December 2018, in compliance with Rule 5.29 of the GEM Listing Rules and paragraph C.3.3 of the CG Code. The primary duties of the Audit Committee include, among others, (a) making recommendations to the Board on the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor; (b) reviewing the financial statements, the annual report and accounts, the half-year report and the quarterly reports and significant financial reporting judgements contained therein; and (c) reviewing the financial controls, internal control and risk management systems. The Audit Committee comprises all three independent non-executive Directors, namely Mr. Cai Chun Fai, Ms. Chan Ka Ming and Mr. Ong King Keung. Mr. Cai Chun Fai is the chairman of the Audit Committee.

During the Period, the Audit Committee held 5 meetings and the work performed by the Audit Committee during the Period included (i) review of the effectiveness of the internal control and risk management systems of the Company; (ii) consider and make recommendation to the Board for approval regarding the re-appointment of auditor (including the fees to be charged by the external auditor); (iii) review of the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 March 2018; (iv) review of the unaudited quarterly results and interim results together with the respective reports of the Group in respect of the year ended 31 March 2019, with recommendation to the Board for approval; (v) review of the terms of reference of the Audit Committee; and (vi) review and approval of the internal audit report and the performance of the internal audit function.

The members of the Audit Committee during the Period and the attendance of each committee member are as follows:

Name of Directors	Number of attendance	Number of meetings held during term of office
Cai Chun Fai	5	5
Chan Ka Ming (appointed on 11 December 2018)	2	2
Ong King Keung	5	5
Lam Tat Fung (resigned on 11 December 2018)	3	3

Subsequent to the year ended 31 March 2019, the Audit Committee reviewed the annual report and annual results announcement, as well as the effectiveness of the risk management and internal control systems of the Group for the year ended 31 March 2019. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 March 2019 complied with applicable accounting standards, the requirements under the GEM Listing Rules and that adequate disclosures have been made.

Nomination Committee

The nomination committee of the Board (the "**Nomination Committee**") was established on 13 July 2017 with written terms of reference, which was updated on 31 December 2018, in compliance with paragraph A.5.2 of the CG Code. The primary duties of the Nomination Committee include, among others, (a) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the corporate strategy; (b) identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; (c) assessing the independence of the independent non-executive Directors; (d) making recommendations to the Board on the appointment and succession planning for the Directors. The Nomination committee comprises two independent non-executive Directors, namely Mr. Cai Chun Fai and Ms. Chan Ka Ming, and one executive Director, namely Mr. Tam Chak Chi. Ms. Chan Ka Ming is the chairman of the Nomination Committee.

In respect of evaluating and selecting a candidate for directorship, the Nomination Committee has to consider, among others, his/her character and integrity, diversity including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge appropriate to the requirements of the Group and its development.

During the Period, the Nomination Committee held 4 meetings and the work performed by the Nomination Committee during the Period included (i) review of the structure, size and composition of the Board; (ii) make recommendation to the Board for approval the re-election and appointment of directors after consideration of a range of diversity perspectives; and (iii) review of the terms of reference of the Nomination Committee and board diversity policy of the Company.

The members of the Nomination Committee during the Period and the attendance of each committee member are as follows:

Name of Directors	Number of attendance	Number of meetings held during term of office
Cai Chun Fai	4	4
Chan Ka Ming (appointed on 11 December 2018)	1	1
Tam Chak Chi (appointed on 11 December 2018)	1	1
Fok Wai Hung (resigned on 11 December 2018)	3	3
Lam Tat Fung (resigned on 11 December 2018)	3	3

Remuneration Committee

The remuneration committee of the Board (the "**Remuneration Committee**") was established on 13 July 2017 with written terms of reference in compliance with Rule 5.35 of the GEM Listing Rules and paragraph B.1.2 of the CG Code. The primary duties of the Remuneration Committee, under the principle that no Director or any of his/her associates should be involved in deciding his/her own remuneration include, among others, making recommendations to the Board on (a) the remuneration policy and structure for all of the Directors and senior management of the Company; (b) the establishment of a formal and transparent procedure for developing remuneration policies; and (c) the remuneration packages of the executive Directors and senior management of the Company, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their offices or appointments. The Remuneration Committee comprises two independent non-executive Directors, namely Mr. Cai Chun Fai and Ms. Chan Ka Ming, and one executive Director, namely Mr. Tam Chak Chi. Ms. Chan Ka Ming is the chairman of the Remuneration Committee.

During the Period, the Remuneration Committee held 3 meetings and the work performed by the Remuneration Committee during the Period included review and make recommendation to the Board for approval the remuneration for the directors being appointed during the Period and the grant of bonus to the staffs of the Group.

The members of the Remuneration Committee during the Period and the attendance of each committee member are as follows:

Name of Directors	Number of attendance	Number of meetings held during term of office
Cai Chun Fai	3	3
Chan Ka Ming (appointed on 11 December 2018)	0	0
Tam Chak Chi (appointed on 11 December 2018)	0	0
Fok Wai Hung (resigned on 11 December 2018)	3	3
Lam Tat Fung (resigned on 11 December 2018)	3	3

Details of the emolument of each Director are set out in notes 13 and 14 to the consolidated financial statements.

BOARD DIVERSITY

The Company adopted a board diversity policy and discussed all measurable objectives set for implementing the same.

The Company recognises and embraces the benefits of a diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the business requirements and development plan of the Group. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection and/or nomination of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, language, cultural and educational background, industry experience and professional experience appropriate to the requirements of the Company's business and its development.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company recognises the need for risk management and internal control in the strategic and operational planning, day-to-day management and decision making process and are committed to managing and minimising risks that may impact the continued efficiency and effectiveness of the operations or prevent it from achieving its business objectives.

The Board recognizes its responsibility to ensure the Company maintains a sound and effective risk management and internal control systems. The Group's risk management and internal control systems are designed and established to ensure that assets are safeguarded against improper use or disposal, relevant rules and regulations are adhered to and complied with, reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Group's performance are appropriately identified and managed. Review of the Group's risk management and internal controls covering major financial, operational and compliance controls, as well as risk management functions. The risk management and internal control systems can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage, rather than eliminate the risk of failure to achieve business objectives.

The Board undertakes the full responsibility to oversee and carry out an annual review on the adequacy and effectiveness of the Group's risk management and internal control systems. Both the compliance committee of the Company (the "**Compliance Committee**") and the Audit Committee provide the Board with their independent views on the adequacy and effectiveness of the Group's risk management and internal control systems, after taking into consideration of the internal assessment of senior management, the independent review result carried out by external professional consultant, and the recommendation provided by the external auditor, if any.

In order to ensure the completion of remediation of findings identified during resumption investigation project, the Group has carried out the following actions:

— The Compliance Committee has been set up to monitor all compliance issues of the Group;

— All significant acquisitions/transactions were reported to the Board by the Compliance Committee in Board meetings for proper approval;

— Adequate training, including the training in relation to the relevant legal and regulatory requirements of the Group, was provided to employees; and

— The Board has conducted review on the result of remediation carried out, including the relevant policies and procedures which have been strengthened.

It is proposed that the Board may conduct a follow-up review after the relevant recommendations from the Compliance Committee have been implemented.

In addition to the above, the process used to identify, evaluate and manage significant risks are summarized as follows:

Risk Identification

— Identifies risks that may potentially affect the Group's business and operations.

Risk Assessment

— Assesses the risks identified by using the assessment criteria developed by the management; and

— Considers the impact and consequence on the business and he likelihood of their occurrence.

Risk Response

— Prioritize the risks by comparing the results of the risk assessment; and

— Determines the risk management strategies and internal control processes to prevent, avoid or mitigate the risks.

Risk Monitoring and Reporting

— Performs ongoing and periodic monitoring of the risk and ensure that appropriate internal control processes are in place;

— Revises the risk management strategies and internal control processes in case of any significant change of situation; and

— Reports the results of risk monitoring to the management and the Board regularly.

The Company does not have an internal audit function and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. It was decided that the Board would be directly responsible for internal control of the Group and for reviewing its effectiveness.

The Board has engaged external professional consultant as its risk management and internal control review adviser (the "**Adviser**") to conduct the annual review of the risk management and internal control systems for the year ended 31 March 2019. Such review is conducted annually and cycles reviewed are under rotation basis. The scope of review was previously determined and approved by the Board. The Adviser has reported findings and areas for improvement to the Audit Committee and management of the Company. The Board/ Audit Committee are of the view that there are no material internal control defeats noted. All recommendations from the Adviser are properly followed up by the Group to ensure that they are implemented within a reasonable period of time. The Board therefore considered that the risk management and internal control systems are effective and adequate.

In relation to the procedures and internal controls for handling and dissemination of inside information, they are as follows:

- Designated reporting channels from different operations informing any potential inside information to designated departments;
- Designated persons and departments to determine further escalation and disclosure as required; and
- Designated persons authorised to act as spokespersons and respond to external enquiries.

The Board is satisfied that the internal control system in place covering all material controls including financial, operational and compliance controls and risk management functions for the year under review and up to the date of this annual report is reasonably effective and adequate.

In February 2019, the Company renewed the engagement with World Link Corporate Finance Limited to keep in reviewing the internal control systems of the Company and procurement and inventory management procedures of the Group and to make recommendations accordingly.

AUDITOR'S REMUNERATION

During the year ended 31 March 2019, the fees paid to the Company's auditor, World Link CPA Limited and its network firm in respect of audit and non-audit services provided to the Group are as follows:

	HK$'000
Audit services	700
Non-audit services	310

Non-audit services include (i) investigation of internal control policies and procedures; (ii) risk assessment and internal control review; (iii) environmental, social and governance reporting; and (iv) review the interim financial information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group. The Board having made appropriate enquiries and examined major areas which could give rise to significant financial exposures. The Directors have reasonable expectation that the Group's ability to continue in operational existence for the foreseeable future by (1) inspecting and evaluating the Group's cash flow forecasts including its calculations and underlying key assumptions adopted; (2) obtaining a copy of letter of financial support from a substantial shareholder of the Company, who intends to provide a credit line to the Group to finance its working capital requirements for the next twelve months; and (3) examining the assessment of the financial capability of the substantial shareholder as to whether the aforementioned credit line can be honoured. For these reasons, they continue to adopt the going concern basis in preparing the financial statements.

The Board also acknowledges its responsibility to ensure that the Group keeps accounting records which disclose in the annual, half-yearly and quarterly reports in accordance with the Hong Kong Financial Reporting Standards; and other inside information announcements and other financial disclosures required under the GEM Listing Rules, and reports to the regulators as well as to information required to be disclosed pursuant to statutory requirements.

AUDITOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The statement of external auditor of the Company, World Link CPA Limited, regarding its reporting responsibilities on the consolidated financial statements of the Group is set out in the section headed "Independent Auditor's Report" in this annual report.

COMPANY SECRETARY

Mr. Fok Wai Hung, has been appointed as the company secretary of the Company (the "**Company Secretary**") since 27 May 2016 and up to 1 June 2018. Ms. Lai Wai Ha, delegated by Akron Advisory Limited, external service provider, has been appointed as the Company Secretary since 1 June 2018 and has taken no less than 15 hours of relevant professional training during the Period. Her primary contact person in the Company is Mr. Fok.

All Directors are entitled to have access to board papers and related materials and have access to the advice and services of the Company Secretary.

COMPLIANCE OFFICER

Mr. Tam Chak Chi, executive Director, was appointed as compliance officer of the Company on 11 December 2018 following the resignation of Mr. Yeung Man Sun. Please refer to the section headed "Directors and Senior Management" of this annual report for the biographical details of Mr. Tam.

SHAREHOLDERS' RIGHTS

Shareholders' Rights to convene a general meeting and put forward proposals at general meetings

Extraordinary general meetings shall be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedure for directing Shareholders' enquiries to the Board

Shareholders may at any time send their enquires and concerns to the Board in writing through the Company Secretary at the Company's principal place of business in Hong Kong or send comments/suggestion to Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong. Shareholders may also make enquiries with the Board at the general meeting of the Company.

CONSTITUTIONAL DOCUMENTS

There were no changes in the constitutional documents of the Company during the Period. The Constitution is available on the respective websites of the Stock Exchange and the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1 BACKGROUND

The Group is principally engaged in designing, developing, manufacturing and selling its own branded lingerie. The Group principally offers lingerie that are designed with shaping functions which aims to achieve better body appearance, including bras, body shaping underwear and chest support vests. The Group also sells other complementary and ancillary products, primarily including breast cream, panties, nude bras, swimwear, bra straps and pads, and waist bands.

During the year, the Group had two factories situated in Hong Kong and Shenzhen, the PRC.

Unless otherwise stated, this report covers the Group's overall performance in two subject areas, namely, Environmental and Social of the business operations in Hong Kong, Macau and Shenzhen, the PRC for the year.

2 FOREWORD

The Group primarily adopts the principles and basis of the ESG Reporting Guide ("**ESG Guide**") as set out in Appendix 20 to the Rules Governing the Listing of Securities on GEM (the "**GEM Listing Rule**") of the Stock Exchange with an aim to establish a sound environment, social and governance structure.

This report comprises the environment, social and governance areas, which sets out the Company and its major subsidiaries' policies and practices in respect of three environmental aspects and eight social aspects in accordance with ESG Guide for the year. This report is designed to allow the Company's stakeholders, such as shareholders, investors, customers, suppliers, employees, creditors, regulators and the general public to have comprehensive understanding of the long-term sustainability information of the Group. The Group seeks to balance the views and interests of these stakeholders through constructive conversation with a view to setting the course for long term prosperity. The Board of directors is responsible for evaluating and determining the environmental, social and governance risks of the Group, and ensuring that relevant policy and control are in place and operate effectively.

The table underneath showed aspects on the ESG Guide to be assessed and those ESG issues were determined to be material to the Group.

ESG Aspects as set forth in ESG Guide	Material ESG issues to the Group
(A) Environmental	
A1 Emissions	Emission from town gas or vehicle
A2 Use of Resources	Use of energy and paper
A3 Environment and Natural Resources	Air pollution
(B) Social	
B1 Employment and Labour Practices	Labour practices
B2 Health and Safety	Workplace health and safety
B3 Development and Training	Employee development and training
B4 Labour Standards	Anti-child and forced labour
B5 Supply Chain Management	Supply chain management
B6 Product Responsibility	Product responsibility
B7 Anti-corruption	Anti-corruption, fraud prevention and anti-money laundering
B8 Community Involvement	Community programs, employee volunteering and donation

A. Environmental

Environmental protection is one of the core values of the Group. The Group's products are designed to be safe and environmentally friendly for customer use, meaning recyclable and safe-to-dispose materials are specified in its designs, and clean production processes are adopted in its manufacturing process. Moreover, unnecessary packaging that can cause harm to environment is not introduced into its products.

In the operation of the Group's business, it has formulated a set of policies to enhance the efficiency of energy and resources utilisation, and to achieve the objectives of environmental protection and sustainable development. During the course of its operation, the Group has strictly complied with the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), and other relevant environmental protection laws and regulations. In addition, the Group has been dedicated to fulfilling its commitments in environmental protection in accordance with relevant policies and requirements.

The Group considers environmental protection an essential component of sustainable and responsible business. The Group strives to minimise negative impacts on the environment and to seek environmentally friendly methods of operation. Given the nature of the Group's business, electricity is the most significant resource consumed in the Group's factories and office in both Hong Kong and Shenzhen, the PRC.

The Group has narrowed down to the following key areas where it should exert the effort on:

- Usage of resources from the operations;
- Energy consumption; and
- Indoor environmental quality.

The Current Environmental Policies

The Group's main task is to measure and report the efforts in reducing carbon footprints, promote waste reduction at source, enhancing its waste disposal management and setting targets on environmental performance. To minimise the environmental impacts concerning the activities, products and services, the Group will:

- Comply with applicable legal requirements and other requirements which relate to the Group's environmental aspects, and to which the Group subscribes;
- Prevent pollution, reduce waste and minimise the consumption of resources from all daily operations and actively promote recycle, reuse and replace;
- Educate, train and motivate employees to develop a social viewpoint that enables them to conduct business activities in an environmentally responsible manner.

The Group is committed to ensuring its businesses are operated in compliance with the following laws and regulations which have significant impact:

a. Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong);

b. Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong); and

c. the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》).

A1.1 Emissions Data from Gaseous Fuel Consumption

The design procedure and assemble process are major functions of the Group's Hong Kong and Shenzhen operations. Therefore, the key environmental impacts from the Group's operations are energy and paper consumption. To achieve environmental protection, the Group encourages employees to increase the use of e-statement or scanning rather than traditional photocopying to reduce the use of paper and greenhouse gas emissions; to switch-off all computers and office equipment such as lighting and air-conditioner at the end of each working day.

The Group's PRC factory ensures its products are produced efficiently in an energy-wise manner. The Group's PRC factory has integrated environmental objectives into the business decisions in a cost-effective manner. It has also required all staff to assume environmental responsibilities in normal operating procedures and has enhanced the awareness of environmental and resource efficiency issues amongst customers, staff and stakeholders. All important green and quality assurance policies have been posted on the notice board and stated in the standard operating procedures of the Group's manufacturing plant.

(a) Since the Group did not have town fuel and town gas consumption during the year, therefore no emissions data applied.

(b) the Group had certain motor vehicles during the year, the emissions data applied to the Group's motor vehicles are set out below:

	Key performance indicator ("KPI") 2019	Unit
NO_x	51,279	g
SO_x	382	g
PM	4,722	g
Total	**56,384**	**g**

A1.2 Greenhouse Gas Emission

	KPI 2019	Unit
Scope 1: Direct Emission	70.2	Tonnes
Scope 2: Indirect Emission	251.0	Tonnes
Scope 3: Other indirect Emission	–	Tonnes
Total	**321.2**	**Tonnes**

During the year, there were 321.2 tonnes (2018: 714) of carbon dioxide equivalent greenhouse gases (mainly carbon dioxide, methane and nitrous oxide) emitted from the Group's operation.

The total gross floor area coverage for the Group was 4,459 m^2 in 2019 (2018: 2,954 m^2). The annual emission intensity was 0.1 tonnes CO_2e/m^2 (2018: 0.2 tonnes CO_2e/m^2).

Compliance with relevant laws and regulations:
The Group is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact relating to air and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous waste of the Group during the year. In addition, no significant fines or non-monetary sanctions for non-compliance with relevant laws and regulations had been reported in the year.

A1.3 Non-hazardous Waste
The Group generates no hazardous waste in its operation. However, there were non-hazardous waste arose from the use of electricity under the Group's operation but the management of the Group believed that these non-hazardous waste are insignificant.

A2.1 Use of resource
The Group has adopted proactive measures in reducing the energy and resources consumption and vigorously promoting the philosophy of energy-saving and emission-reducing. The Group has specifically formulated a Policy of Energy Saving, aiming to conduct research and statistical works in respect of its energy consumption in a scientific way and ensure a reasonable usage of its resources.

For the Group's Hong Kong office, the Group has been encouraging its employees to establish energy-saving habits, such as switching off lights and electronic appliances before leaving the office, as well as setting indoor temperature at 25.5°C.

A3 Environmental and Natural Resources
The Group has established a series of policies, mechanisms and measures on environmental protection and natural resources conservation to enhance its efficiency in the usage of energy, water and materials. The Group also complies with relevant local environmental regulations and international general practices, with an aim to reduce the use of natural resources and protect the environment.

There was no non-compliance case noted in relation to environmental laws and regulations during the year.

	KPI 2019	Unit
Electricity consumed	464,900	kWh
Oil consumed	302,594	kWh
Total energy consumed	767,494	kWh
Total floor are of facilities	4,459	m^2
Energy consumed per square meter	**172**	**kWh/m^2**

A3 Environmental and Natural Resources

The Group has established a series of policies, mechanisms and measures on environmental protection and natural resources conservation to enhance its efficiency in the usage of energy, water and materials. The Group also complies with relevant local environmental regulations and international general practices, with an aim to reduce the use of natural resources and protect the environment.

There was no non-compliance case noted in relation to environmental laws and regulations during the year.

B. Social

Being a responsible business and employer, the Group is committed to consistently looking for ways to meet the corporate social responsibilities. The Group focuses on its staff, environment and community as well as its business partners.

B1 Employment and Labour Practices

The Group places a significant emphasis on developing human capital, providing competitive remuneration and welfare packages. Promotion opportunities and salary adjustments are benchmarked against individual performance. Employees are entitled to benefits such as annual leave, sick leave, maternity leave, marriage leave, funeral leave and medical coverage in accordance with local regulations.

The Group emphasises on equal opportunities for all personnel in respect of hiring, pay rates, training and development, promotion and other terms of employment. The Group is committed to providing a work environment free from any form of discrimination on the basis of ethnicity, gender, religion, age, disability or sexual orientation.

The Group has a wide diversity of cultures including employees with different genders, ages, skills, educational backgrounds, industry experiences and other qualifications in order to achieve the most suitable composition and balance.

The Group's remuneration package is structured with reference to the individual performance, working experience and prevailing salary levels in the market. In additional to basic salaries and mandatory provident fund for the Group's Hong Kong employees, fringe benefits include a basic five-day working week, flexible leave arrangement, medical coverage scheme and annual dinner.

The employee handbook of the Group's PRC subsidiaries had been developed in accordance with the Labour Law of the PRC and has been distributed to all employees since joining the Group. The remuneration policies are determined on the basis of performance, qualification and experience of individual employee. The remuneration generally includes salaries and allowances.

During the year, the Group's PRC subsidiaries had subscribed to those basic pension insurance, basic medical insurance, unemployment insurance, occupational injury insurance, maternity insurance as prescribed by the Social Insurance Law of the PRC, as well as housing fund schemes as prescribed by the Regulations on the Administration of Housing Fund.

Employees' wages, overtime payments and related benefits are made no less than the local government's minimum requirements. The normal working hours for general employees are normally 8 hours a day and 40 hours a week. Integrated computation of working hours is implemented with reference to the requirements of the Labour Law of the PRC.

The Group is committed to ensuring its businesses are operated in compliance with the following laws and regulations which have significant impact:

a. Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong);

b. Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong);

c. Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong);

d. Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong);

e. the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》);

f. the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》);

g. the Patent Law of the PRC (《中華人民共和國專利法》); and

h. The Production Safety Law of the PRC (《中華人民共和國安全生產法》).

Staff Composition

As at 31 March 2019, the Group employed a total of 174 staff (2018: 157), including operational office, sales and marketing, and back office division. All staff members are allocated in Hong Kong, the PRC and Macau.

(a) Employee' s Age and Gender Distribution

	2019		2018	
	Male	**Female**	Male	Female
Age Group				
19–60	16%	75%	27%	73%
= 61/>61	2%	7%	0%	0%
Total	18%	82%	27%	73%

(b) Employee' s Geographical and Gender Distribution

	2019		2018	
	Male	**Female**	Male	Female
Hong Kong	13%	42%	14%	34%
The PRC	5%	36%	13%	39%
Macau	0%	4%	–	–
	18%	82%	27%	73%

The Group will continue to provide a well-structured and caring environment to employees to raise their sense of belonging and work efficiency in the Group.

The Group is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare on the Group during the year. In addition, no non-compliance with relevant laws and regulations that results in significant fines or sanctions had been reported during the year.

B2 Employee Health and Safety

The Group adopts non-discriminatory employment practices and provides a healthy and safe workplace. The Group seeks to attract and retain talented employees through providing a healthy and safe workplace for each and every employee in line with established internal guidelines and systems.

For the Group's employees, the Group provides its employee with flexible rest leave arrangement, medical and hospital scheme. The Group understands that a good working environment for its employees with a safe and comfortable working condition is very important. The Group has set a clear guideline of work arrangement for typhoon and rainstorm warning.

Smoking is prohibited in factory areas. First aid exercises are regularly performed. Regular fire prevention talks and fire-fighting drills are organised at least annually to improve employees' capability to deal with potential fire hazards.

Occupational Health and Safety Data
The information of work accidents are set out as below:

	2019		2018	
	Male	**Female**	Male	Female
Health and Safety				
Number of work-related fatalities	0%	0%	0%	0%
Lost days due to work injury	0%	0%	0%	0%

During the year, the Group had no non-compliance cases regarding violation of relevant laws and regulations on occupational health and safety.

B3 Development and Training

The Group has committed to providing on-the-job education and training to its employees in order to enhance their knowledge and skills. All employees are encouraged to enhance their skills and knowledge at every opportunity in order to perform their current job more efficiently and effectively and to be better prepared for career opportunities which may arise. During the year, regular training courses were provided to the employees including but not limited to orientation training, technical training and quality training.

Performance evaluations are initiated annually. In order to recognise value in the skill and experience of the Group's employees, the Group has adopted a policy that any promotions will be considered internally first before hiring any outside staff. It is the Group's policy to select the most suitable candidate for appointment to a higher rank based on merit, rather than on the seniority of the candidates.

B4 Labour Standard

The Group fully understands that the exploitation of child and forced labour are universally prohibited, and therefore takes the responsibility against child and forced labour very seriously. The Group strictly complied with all laws and regulations against child labour and forced labour in the Group's PRC factory situated in Shenzhen, the PRC.

For entry registration, all employees must present valid documents to the Company as follows: (i) identity card and vocational qualification certificate; (ii) social security card; (iii) medical or health certificate; (iv) recent photos; and (v) other relevant information and documents required by the Company. The above procedures can ensure no child labour will be employed in the Group's manufacturing plant.

All employees of the PRC subsidiaries are entitled to sick leave, injury leave and maternity leave with medical proof in accordance with the Labour Law of PRC and Law of the PRC on the Protection of Labour Rights and Interests and other applicable regulations. In addition, all employees work normally 8 hours daily and are not encouraged to work overtime. However, if overtime work is required, the relevant employees and supervisor will agree mutually in written form. Overtime work is compensated in accordance with the provisions of the Labour Law of PRC.

During the year, the Group had no non-compliance case regarding violation of relevant child labour and forced labour laws.

B5 Supply Chain Management

The Group has the greatest respect for the laws and regulations that govern its business. The Group always adheres to international best practices and conducts fair and unbiased procurement processes when dealing with suppliers.

The Group adheres to the principle of transparency and implements the value of honesty, integrity and fairness in its supply chain management. The Group's procurement procedures provide directions and guidelines on evaluation and engagement when dealing with suppliers of goods and services to ensure business is conducted with legally, financially and technically-sound entities. In addition, approval procedures are in place to ensure that supplier engagements are monitored and approved by the appropriate level of management.

B6 Product Responsibility

A high priority for the Group is to ensure customer satisfaction in terms of the products and services. Strenuous efforts are made to ensure compliance with the relevant laws and regulations relating to product health and safety, advertising, labelling and privacy matters of the jurisdictions in which the Group operates. The Group requires its employees to comply with applicable governmental and regulatory laws, rules, codes and regulations.

During the year, the Group did not have any recalled products and did not receive any compliant from its customers in relation to either its quality of services or products. The Group had no non-compliance case regarding violations of relevant laws and regulations on product responsibility and data privacy.

B7 Anti-corruption

Corruption, bribery or fraud in any form is strictly prohibited. The Group's anticorruption policies set out standards of conduct to which all employees are required to adhere in order to promote an environment of integrity in the workplace.

To combat corruption and to govern conflicts of interest, unless with the Group's approval, Directors and employees are prohibited from accepting any valuable items from co-workers, customers, suppliers or other stakeholders. Unless with approval the Board and the senior management members are also prohibited from engaging in any activities that involve a potential conflict of interest with the Group or may do harm to the Group's overall interests. Breaches are subject to disciplinary actions, including termination of employment contracts where necessary.

Various policies have also been formulated to accord with the Securities and Futures Commission's Guideline on Anti-Money Laundering and Counter- Terrorist Financing, including the basic procedures for customer identification and due diligence, suspicious transactions report and recordkeeping. Ongoing staff training has also been carried out to ensure each of the employees is fully aware of these policies.

In the year, there was no legal case concerning corruption brought against the Group or employees.

B8 Community Involvement

The focuses of the Group's community investment are education, social welfare and environmental protection. The management believes that it can act effectively to help alleviate social problems and respond positively to charitable programmes and volunteering services.

During the year, The Group joined and donated to "Medecins Sans Frontieres" programmes which were organized by The Medecins Sans Frontieres (HK) Limited.

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The major activities of its principal subsidiaries are set out in note 37 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

To the best knowledge of the Board is aware, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the business and operation of the Group during the year.

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 53 of this annual report.

The Board does not recommend the payment of dividend for the year ended 31 March 2019 (2018: Nil).

DIVIDEND POLICY

The Company considers stable and sustainable returns to the Shareholders to be its goal.

In order to strike a balance between maintaining sufficient capital to grow the business and rewarding the Shareholders, the declaration of dividends and the amount of dividend will be subject to the discretion of the Board and will depend on, among other things, the followings:

(i) The results of operations of the Group;

(ii) the retained earnings of the Company;

(iii) the cash flow availability and requirements of the Group;

(iv) the financial conditions of the market and the Group;

(v) the capital requirements and development plan of the Group; and

(vi) any other factors that the Board may considered relevant.

The payment of the dividend by the Company is also subject to any restrictions under the articles of association of the Company, the Cayman Islands Companies Law and the applicable laws and regulations. The Board will review the policy from time to time and may update and/or revise the same at any time as it deems fit and appropriate.

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 17 to the consolidated financial statements.

BUSINESS REVIEW

For business review of the Group for the year, please refer to "Management Discussion and Analysis" section of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

As a responsible corporate citizen, the Company recognized its responsibility to protect the environment from its business activities. The Group has endeavoured to comply with applicable laws and regulations regarding environmental protection and adopted effective environmental practices to ensure the business of the Group meet the required standards and ethics in respect of environmental protection.

PRINCIPAL RISKS AND UNCERTAINTIES

The financial condition, results of operations, business and prospects of the Group would be affected by a number of risks and uncertainties as set out in the Prospectus under the section headed "Risk Factors".

For principal risk of the Group for the year, please refer to note 6 to the consolidated financial statements.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the latest five financial years is set out on pages 115 to 116 of this annual report.

SHARE CAPITAL

Details of the movements in the Company's share capital during the year are set out in note 29 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the year ended 31 March 2019 and up to the date of this report.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in note 31(b) to the consolidated financial statements and in the consolidated statement of changes in equity on page 56 of this annual report respectively.

DISTRIBUTABLE RESERVES

The Company's reserve available for distribution as at 31 March 2019 was approximately HK$1,115,000 (2018: approximately HK$9,952,000).

DONATIONS

During the years ended 31 March 2019 and 2018, charitable and other donations made by the Group were less than HK$10,000.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group has no major customers due to the nature of the principal activities of the Group.

The Group's largest and five largest suppliers' aggregate amount represented approximately 17.5% (2018: approximately 9.7%) and 50.3% (2018: approximately 29.4%) of the Group's total purchases respectively.

To the best knowledge of the Directors, none of the Directors nor any of their close associates (as defined in the GEM Listing Rules) nor any Shareholders who or which own more than 5% of the Company's issued share capital had any beneficial interest in any of the Group's five largest suppliers during the year.

DIRECTORS

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

Executive Directors

Mr. Tam Chak Chi	(appointed on 11 December 2018)
Mr. Wong Wai Kit	(appointed on 12 October 2018)
Mr. Fok Wai Hung	(resigned on 11 December 2018)
Mr. Lam Ka Yuen	(retired on 14 August 2018)
Ms. Luk Mo Yan	(retired on 14 August 2018)
Mr. Yeung Man Sun	(resigned on 11 December 2018)

Non-executive Director

Mr. Ng Chi Ho Dennis	(appointed on 11 December 2018 and resigned on 1 April 2019)

Independent non-executive Directors

Mr. Cai Chun Fai	
Ms. Chan Ka Ming	(appointed on 11 December 2018)
Mr. Ong King Keung	
Mr. Lam Tat Fung	(resigned on 11 December 2018)

Pursuant to article 112 of the articles of association of the Company (the "**Articles**"), the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the Shareholders in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Any Director appointed under such article shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting. As such, Mr. Tam Chak Chi, Mr. Wong Wai Kit and Ms. Chan Ka Ming shall retire from office at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

Pursuant to article 108(a) of the Articles, notwithstanding any other provisions in the Articles, at each annual general meeting one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. As such, Mr. Ong King Keung shall retire from office at the forthcoming annual general meeting of the Company and, being eligible, offer himself for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS

The biographical details of the Directors are disclosed in the section headed "Directors and Senior Management" of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors has entered into a letter of appointment with the Company for an initial term of one year with effect from their respective date of appointment and thereafter shall continue year to year unless terminated by either party. Either party has the right to give not less than one month's written notice to terminate the letter of appointment.

Save as disclosed above, none of the Directors has proposed or entered into any service agreement or appointment letter with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than the statutory compensation.

CONFIRMATION OF INDEPENDENCY OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors a confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and considers all the independent non-executive Directors to be independent.

PERMITTED INDEMNITY PROVISIONS

Pursuant to the Articles, the Directors shall be entitled to be indemnified out of the assets or profits of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

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

CORPORATE GOVERNANCE

Save as disclosed in this annual report, the Company had complied with all the applicable code provisions as set out in the CG Code during the Period.

Details of the principal corporate governance practices of the Group are set out in the section headed "Corporate Governance Report" on pages 13 to 25 of this annual report.

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals are set out in notes 13 and 14 to the consolidated financial statements.

EMOLUMENT POLICY

The Directors and senior management of the Company receive compensation in the form of directors' fees, salaries, benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and performance of the Group. The Group also reimburses the Directors and senior management of the Company for expenses which are necessarily and reasonably incurred for provision of services to the Group or executing their functions in relation to the Group's operations. The Group regularly reviews and determines the remuneration and compensation packages of the Directors and senior management by reference to, among other things, market level of remuneration and compensation paid by comparable companies, respective responsibilities of the Directors and performance of the Group. The Directors may also be offered options under share option scheme.

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

As at 31 March 2019, none of the Directors nor chief executives of the Company and their respective associates had any interests and short positions in any Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**")), which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules.

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

So far as is known to the Directors, as at 31 March 2019, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions (directly or indirectly) in the Shares or underlying shares of the Company that would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in the Shares of the Company

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

Note: Global Succeed Group Limited is the direct shareholder of the Company. According to the information available to the Company, Global Succeed Group Limited is beneficially owned as to 50% by Mr. Chan Lin So Alan and 50% by Mr. Yiu Koon Pong. By virtue of the SFO, each of Mr. Chan Lin So Alan and Mr. Yiu Koon Pong is deemed to be interested in the 360,000,000 shares held by Global Succeed Group Limited. Mr. Chan Lin So Alan is a consultant of the Company as at 31 March 2019 and up to the date of this annual report.

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

EQUITY-LINKED AGREEMENTS

Save for the share option scheme as set out below, no equity-linked agreements were entered into by our Group, or existed during the year ended 31 March 2019.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme (the "**Share Option Scheme**") on 19 June 2017 for the purpose of providing incentives or rewards to participants for their contribution to our Group and/or to enable our Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any invested entity.

Under the Share Option Scheme, the Board may grant options to eligible persons. Eligible persons of the Share Option Scheme include, among others, any employee (whether full-time or part-time employee), director (including non-executive director and independent non-executive director), supplier, customer, adviser (professional or otherwise), shareholder of any member of the Group (the "**Participants**").

The total number of Shares in respect of which options may be granted under the Share Option Scheme and other schemes must not, in aggregate, exceed 10% of the Shares in issue on the Listing Date. The Company may refresh the 10% limit by seeking prior approval from the Shareholders in a general meeting, provided that the total number of Shares which may be issued upon exercise of all options and any other share option schemes of the Company, in aggregate, must not exceed 10% of the total number of Shares in issue as at the date of such Shareholders' approval of the refreshed limit.

No Participant shall be granted options which if exercised in full would result in the total number of Shares already issued under all the options granted to him which have been exercised and issuable under all the options granted to him which are for the time being subsisting and unexercised in any 12-month period would exceed 1% of the total number of Shares in issue, provided that if approved by Shareholders in general meeting with such Participant and his close associates (or his associates if such Participant is a connected person) abstaining from voting, our Company may make further grant of options to such Participant (the "**Further Grant**") notwithstanding that the Further Grant would result in the total number of Shares already issued under all the options granted to such Participant which have been exercised and issuable under all the options granted to him which are for the time being subsisting and unexercised in any 12-month period exceed 1% of the total number of Shares in issue.

If a grant of option to a substantial Shareholder or an independent non-executive Director or their respective associates will result in the Shares issued and to be issued upon exercise of all options granted and to be granted (whether exercised, cancelled or and outstanding) to such person in the 12-month period up to and including the date of such grant: (i) representing in aggregate over 0.1% of the relevant class of Shares in issue; and (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5.0 million, then the proposed grant of options must be approved by the Shareholders in a general meeting.

Options may be exercised at any time during a period as the Directors may determine which shall not exceed ten years from the date of grant. The subscription price is determined by the Board in its absolution discretion at the time of the grant of the relevant option buy in any case the relevant subscription price shall not be less than the highest of (i) the closing price of the Shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant of the option, which must be a trading day; (ii) the average closing price of the Shares as stated in the daily quotations sheets of the Stock Exchange for the five trading days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share.

The Share Option Scheme will remain in force for a period of ten years commencing on 19 June 2017, the adoption date and ending on the tenth anniversary of the adoption date (both dates inclusive) or unless terminated earlier by the Shareholders in general meeting.

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in note 35 to the consolidated financial statements, neither Director nor a connected entity of a Director had any material interest, either directly or indirectly, in any transactions, arrangements or contract of significance to the business of the Group, to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed under the sections "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" and "Share Option Scheme" at no time during the year ended 31 March 2019 was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the Directors or the controlling shareholder of the Company or any of their respective close associates (as defined in the GEM Listing Rules) had any business or interest in a business that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the year ended 31 March 2019.

DEED OF NON-COMPETITION

On 19 June 2017, Global Succeed Group Limited, Mr. Yiu Koon Pong and Mr. Chan Lin So Alan (the "**Controlling Shareholders**") entered into the deed of non-competition in favour of the Company (for itself and each of the subsidiaries of the Company). Pursuant to which each of the Controlling Shareholders, irrevocably and unconditionally, jointly and severally, undertakes to and covenants to the Company (for itself and as trustee for other members of the Group), among others, that from the Listing Date, each of the Controlling Shareholders shall not, and shall procure each of his/its close associates (other than the Group) not to, whether on his/its own account or in conjunction with or on behalf of any person, firm or company and whether directly or indirectly (other than through the Group), whether as a shareholder, director, employee, partner, agent, or otherwise (other than being a director of shareholder of the Group or members of the Group), carry on or be engaged in, directly or indirectly, a business which is, or be interested or involved or engaged in or acquire or hold any rights or interest (save for the holding in aggregate by the Controlling Shareholders and their close associates of not more than 5% shareholding interest in any company listed on the Stock Exchange or any other stock exchange) or otherwise involved in (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business which competes or may in any aspect compete directly or indirectly with the business or which is similar to the business currently and may from time to time engaged by the Group. Please refer to the section "Relationship with Controlling Shareholders — Deed of Non-competition" in the Prospectus.

To the best knowledge of and information available to the Directors, each Controlling Shareholders has complied with the aforesaid undertaking during the year ended 31 March 2019. The independent non-executive Directors, based on the information available to them, considered the aforesaid undertakings have been complied with.

INTERESTS OF THE COMPLIANCE ADVISER

Central China International Capital Limited confirmed neither the compliance adviser nor its directors, employees or close associates (as defined under the GEM Listing Rules) held any interests in relation to the Company or in the share capital of any member of the Group as at 31 March 2019 which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group during the year are set out in note 35 to the consolidated financial statements.

CONTINUING CONNECTED TRANSACTIONS

Save as disclosed in note 35 to the consolidated financial statements, the Group has not entered into other connected transaction or continuing connected transaction during the year which should be disclosed pursuant to the requirements under the GEM Listing Rules.

MANAGEMENT CONTRACTS

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

EVENTS AFTER THE REPORTING PERIOD

There is no other significant event after the reporting period of the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained a sufficient public float throughout the year ended 31 March 2019 as required under the GEM Listing Rules.

AUDITOR

World Link CPA Limited was appointed as auditor of the Company in place of Deloitte Touche Tohmatsu following its resignation as auditor of the Company on 30 April 2018.

The consolidated financial statements for the year ended 31 March 2019 have been audited by World Link CPA Limited who will retire and, being eligible, offer itself for re-appointment at the forthcoming annual general meeting of the Company. A resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

By order of the Board

Tam Chak Chi
Executive Director
Hong Kong, 24 June 2019

INDEPENDENT AUDITOR'S REPORT

World Link CPA Limited
華普天健(香港)會計師事務所有限公司

To the shareholders of
My Heart Bodibra Group Limited
(Incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of My Heart Bodibra Group Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 53 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 (the "**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.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 to the consolidated financial statements which indicate that the Group incurred a loss of approximately HK$24,418,000 for the year ended 31 March 2019 and as at 31 March 2019, the Group had net current liabilities of approximately HK$35,581,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent upon the outcomes of the Group as set forth in note 2 to the consolidated financial statements to obtain source of funding in the immediate and longer term, at a level sufficient to finance the working capital requirements of the Group. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters we identified are (i) valuation and allowance of inventories; (ii) interests in associates; and (iii) going concern.

KEY AUDIT MATTERS *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation and allowance of inventories	
Refer to significant accounting policies in note 4, critical judgements and estimates in note 5 and its relevant disclosures in note 20 to the consolidated financial statements. The Group had inventories with carrying amount of approximately HK$36,071,000 as at 31 March 2019. The carrying amount of inventories contributed a significant part of the Group's total current assets as at 31 March 2019. The Group's allowance for inventories is based on management's estimate of the expected magnitude of write down of the Group's inventories to its net realisable value during the course of the manufacturing process, current and projected demand from customers for the relevant inventories, the condition and utilisation potential of individual inventories and other customer-specific conditions, all of which involve the exercise of a significant degree of management judgement. We have identified the above matter as a key audit matter because the estimation of net realisable value as well as related allowance made together with future sales forecasts involves significant management judgements. Actual sales are likely to be different from those estimates or forecast since anticipated events sometimes do not occur as expected and unforeseen events may arise, and their impact on estimates and forecast may be material.	Our procedures in relation to this matter included: — We evaluated the Group's internal control policy over allowance for inventories with reference to the requirements of the prevailing accounting standards; — We identified and assessed slow-moving and obsolete inventories when attending physical inventory count; — We compared inventory balances on a sample basis with respective balances in prior years to identify inventories which are relatively slow moving; — We evaluated and assessed whether management had identified obsolete or slow-moving inventories appropriately and check against respective confirmed sales orders and prices, if any, subsequent to the reporting date on sample basis for their recoverability estimation and assessed whether those obsolete or slow-moving inventories identified had been accounted for in the inventory provision calculation; — We enquiried the management about any expected changes in plans for production and forecast sales trends and compared their representations with actual sales and inventory movements subsequent to the reporting date; and — We challenged the appropriateness and reasonableness of the management's assumption by performing a sensitivity analysis on possible future sales of slow-moving stock items.

KEY AUDIT MATTERS *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Interests in associates	
Refer to significant accounting policies in note 4, critical judgements and estimates in note 5 and its relevant disclosures in note 18 to the consolidated financial statements. The major interests in associates of the Group is holding 34% of equity interest in Honour Achieve International Investment Limited acquired during the year ended 31 March 2019 at a cash consideration of HK$32,640,000 under which a goodwill of approximately HK$27,159,000 arose as a result of the acquisition. This investment is accounted for as an associate using the equity method because of the significant influence that comes from its voting power. Share of profit of the associate has been recognised in profit or loss. For the purpose of assessing impairment, the recoverable amount of the interests in an associate was determined by the valuation performed by an independent professional valuer engaged by management based on fair value less costs of disposal by market approach. We had identified the impairment of interests in associates as key audit matter because of its significance to the consolidated financial statements and because the Group's assessment of impairment of this associate is a judgemental process which requires estimates concerning the methods and assumptions to be applied in determining the fair value less costs of disposal. The adoption of key assumptions and input data may be subject to management bias and changes in these assumptions and input to valuation model may result in significant financial impact.	Our procedures in relation to this matter included: — We discussed with management about the technological, market, legal environment and economic performance of the associate to assess management's identification of impairment indicators; — We assessed the reasonableness of key assumptions used in the fair value less costs of disposal calculation (including: earning multiple undertaking, discount and control premium); — We engaged a valuation specialist to assist us to review the appropriateness of the valuation approach, the accuracy of the calculations in the valuation model and the market data used on a sample basis; and — We also assessed the adequacy of disclosures in connection with the interests in associates.

KEY AUDIT MATTERS *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Going concern	
Refer to note 2 to the consolidated financial statements. For the year ended 31 March 2019, the Group incurred a loss of approximately HK$24,418,000 with net cash outflow from operating activities before working capital changes of approximately HK$16,693,000 and as at 31 March 2019, the Group had net current liabilities of approximately HK$35,581,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. We have identified the above matter as a key audit matter because should the Group be unable to operate as a going concern, significant adjustments would have been made to the consolidated financial statements.	Our procedures in relation to this matter included: — We inspected and evaluated the Group's cash flow forecasts including its calculations and underlying key assumptions adopted. In addition, we compared actual cash flows with the forecasts for the period subsequent to 31 March 2019; — We obtained a copy of letter of financial support from a substantial shareholder of the Company, who intends to provide a credit line to the Group to finance its working capital requirements for the next twelve months; — We assessed the financial capability of the substantial shareholder as to whether the aforementioned credit line can be honoured; and — We assessed the risk if change in the assumptions, either individually or collectively, would lead to different conclusions.

OTHER INFORMATION

The directors are responsible for the Other Information. The Other Information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

- 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.

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

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

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

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

World Link CPA Limited
Certified Public Accountants
Lo Ka Ki
Audit Engagement Director
Practising Certificate Number — P06633

5th Floor,
Far East Consortium Building,
121 Des Voeux Road Central,
Hong Kong

Hong Kong, 24 June 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Revenue	8	72,875	79,165
Cost of sales		(18,047)	(14,738)
Gross profit		54,828	64,427
Other income	9	95	101
Selling expenses		(37,623)	(30,877)
Administrative and other operating expenses		(42,409)	(29,550)
(Loss)/profit from operations		(25,109)	4,101
Listing expenses		–	(9,059)
Finance costs	10	(75)	(82)
Share of profit of an associate		861	–
Loss before tax		(24,323)	(5,040)
Income tax (expense)/credit	11	(95)	3,716
Loss for the year attributable to the owners of the Company	12	(24,418)	(1,324)
Other comprehensive income for the year, net of tax:			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		(218)	200
Total comprehensive income for the year attributable to the owners of the Company		(24,636)	(1,124)
Loss per share			
Basic (HK cents)	16(a)	(5.09)	(0.30)
Diluted (HK cents)	16(b)	(5.09)	(0.30)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	Note	2019 *HK$'000*	2018 *HK$'000*
Non-current assets			
Property, plant and equipment	17	**12,493**	10,604
Investments in associates	18(a)	**33,501**	–
Goodwill	19	**440**	–
Rental deposits		**5,570**	4,781
		52,004	15,385
Current assets			
Inventories	20	**36,071**	35,427
Trade and other receivables	21	**9,957**	9,162
Amount due from ultimate holding company	22	**145**	130
Amount due from an associate	18(b)	**7,260**	7,500
Pledged bank deposits	23	**835**	–
Cash and bank balances	23	**12,234**	71,711
		66,502	123,930
Current liabilities			
Trade and other payables	24	**6,004**	5,431
Contract liabilities	25	**95,234**	–
Deferred revenue	25	**–**	88,213
Amount due to a director	22	**26**	–
Amount due to a related party	22	**–**	1,883
Bank borrowings	26	**–**	129
Finance lease payables	27	**666**	818
Current tax liabilities		**153**	947
		102,083	97,421
Net current (liabilities)/assets		**(35,581)**	26,509
Total assets less current liabilities		**16,423**	41,894
Non-current liabilities			
Finance lease payables	27	**602**	1,437
Net assets		**15,821**	40,457

	Note	2019 HK$'000	2018 HK$'000
Equity			
Share capital	29	**4,800**	4,800
Reserves	30	**11,021**	35,657
Total equity		**15,821**	40,457

Approved and authorised for issue by the Board of Directors on 24 June 2019.

Wong Wai Kit
Director

Tam Chak Chi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Share capital HK$'000	Share premium account HK$'000 (note 30 (a))	Capital reserve HK$'000 (note 30 (b))	Foreign currency translation reserve HK$'000 (note 30 (c))	Statutory reserve HK$'000 (note 30 (d))	Retained profits/ (accumulated losses) HK$'000	Total equity HK$'000
At 1 April 2017	–	–	(34)	56	27	2,482	2,531
Share capitalisation (note 29(a))	3,600	(3,600)	–	–	–	–	–
Issue of new shares under public offer (note 29(b))	1,200	46,800	–	–	–	–	48,000
Expenses incurred in connection with issue of new shares	–	(8,950)	–	–	–	–	(8,950)
Loss and total comprehensive income for the year	–	–	–	200	–	(1,324)	(1,124)
Appropriations	–	–	–	–	216	(216)	–
Changes in equity for the year	4,800	34,250	–	200	216	(1,540)	37,926
At 31 March 2018 and 1 April 2018	4,800	34,250	(34)	256	243	942	40,457
Loss and total comprehensive income for the year	**–**	**–**	**–**	**(218)**	**–**	**(24,418)**	**(24,636)**
Appropriations	**–**	**–**	**–**	**–**	**282**	**(282)**	**–**
Changes in equity for the year	**–**	**–**	**–**	**(218)**	**282**	**(24,700)**	**(24,636)**
At 31 March 2019	**4,800**	**34,250**	**(34)**	**38**	**525**	**(23,758)**	**15,821**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	Note	2019 *HK$'000*	2018 *HK$'000*
Cash flows from operating activities			
Loss before tax		**(24,323)**	(5,040)
Adjustments for:			
Allowance for inventories		**3,492**	–
Depreciation of property, plant and equipment		**4,952**	2,566
Finance costs		**75**	82
Interest income		**(28)**	(52)
Net loss on disposals of property, plant and equipment		**–**	236
Share of profit of an associate		**(861)**	–
Operating loss before working capital changes		**(16,693)**	(2,208)
Increase in rental deposits		**(813)**	(1,286)
Increase in inventories		**(4,595)**	(8,967)
Increase in trade and other receivables		**(828)**	(1,204)
Increase in amount due from ultimate holding company		**(15)**	–
Decrease in amount due from an associate		**240**	–
Increase/(decrease) in trade and other payables		**653**	(2,065)
Increase in contract liabilities/deferred revenue		**7,027**	10,720
Increase in amount due to a director		**26**	–
Cash used in operations		**(14,998)**	(5,010)
Hong Kong Profits Tax (paid)/refunded		**(748)**	2,278
PRC Enterprise Income Tax ("**EIT**") paid		**(132)**	(1,425)
Net cash used in operating activities		**(15,878)**	(4,157)
Cash flow from investing activities			
Acquisition of a subsidiary	36(a)	**(448)**	–
Acquisition of an associate		**(32,640)**	–
Purchases of items of property, plant and equipment	36(b)	**(6,824)**	(7,812)
Advance to ultimate holding company		**–**	(109)
Increase in amount due from an associate		**–**	(7,500)
Movement of balance with related parties	36(b)	**(1,614)**	6,400
Proceeds from disposals of property, plant equipment		**–**	245
Increase in pledged bank deposits		**(835)**	–
Interest received		**28**	52
Net cash used in investing activities		**(42,333)**	(8,724)

	Note	2019 HK$'000	2018 HK$'000
Cash flow from financing activities			
Repayment of bank borrowings		**(129)**	(1,587)
Repayment of finance lease payables		**(1,037)**	(658)
Interest paid		**(75)**	(82)
Proceeds from issue of new shares under public offer		**–**	48,000
Expenses incurred in connection with issue of new shares		**–**	(8,950)
Net cash (used in)/from financing activities		**(1,241)**	36,723
Net (decrease)/increase in cash and cash equivalents		**(59,452)**	23,842
Effect of foreign exchange rate changes		**(25)**	(399)
Cash and cash equivalents at beginning of year		**71,711**	48,268
Cash and cash equivalents at end of year		**12,234**	71,711
Analysis of cash and cash equivalents			
Cash and bank balances	23	**12,234**	71,711

1. CORPORATE INFORMATION

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

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 37 to the consolidated financial statements.

In the opinion of the directors of the Company, as at 31 March 2019, Global Succeed Group Limited, a company incorporated in the British Virgin Islands (the "**BVI**") and jointly controlled by Mr. Chan Lin So, Alan ("**Mr. Chan**") and Mr. Yiu Koon Pong ("**Mr. Yiu**"), is the immediate and ultimate holding company of the Company.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA. HKFRSs comprise all applicable Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "**GEM Listing Rules**") and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 to the consolidated financial statements below provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

2. BASIS OF PREPARATION *(continued)*

Going concern assumption

For the year ended 31 March 2019, the Group incurred a loss of approximately HK$24,418,000 with net cash outflow from operating activities before working capital changes of approximately HK$16,693,000 and as at 31 March 2019, the Group had net current liabilities of approximately HK$35,581,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. In preparing these consolidated financial statements, the directors of the Company have given careful consideration to the impact of the current and anticipated future liquidity of the Group. The validity of the Group to operate as a going concern is dependent upon the successful outcomes of the Group to (i) attain profitable and positive cash flows from operations; and (ii) to obtain external source of funding or new credit line, at a level sufficient to finance the working capital requirements of the Group for the next twelve months. Having considered the above scenarios, the directors considered that it is appropriate to adopt the going concern in preparing these consolidated financial statements. In order to strengthen the Group's capital base and liquidity in the foreseeable future, the Group has taken the following measures:

- the directors of the Company have been taking various cost control measures to tighten the costs of operations and implementing various strategies to enhance the Group's revenue;
- where necessary, to dispose non-strategic assets (a vessel with carrying amount of approximately HK$2,500,000 as at 31 March 2019 was disposed subsequent to the end of reporting period);
- actively negotiating with bankers to obtain credit facility to finance the Group's operation; and
- to obtain a credit line to the extent of HK$20,000,000 from a substantial shareholder of the Company, to finance the Group's working capital requirements where necessary.

Based on the cash flow projections of the Group and having taken into account the available financial resources of the Group with the above measures, the directors have concluded that the Group is able to continue as a going concern and to meet their financial liabilities as and when they fall due for the next twelve months. Should the Group be unable to continue as a going concern, adjustments would have to be made to the financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and current liabilities respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HKFRSs

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 April 2018. Of these, the following developments are relevant to the Group's consolidated financial statements:

(i) HKFRS 9 Financial Instruments; and

(ii) HKFRS 15 Revenue from Contracts with Customers

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 9 Financial instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements 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 and other components of equity, without restating comparative information.

The adoption of HKFRS 9 resulted in the following changes to the Group's accounting policies.

(i) Classification

From 1 April 2018, the Group classifies its financial assets in the following measurement categories:

— those to be measured subsequently at fair value through other comprehensive income ("**FVTOCI**") or fair value through profit or loss ("**FVTPL**"); and

— those to be measured at amortised cost.

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

3. ADOPTION OF NEW AND REVISED HKFRSs *(continued)*

(a) Application of new and revised HKFRSs *(continued)*

HKFRS 9 Financial instruments *(continued)*

(ii) Measurement

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(iii) Impairment

From 1 April 2018, the Group assesses on a forward looking basis the expected credit losses ("**ECL**") associated with its debt instruments carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Set out below is the impact of the adoption of HKFRS 9 on the Group.

With respect to the financial assets classified as loans and receivables (which were measured at amortised cost) under HKAS 39, the Group has assessed the business model under which the financial assets are managed and its contractual cash flow characteristics, and these financial assets will continue with their respective classification and measurements upon the adoption of HKFRS 9, and the carrying amounts of these financial assets as at 1 April 2018 have not been impacted by the initial application of HKFRS 9.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 April 2018 have not been impacted by the initial application.

The Group did not designate or de-recognise any financial assets or financial liabilities at FVTPL at 1 April 2018 and the initial adoption of HKFRS 9 did not have impact on the Group's opening retained profits.

3. ADOPTION OF NEW AND REVISED HKFRSs *(continued)*

(a) Application of new and revised HKFRSs *(continued)*

HKFRS 15 Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced HKAS 18 Revenue, HKAS 11 Construction Contracts and 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 (or other components of equity, as appropriate) and comparative information has not been restated.

The adoption of HKFRS 15 resulted in the following changes to the Group's accounting policies.

Contract liabilities represent receipts in advance from credit packages and member vouchers which were previously presented as deferred revenue under the consolidated statement of financial position. Upon adoption of HKFRS 15, an amount of approximately HK$88,213,000 is reclassified to contract liabilities as at 1 April 2018.

The application of HKFRS 15 does not have material impact on the timing and amounts of revenue recognition of the Group and did not have impact on the Group's opening retained profits.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 April 2018. These new and revised HKFRSs include the following which may be relevant to the Group.

		Effective for accounting periods beginning on or after
HKFRS 16	Leases	1 January 2019
HK(IFRIC)-23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to HKAS 28	Amendments to HKAS 28 Long-term Interest in Associates and Joint Ventures	1 January 2019
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle	1 January 2019

3. ADOPTION OF NEW AND REVISED HKFRSs *(continued)*

(b) New and revised HKFRSs in issue but not yet effective *(continued)*

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially adopted in the Group's interim financial report for the six months ending 30 September 2019. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees, the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or finance leases.

HKFRS 16 is effective for annual periods beginning on or after 1 April 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Based on the preliminary assessment, the standard will affect primarily the accounting for the Group's operating leases. The Group's office premises, factories, warehouses and retail stores leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16, the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

As disclosed in note 34 to the consolidated financial statements, the Group's future minimum lease payments under non-cancellable operating leases for its office premises, factories, warehouses and retail stores amounted to approximately HK$19,578,000 as at 31 March 2019. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

3. ADOPTION OF NEW AND REVISED HKFRSs *(continued)*

(b) New and revised HKFRSs in issue but not yet effective *(continued)*

HKFRS 16 Leases *(continued)*

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's consolidated financial statements from 1 April 2019 onwards.

HK(IFRIC)-23 Uncertainty over Income Tax Treatments

The interpretation of HKAS 12 Income Taxes sets out how to apply that standard when there is uncertainty about income tax treatments. Entities are required to determine whether uncertain tax treatments should be assessed separately or as a group depending on which approach will better predict the resolution of the uncertainties. Entities will have to assess whether it is probable that a tax authority will accept an uncertain tax treatment. If yes, the accounting treatment will be consistent with the entity's income tax filings. If not, however, entities are required to account for the effects of the uncertainty using either the most likely outcome or expected value method depending on which method is expected to better predict its resolution.

The Group is unable to estimate the impact of the interpretation on the consolidated financial statements until a more detailed assessment has been completed.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5 to the consolidated financial statements.

The significant accounting policies applied in the preparation of the consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Consolidation *(continued)*

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated foreign currency translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment loss, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Group.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the sum of the consideration transferred in a business combination to calculate the goodwill.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Investment in associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's entire carrying amount of that associate (including goodwill) and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

— Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

— Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

— All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods, 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.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvements	Over the shorter of the term of the lease and 3 years
Equipment	20%
Furniture and fixtures	20%
Motor vehicles	20%
Vessels	33.33%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(f) Leases

The Group as lessee

(i) *Operating leases*

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

Contingent rentals are recognised as expenses in the periods in which they are incurred.

(ii) *Finance leases*

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Leases *(continued)*

The Group as lessee *(continued)*

(ii) Finance leases (continued)

The corresponding liability to the lessor is included in the consolidated statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets over their estimated useful lives.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as cost of sales in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised in the profit or loss in the period of write-down or loss occurs. The amount of any reversal of any write-down of inventories recognised as an increment in the amount of inventories and recognised in the profit or loss in the period in which the reversal occurs.

(h) Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

Policy prior to 1 April 2018

In the comparative period, receipts in advance from credit packages and member vouchers were presented as “deferred revenue”. This balance has been reclassified as “contract liabilities” on 1 April 2018 as mentioned in note 3 to the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Recognition and derecognition of financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

(j) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

(k) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for ECL.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECL.

(m) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(n) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Equity instruments

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

(p) Revenue recognition

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Revenue from the sale of goods is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the retail stores. Payment of the transaction price is due immediately at the point the customer purchases the goods. Under the Group's standard contract terms, customers have a right of return within 7 days. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognised for those products expected to be returned. At the same time, the Group has a right to recover the product when customers exercise their right of return so consequently recognises a right to returned goods asset and a corresponding adjustment to cost of sales. The Group uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method. It is considered highly probable that a significant reversal in the cumulative revenue recognised will not occur given the consistent level of returns over previous years.

Revenue from beauty service is recognised at the point of time when the services are rendered.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Revenue recognition *(continued)*

Receipts in advance from credit packages, member vouchers and beauty packages are recognised as contract liabilities in the consolidated statement of financial position, and are recognised as revenue when control of the goods has transferred or services are rendered as described in the above accounting policy for revenue from the sale of goods and provision of services.

The unused credit packages are recognised as revenue generated from the course of the ordinary activities of the Group upon the second anniversary of the contractual expiry date of the relevant credit packages.

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

Policy prior to 1 April 2018

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

Revenue from the sales of goods is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the titles have passed to the customers.

Receipts in advance from credit packages and member vouchers, where the relevant goods have not been delivered and titles have not been passed, are deferred and recognised as deferred revenue in the consolidated statement of financial position, and are recognised as revenue when the relevant goods are delivered and titles have passed as described in the above accounting policy for revenue from the sale of goods.

Deferred revenue in relation to the unused credit packages is recognised as revenue generated from the course of the ordinary activities of the Group upon the second anniversary of the contractual expiry date of the relevant credit packages.

Interest income is recognised on a time-proportion basis using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

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

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

(r) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items 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 differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint arrangements, 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Taxation *(continued)*

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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

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

(s) Related parties

For the purposes of these consolidated financial statements, a related party is a person or entity that is related to the Group.

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or a parent of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Related parties *(continued)*

(B) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

(t) Impairment of non-financial asset

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Impairment of financial assets

The Group recognises a loss allowance for ECL on trade receivables. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The ECL on these financial assets are estimated using a provision matrix 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 as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Impairment of financial assets *(continued)*

Significant increase in credit risk *(continued)*

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

— an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

— significant deterioration in external market indicators of credit risk for a particular financial instrument;

— existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

— an actual or expected significant deterioration in the operating results of the debtor;

— significant increases in credit risk on other financial instruments of the same debtor;

— an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(i) The financial instrument has a low risk of default,

(ii) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

(iii) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Impairment of financial assets *(continued)*

Definition of default

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

— when there is a breach of financial covenants by the counterparty; or

— information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

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

— significant financial difficulty of the issuer or the counterparty;

— a breach of contract, such as a default or past due event;

— the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;

— it is becoming probable that the counterparty will enter bankruptcy or other financial reorganization; or

— The disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Impairment of financial assets *(continued)*

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Policy prior to 1 April 2018

At the end of each reporting period, the Group assesses whether its financial assets (other than those at FVTPL) are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

For trade receivables that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(w) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

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

(a) Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the successful outcomes of the Group to attain profitable and positive cash flows from operations. Details are explained in note 2 to the consolidated financial statements.

(b) Recognition of contract liabilities

Receipts in advance from credit packages, money voucher and beauty packages are recognised as contract liabilities in the consolidated statement of financial position. Subsequently, the amounts will be recognised as revenue when the customers make the purchase using the credits purchased. The credit package is a programme offered to the Group's customers and having a valid period of two years from the date of purchase. Under the programme, the customers enjoy a pre-determined discount rate on the marked price of the Group's products in future purchases using the credits purchased and the pre-determined discount rate varies depending on the initial lump-sum amount paid to subscribe for the credit packages. The Group, subject to internal approval, may extend the valid period and allow the customers to continue to use the credit packages to purchase goods after the expiry dates up to the fourth anniversary of the date of original purchase.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(continued)*

Critical judgements in applying accounting policies *(continued)*

(b) Recognition of contract liabilities *(continued)*

Therefore, the directors of the Company are required to exercise judgement in the application of revenue recognition policies. In such assessment, the directors of the Company consider the general practice and grace period normally adopted by the Group as well as historical customer behaviour and usage pattern of the credit packages. After careful consideration of these factors, the directors of the Company consider that it is appropriate to recognise any unused credit packages as revenue generated from the course of the ordinary activities of the Group upon the second anniversary of the contractual expiry date of the relevant credit packages.

(c) Significant increase in credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

Key sources of estimation uncertainty

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

(a) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

The carrying amount of property, plant and equipment as at 31 March 2019 was approximately HK$12,493,000 (2018: HK$10,604,000).

(b) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

During the year, income tax of approximately HK$95,000 (2018: HK$3,716,000) was charged (2018: credited) to profit or loss.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(continued)*

Key sources of estimation uncertainty *(continued)*

(c) *Impairment of investments in associates*

Investments in associates are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the investments associates exceeds their recoverable amount. The recoverable amount is determined with reference to the fair value less costs of disposal. Calculation of fair value by market approach requires valuation technique which used price and other relevant information generated by market transactions involving identical and comparable group of assets and liabilities or business, a suitable discount rate and marketability discount rate. Where the fair value less costs of disposal are less than expected or there are unfavourable events and change in facts and circumstance which result in revision of fair value less costs of disposal, a material impairment loss may arise.

No impairment of investments in associates was made for the year ended 31 March 2019 (2018: Nil).

(d) *Allowance for slow-moving inventories*

The Group makes allowance for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories or that the inventories have no further use. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

Allowance for slow-moving inventories of approximately HK$3,492,000 (2018: Nil) was made for the year ended 31 March 2019.

(e) *Impairment of trade receivables*

Prior to the adoption of HKFRS 9 on 1 April 2018, the management of the Group assesses at the end of each reporting period whether there is any objective evidence that trade receivables are impaired. The provision policy for bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of trade receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

No impairment of trade receivable was made for the year ended 31 March 2018.

Since the adoption of HKFRS 9 on 1 April 2018, the management of the Group estimates the amount of impairment loss for ECL on trade receivables based on the credit risk of trade receivables. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

No impairment of trade receivable was made for the year ended 31 March 2019.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, interest rate risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities.

The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arises.

(b) Credit risk

The carrying amounts of trade and other receivables, amounts due from ultimate holding company and an associate, pledged bank deposits and bank balances included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

The Group has no significant concentrations of credit risk. At the end of reporting period, the credit risk on trade receivables is limited because the Group's trade receivables are due from banks with good high credit-ratings assigned by international credit-rating agencies.

For deposits and other receivables, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the deposits and other receivables has not increased significantly since initial recognition, the Group measures the loss allowance for the deposits and other receivables at an amount equal to 12-month ECL. The Group has assessed that the ECL of deposits and other receivables is insignificant as at 31 March 2019 under 12-month ECL model and therefore no loss allowance provision was recognised.

Amounts due from ultimate holding company and an associate are closely monitored by the directors.

The credit risk on pledged bank deposits and bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

(c) Interest rate risk

The Group's finance lease payables bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

The Group's pledged bank deposits and bank balances bear interests at variable interest rates and therefore are subject to cash flow interest rate risks.

Except as stated above, the Group does not have other significant interest-bearing assets and liabilities at the end of reporting period, its income and operating cash flows are substantially independent of changes in market interest rates.

6. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Interest rate risk *(continued)*

No sensitivity analysis is presented since the directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate pledged bank deposits and bank balances is limited due to their short maturities or the insignificant amounts involved.

(d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Group can be required to pay.

The maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follows:

	On demand *HK$'000*	Less than 1 year *HK$'000*	1 to 2 years *HK$'000*	2 to 5 years *HK$'000*	Total *HK$'000*
31 March 2019					
Trade and other payables	**–**	**6,004**	**–**	**–**	**6,004**
Amount due to a director	**26**	**–**	**–**	**–**	**26**
Finance lease payables	**–**	**699**	**585**	**22**	**1,306**
31 March 2018					
Trade and other payables	–	5,431	–	–	5,431
Amount due to a related party	1,883	–	–	–	1,883
Bank borrowings	129	–	–	–	129
Finance lease payables	–	891	904	574	2,369

Bank borrowings with a repayment on demand clause are included in the "on demand" time band in the above maturity analysis. As at 31 March 2018, the aggregate undiscounted principal amounts of these bank borrowings amounted to approximately HK$129,000. Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to approximately HK$129,000.

6. FINANCIAL RISK MANAGEMENT *(continued)*

(e) Categories of financial instruments at 31 March

	2019 HK$'000	2018 HK$'000
Financial assets:		
Financial assets at amortised cost	30,404	–
Loans and receivables (including cash and cash equivalents)	–	89,886
Financial liabilities:		
Financial liabilities at amortised cost	6,030	7,443

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. OPERATING SEGMENT INFORMATION

As the Group's activities (other than design, manufacture and sales of lingerie products) do not meet the quantitative thresholds of operating segment. Accordingly, the Directors have determined that the Group has only one operating and reportable segment, being the sales of lingerie products and other complementary and ancillary products through its retail stores.

Information reported to the Directors being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses only on revenue analysis by nature of revenue and geographical location of customers.

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

Geographical information

For the year ended 31 March 2019, approximately 91.2% (2018: 99.2%) of the Group's revenue were derived from external customers in Hong Kong. The remaining percentage was attributed to customers in the PRC and Macau.

7. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information *(continued)*

Information about the Group's non-current assets (excluding investments in associates, goodwill and rental deposits) is presented based on the geographical location of the assets is as follows:

	2019 HK$'000	2018 HK$'000
Hong Kong	10,619	10,088
Macau	1,189	–
The PRC, other than Hong Kong and Macau	685	516
	12,493	10,604

Information about major customers

There was no revenue from individual customers of the Group contributing over 10% of the Group's revenue during the year ended 31 March 2019 (2018: Nil).

8. REVENUE

Revenue represents the aggregation of net amounts received and receivable during the year. An analysis of the Group's revenue for the year is as follows:

	2019 HK$'000	2018 HK$'000
Products and services transferred at a point in time:		
Sales of lingerie products and other complementary and ancillary products	67,714	76,605
Trading of garments	465	–
Provision of beauty services	89	–
Income from unused credit packages	4,607	2,560
	72,875	79,165

9. OTHER INCOME

	2019 HK$'000	2018 HK$'000
Bank interest income	28	52
Net foreign exchange gains	–	1
Others	67	48
	95	101

10. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest on bank borrowings	–	29
Finance lease charges	75	53
	75	82

11. INCOME TAX EXPENSE/(CREDIT)

	2019 HK$'000	2018 HK$'000
Current tax — Hong Kong Profits Tax		
Provision for the year	–	1,617
Over-provision in prior years	(38)	(5,642)
	(38)	(4,025)
Current tax — Macao Complementary Tax		
Provision for the year	102	–
Current tax — PRC EIT		
Provision for the year	–	309
Under-provision in prior years	31	–
	31	309
	95	(3,716)

11. INCOME TAX EXPENSE/(CREDIT) *(continued)*

No provision for Hong Kong Profits Tax is made since the Group has no assessable profit for the year ended 31 March 2019. Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the year ended 31 March 2018.

For the Group's subsidiary established and operated in Macau is subject to Macao Complementary Tax, under which taxable income of up to MOP600,000 is exempted from taxation with taxable income beyond this amount to be taxed at the rate of 12% for the year ended 31 March 2019.

For the Group's subsidiaries established and operated in the PRC are subject to PRC EIT at the rate of 25% (2018: 25%) for the year 31 March 2019.

The reconciliation between the income tax expense/(credit) and the product of loss before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2019 ***HK$'000***	2018 *HK$'000*
Loss before tax	**(24,323)**	(5,040)
Tax at the Hong Kong Profits Tax rate of 16.5% (2018: 16.5%)	**(4,013)**	(831)
Tax effect of income that is not taxable	**(4)**	(2)
Tax effect of expenses that are not deductible	**2,040**	3,153
Tax effect of share of profit of an associate	**(142)**	–
Tax effect of tax losses not recognised	**1,952**	453
Tax effect of utilisation of tax losses not previously recognised	**–**	(99)
Tax effect of temporary differences not recognised	**1,005**	(679)
Over-provision in prior years	**(7)**	(5,642)
Tax benefits	**(72)**	(20)
Effect of different tax rates of subsidiaries	**(664)**	(49)
Income tax expense/(credit)	**95**	(3,716)

12. LOSS FOR THE YEAR

The Group's loss for the year is arrived at after charging/(crediting):

	2019 HK$'000	2018 HK$'000
Allowance for inventories	3,492	–
Auditor's remuneration	700	680
Cost of inventories recognised as an expense	18,047	14,738
Depreciation of property, plant and equipment	4,952	2,566
Net foreign exchange losses/(gains)	36	(1)
Net loss on disposals of property, plant and equipment	–	236
Operating leases on land and buildings		
— Minimum lease payment	17,458	13,617
— Contingent rentals	1,406	3,096
	18,864	16,713
Staff cost (including directors' emoluments)		
— Salaries, bonuses and allowances	32,501	26,431
— Retirement benefit scheme contributions	2,252	1,789
	34,753	28,220

13. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance are as follows:

	2019 HK$'000	2018 HK$'000
Fees	606	228
Other emoluments		
Salaries, allowances and benefits in kind	2,145	1,696
Retirement benefit scheme contributions	85	47
	2,230	1,743
	2,836	1,971

13. BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

(a) Directors' emoluments *(continued)*

	Fees	Salaries, allowances and benefits in kind	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
31 March 2019				
Executive directors				
Mr. Fok Wai Hung (note (iii))	–	587	17	604
Mr. Lam Ka Yuen (note (iv))	–	302	16	318
Ms. Luk Mo Yan (note (v))	–	395	20	415
Mr. Yeung Man Sun (note (vi))	–	450	17	467
Mr. Wong Wai Kit (note (xii))	–	282	9	291
Mr. Tam Chak Chi (note (xiii))	–	129	6	135
	–	2,145	85	2,230
Non-executive director				
Mr. Ng Chi Ho Dennis (note (xiv))	239	–	–	239
Independent non-executive directors				
Mr. Lam Tat Fung (note (ix))	90	–	–	90
Mr. Ong King Keung (note (x))	120	–	–	120
Mr. Cai Chun Fai (note (xi))	120	–	–	120
Ms. Chan Ka Ming (note (xv))	37	–	–	37
	367	–	–	367

13. BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

(a) Directors' emoluments *(continued)*

	Fees	Salaries, allowances and benefits in kind	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
31 March 2018				
Executive directors				
Mr. Chan (note (i))	–	509	15	524
Mr. Yiu (note (ii))	–	344	10	354
Mr. Fok Wai Hung (note (iii))	–	304	10	314
Mr. Lam Ka Yuen (note (iv))	–	261	9	270
Ms. Luk Mo Yan (note (v))	–	187	3	190
Mr. Yeung Man Sun (note (vi))	–	91	–	91
	–	1,696	47	1,743
Independent non-executive directors				
Ms. Chow Ting Hei Haily Josephine (note (vii))	35	–	–	35
Mr. Li Fu Yeung (note (viii))	50	–	–	50
Mr. Wong Tin King Richard (note (viii))	50	–	–	50
Mr. Lam Tat Fung (note (ix))	31	–	–	31
Mr. Ong King Keung (note (x))	31	–	–	31
Mr. Yeung Man Sun (note (vi))	13	–	–	13
Mr. Cai Chun Fai (note (xi))	18	–	–	18
	228	–	–	228

13. BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

(a) Directors' emoluments *(continued)*

Notes:

(i) Mr. Chan was appointed as an executive director on 27 May 2016 and resigned on 6 February 2018.

(ii) Mr. Yiu was appointed as an executive director on 27 May 2016 and ceased on 27 October 2017.

(iii) Mr. Fok Wai Hung was appointed as an executive director on 29 December 2017 and resigned on 11 December 2018. Salaries, allowances and benefits in kind and retirement benefit scheme contributions of approximately HK$193,000 paid to him during the year ended 31 March 2019 after his resignation as an executive director had not been included in the emolument analysis.

(iv) Mr. Lam Ka Yuen was appointed as an executive director on 29 December 2017 and retired on 14 August 2018. Salaries, allowances and benefits in kind and retirement benefit scheme contributions of approximately HK$308,000 paid to him during the year ended 31 March 2019 after his retirement as an executive director had not been included in the emolument analysis.

(v) Ms. Luk Mo Yan was appointed as an executive director on 6 February 2018 and retired on 14 August 2018. Salaries, allowances and benefits in kind and retirement benefit scheme contributions of approximately HK$31,000 paid to her during the year ended 31 March 2019 after her retirement as an executive director had not been included in the emolument analysis.

(vi) Mr. Yeung Man Sun was appointed as an independent non-executive director on 29 December 2017 and was re-designated as an executive director on 6 February 2018 and resigned on 11 December 2018.

(vii) Ms. Chow Ting Hei Haily Josephine was appointed as an independent non-executive director on 13 January 2017 and resigned on 6 November 2017.

(viii) Mr. Li Fu Yeung and Mr. Wong Tin King Richard were appointed as independent non-executive directors on 13 January 2017 and resigned on 29 December 2017.

(ix) Mr. Lam Tat Fung was appointed as an independent non-executive director on 29 December 2017 and resigned on 11 December 2018.

(x) Mr. Ong King Keung was appointed as an independent non-executive director on 29 December 2017.

(xi) Mr. Cai Chun Fai was appointed as an independent non-executive director on 6 February 2018.

(xii) Mr. Wong Wai Kit was appointed as an executive director on 12 October 2018. Salaries, allowances and benefits in kind and retirement benefit scheme contributions of approximately HK$72,000 paid to him during the year ended 31 March 2019 before his appointment as an executive director had not been included in the emolument analysis.

(xiii) Mr. Tam Chak Chi was appointed as an executive director on 11 December 2018.

(xiv) Mr. Ng Chi Ho Dennis was appointed as a non-executive director on 11 December 2018 and resigned on 1 April 2019.

(xv) Ms. Chan Ka Ming was appointed as an independent non-executive director on 11 December 2018.

13. BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

(a) Directors' emoluments *(continued)*

There was no arrangement under which a director waived or agreed to waive any emolument during the year (2018: Nil).

During the year, no emolument has been paid to the directors as an inducement to join or upon joining the Group; or as compensation for loss of office (2018: Nil).

There was no discretionary bonus paid or payable to any of the directors during the year (2018: Nil).

The number of directors, whose emoluments fell within the following bands, is as follows:

	2019	2018
Nil to HK$1,000,000	**11**	12

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

Save for disclosed in note 35 to the consolidated financial statements, no significant transaction, arrangement and contract in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

14. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals in the Group during the year included two directors (2018: one director) whose emoluments are reflected in the analysis presented in note 13 to the consolidated financial statements. The emoluments of the remaining three (2018: four) individuals are set out below:

	2019 ***HK$'000***	2018 *HK$'000*
Salaries, allowances and benefits in kind	**1,330**	2,314
Discretionary bonus	**537**	411
Retirement benefit scheme contributions	**54**	72
	1,921	2,797

The number of non-directors, highest paid employees, whose emoluments fell within the following bands, is as follows:

	2019	2018
Nil to HK$1,000,000	**3**	4

15. DIVIDEND

No dividend had been paid or declared by the Company during the year (2018: Nil).

16. LOSS PER SHARE

(a) Basic loss per share

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

Loss	**2019** ***HK$'000***	2018 *HK$'000*
Loss for the purpose of calculating basic and diluted loss per share	**(24,418)**	(1,324)

Number of shares	**2019**	2018
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share (note)	**480,000,000**	446,136,986

Note:

Issued ordinary shares of the Company at the beginning of year is on the assumption that 360,000,000 ordinary shares, being the number of shares in issue immediately after the completion of the share capitalisation, deemed to have been issued throughout the period from 1 April 2016 and up to 13 July 2017, immediately before the completion of public offer upon the Listing.

(b) Diluted loss per share

No diluted loss per share is presented as the Company did not have any dilutive potential ordinary share during the two years ended 31 March 2019 and 2018.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Vessels HK$'000	Total HK$'000
Cost						
At 1 April 2017	4,086	1,811	441	1,854	–	8,192
Additions	1,334	609	103	2,947	5,000	9,993
Disposals	(61)	(16)	(157)	(362)	–	(596)
Exchange differences	45	103	28	18	–	194
At 31 March 2018 and 1 April 2018	5,404	2,507	415	4,457	5,000	17,783
Additions	**4,100**	**1,838**	**121**	**815**	**–**	**6,874**
Exchange differences	**(29)**	**(69)**	**(13)**	**(12)**	**–**	**(123)**
At 31 March 2019	**9,475**	**4,276**	**523**	**5,260**	**5,000**	**24,534**
Accumulated depreciation						
At 1 April 2017	2,732	961	197	712	–	4,602
Charge for the year	796	298	94	545	833	2,566
Disposals	(15)	(6)	(68)	(26)	–	(115)
Exchange differences	35	67	14	10	–	126
At 31 March 2018 and 1 April 2018	3,548	1,320	237	1,241	833	7,179
Charge for the year	**1,622**	**553**	**85**	**1,025**	**1,667**	**4,952**
Exchange differences	**(26)**	**(47)**	**(9)**	**(8)**	**–**	**(90)**
At 31 March 2019	**5,144**	**1,826**	**313**	**2,258**	**2,500**	**12,041**
Carrying amount						
At 31 March 2019	**4,331**	**2,450**	**210**	**3,002**	**2,500**	**12,493**
At 31 March 2018	1,856	1,187	178	3,216	4,167	10,604

At 31 March 2019, the carrying amount of motor vehicles and equipment held by the Group under finance leases amounted to approximately HK$1,666,000 (2018: HK$2,693,000).

18. INTERESTS IN ASSOCIATES

(a) Investments in associates

	2019 HK$'000	2018 HK$'000
Unlisted share, at cost		
Share of net assets	6,342	–
Goodwill	27,159	–
	33,501	–

Details of the Group's associates at 31 March 2019 are as follows:

Name	Place of incorporation	Issued and paid up capital	Percentage of ownership interest	Principal activities
Ocean Trader Limited ("**Ocean Trader**") (note (i))	Hong Kong	HK$100	25%	Vessel holding
Honour Achieve International Investment Limited ("**Honour Achieve**") (note (ii))	BVI	US$10,000	34%	Provision of medical aesthetic service

Notes:

(i) Ocean Trader was incorporated in Hong Kong on 28 July 2017, with issued share capital of HK$100. The investment cost in an associate has been presented as "–" as a result of rounding.

The Group has not recognised loss for the year amounting to approximately HK$625,000 (2018: HK$451,000) for Ocean Trader. The accumulated losses not recognised were approximately HK$1,076,000 (2018: HK$451,000). Therefore, the Group did not share its results during the year ended 31 March 2019.

(ii) On 11 January 2019, the Group acquired 34% of equity interest in Honour Achieve at a cash consideration of HK$32,640,000. Honour Achieve was incorporated in the BVI on 8 March 2016, with issued share capital of US$10,000. Details of the acquisition of an associate is set out in the Company's announcements dated 11 January 2019 and 9 April 2019 respectively.

At the end of reporting period, the recoverable amount of Honour Achieve has been determined based on fair value less costs of disposal by using market approach. No impairment in respect of the interest in Honour Achieve has been provided as the recoverable amount of the Honour Achieve was higher than its carrying amount as at 31 March 2019.

18. INTERESTS IN ASSOCIATES *(continued)*

(a) Investments in associates *(continued)*

The following table shows information on an associate that are material to the Group. This associate is accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRS financial statements of the associate.

Name	**Honour Achieve 2019**
Principal place of business/country of incorporation	**Hong Kong/BVI**
Principal activities	**Provision of medical aesthetic service**
% of ownership interests/voting rights held by the Group	**34%/34%**
	HK$'000
At 31 March:	
Non-current assets	**2,758**
Current assets	**36,868**
Current liabilities	**(20,973)**
Net assets	**18,653**
Group's share of net assets	**6,342**
Goodwill	**27,159**
Group's share of carrying amount of interests	**33,501**
Year ended 31 March:	
Revenue	**27,564**
Profit and total comprehensive income for the year	**8,223**

(b) Amount due from an associate

The amount due from an associate is unsecured, interest-free and repayable on demand. It was classified as amount due from an associate in the consolidated statement of financial position.

19. GOODWILL

	2019 *HK$'000*
Cost and carrying amount	
Arising on acquisition of a subsidiary (note 36(a)) and at 31 March 2019	**440**

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("**CGUs**") that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated to Dynasty Investment (HK) Limited, a subsidiary of the Company, which is preparing to engage in money lending business and considered to be one individual CGUs.

The Group has carried out a review of the recoverable amount of the CGUs as at 31 March 2019 with reference to the valuation performed by an independent valuer. The recoverable amount is assessed based on fair value less costs of disposal by using market approach and referring to several comparable companies under level 3 fair value measurement.

No impairment loss is recognised for the year ended 31 March 2019 as the recoverable amount of the CGUs is higher than its carrying amount as at 31 March 2019.

20. INVENTORIES

	2019 *HK$'000*	2018 *HK$'000*
Raw materials	**3,769**	3,635
Work-in-progress	**319**	359
Finished goods	**31,983**	31,433
	36,071	35,427

As at 31 March 2019, the Group's inventories are stated at cost less allowance for inventories.

Allowance for inventories of approximately HK$3,492,000 (2018: Nil) was made for the year ended 31 March 2019.

21. TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**1,006**	1,384
Other receivables, prepayments and deposits	**8,951**	7,778
	9,957	9,162

The Group allows a credit period of 0 to 30 days to its customers for its trade receivables.

The customers of the Group would usually settle payments by cash, EPS or credit cards. For EPS and credit card payments, the banks will normally settle the amounts received, net of handling charges, a few days after the trade date. The trade receivables balance mainly represents payments that are not yet settled by banks.

The ageing analysis of trade receivables based on the invoice date, and net of allowance, is as follows:

	2019	2018
	HK$'000	*HK$'000*
0 – 30 days	**1,006**	1,384

As of 31 March 2019, none of trade receivables were past due but not impaired (2018: Nil).

22. AMOUNTS DUE FROM/TO ULTIMATE HOLDING COMPANY/A DIRECTOR/A RELATED PARTY

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

23. PLEDGED BANK DEPOSITS AND CASH AND BANK BALANCES

As at 31 March 2019, the cash and bank balances of the Group are denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
HK$	6,203	70,354
RMB	1,525	1,355
MOP	4,504	–
US$	2	2
Cash and bank balances	12,234	71,711

At the end of reporting period, the cash and bank balances of the Group denominated in RMB is not freely convertible into other currencies. However, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

The Group's pledged bank deposits represented deposits pledged to a bank to secure the rental of the office of the Group.

24. TRADE AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payables	524	334
Accruals and other payables	5,480	5,097
	6,004	5,431

The credit periods on trade payables offered by suppliers are within 60 days.

The ageing analysis of trade payables based on the date of receipt of goods is as follows:

	2019 HK$'000	2018 HK$'000
0–30 days	524	146
31–60 days	–	88
61–90 days	–	100
	524	334

25. CONTRACT LIABILITIES (2018: DEFERRED REVENUE)

	Credit package *HK$'000*	Member voucher *HK$'000*	Beauty package *HK$'000*	Total *HK$'000*
At 1 April 2017	77,412	78	–	77,490
Receipts from sales of credit packages and member vouchers	81,434	250	–	81,684
Revenue recognised upon sales of goods	(68,173)	(231)	–	(68,404)
Revenue recognised for unused credit packages	(2,560)	–	–	(2,560)
Exchange differences	–	3	–	3
At 31 March 2018 and 1 April 2018	88,113	100	–	88,213
Receipts from sales of credit packages, member vouchers and beauty package	**70,353**	**107**	**157**	**70,617**
Revenue recognised upon sales of goods and beauty service rendered	**(58,449)**	**(108)**	**(426)**	**(58,983)**
Revenue recognised for unused credit packages and beauty package	**(4,607)**	**–**	**–**	**(4,607)**
Transfer	**(1,071)**	**–**	**1,071**	**–**
Exchange differences	**–**	**(6)**	**–**	**(6)**
At 31 March 2019	**94,339**	**93**	**802**	**95,234**

26. BANK BORROWINGS

	2019 HK$'000	2018 HK$'000
Bank loans	–	129

The borrowings are repayable as follows:

	2019 HK$'000	2018 HK$'000
Within one year	–	129
Less: Amount due for settlement within 12 months (shown under current liabilities)	–	(129)
Amount due for settlement after 12 months	–	–

The bank borrowings are denominated in HK$.

The average interest rates at 31 March were as follows:

	2019	2018
Bank loans	N/A	3%

Bank loans are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

The Group's bank loans represented a non-revolving corporate tax loan from a bank. As at 31 March 2018, the bank loans were secured by corporate guarantee of the Company.

27. FINANCE LEASE PAYABLES

	Minimum lease payments		Present value of minimum lease payments	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**699**	891	**666**	818
In the second to fifth years, inclusive	**607**	1,478	**602**	1,437
	1,306	2,369	**1,268**	2,255
Less: Future finance charges	**(38)**	(114)	**N/A**	N/A
Present value of lease obligations	**1,268**	2,255	**1,268**	2,255
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(666)**	(818)
Amount due for settlement after 12 months			**602**	1,437

The Group lease certain of its motor vehicles and equipment under finance leases. The lease term is ranged from three to five years (2018: three to five years). At 31 March 2019, the effective borrowing rate was ranged from 0% to 4.32% (2018: 4.21% to 4.77%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The finance lease payables are denominated in HK$.

The finance lease payables of the Group are secured by the lessor's title to the leased assets.

28. DEFERRED TAX LIABILITIES

At the end of the reporting period, the Group has unused tax losses of approximately HK$18,407,000 (2018: HK$7,943,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$6,738,000 (2018: HK$4,096,000) that will expire in five years. Other tax losses may be carried forward indefinitely.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is approximately HK$306,000 (2018: HK$4,739,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

29. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 1 April 2017, 31 March 2018, 1 April 2018 and 31 March 2019	**4,000,000,000**	**40,000**
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 1 April 2017	10,000	–*
Share capitalisation (note (a))	359,990,000	3,600
Issue of new shares under public offer (note (b))	120,000,000	1,200
At 31 March 2018, 1 April 2018 and 31 March 2019	**480,000,000**	**4,800**

* Represents amount less than HK$1,000

Notes:

(a) On 19 June 2017, written resolutions of the shareholders of the Company were passed, conditional on the share premium account of the Company having sufficient balance, or otherwise being credited pursuant to the placing of shares of the Company; the directors of the Company were authorised to capitalise the sum of HK$3,599,900 standing to the credit of the share premium account of the Company by issuing 359,990,000 shares of HK$0.01 each, credited as fully paid at par.

(b) On the date of the Listing, the Company issued 120,000,000 ordinary shares of HK$0.01 each at a price of HK$0.4 each upon completion of the public offer of the Company's shares in relation to the Listing. The premium on the issue of shares, amounting to approximately HK$37,850,000, net of share issue expenses, was credited to the Company's share premium account.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance. The capital structure of the Group comprises all components of shareholders' equity.

The Group reviews the capital structure frequently by considering the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts, redemption of existing debts or selling assets to reduce debts. No change was made in the objectives, policies or processes for managing capital during the years ended 31 March 2019 and 2018.

The only externally imposed capital requirement for the Group is that in order to maintain its listing on the Stock Exchange, it has to have a public float of at least 25% of the shares. The Group has maintained a sufficient public float to comply with the GEM Listing Rules from the date of the Listing. As of 31 March 2019, approximately 25% of the shares were in public hands.

30. RESERVES

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

Nature and purpose of reserves

(a) Share premium

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(b) Capital reserve

Capital reserve of the Company represents differences between the consideration paid over the nominal value of the share capital of subsidiaries as a result of the group reorganisation.

(c) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(d) to the consolidated financial statements.

(d) Statutory reserve

In accordance with the PRC Company Law and the Group's PRC subsidiaries' articles of association, the Group's PRC subsidiaries are required to allocate 10% of its profit after tax as determined in accordance with the relevant accounting principles and financial regulations applicable to PRC companies to the statutory reserve until such reserve reaches 50% of the registered capital. The appropriation to the reserve must be made before any distribution of dividends to equity holders. The statutory surplus reserve can be used to offset previous years' losses, if any, and part of the statutory surplus reserve can be capitalised as paid-in capital provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the paid-in capital of the Group's subsidiaries.

31. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	2019 *HK$'000*	2018 *HK$'000*
Non-current assets		
Property, plant and equipment	2,247	2,161
Investments in subsidiaries	–	–
Rental deposits	670	670
	2,917	2,831
Current assets		
Other receivables	1,212	1,669
Amount due from ultimate holding company	44	29
Amount due from a related party	–	2,392
Amounts due from subsidiaries	1,039	–
Pledged bank deposits	835	–
Cash and bank balances	1,600	22,072
	4,730	26,162
Current liabilities		
Other payables	507	445
Amounts due to subsidiaries	–	11,998
Finance lease payables	656	573
	1,163	13,016
Net current assets	3,567	13,146
Total assets less current liabilities	6,484	15,977
Non-current liabilities		
Finance lease payables	569	1,225
Net assets	5,915	14,752

31. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY *(continued)*

(a) Statement of financial position of the Company *(continued)*

	2019 *HK$'000*	2018 *HK$'000*
Equity		
Share capital	**4,800**	4,800
Reserves (note 31(b))	**1,115**	9,952
Total equity	**5,915**	14,752

Approved and authorised for issue by the Board of Directors on 24 June 2019.

Wong Wai Kit	**Tam Chak Chi**
Director	*Director*

(b) Reserves movement of the Company

	Share premium account *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 31 March 2017 and 1 April 2017	–	(8,401)	(8,401)
Share capitalisation (note 29(a))	(3,600)	–	(3,600)
Issue of new shares under public offer (note 29(b))	46,800	–	46,800
Expenses incurred in connection with issue of new shares	(8,950)	–	(8,950)
Loss and total comprehensive income for the year	–	(15,897)	(15,897)
At 31 March 2018 and 1 April 2018	34,250	(24,298)	9,952
Loss and total comprehensive income for the year	**–**	**(8,837)**	**(8,837)**
At 31 March 2019	**34,250**	**(33,135)**	**1,115**

32. CONTINGENT LIABILITIES

As at 31 March 2019, the Group did not have any significant contingent liabilities (2018: Nil).

33. CAPITAL COMMITMENTS

Capital commitments contracted for at the end of the reporting period but not yet incurred are as follows:

	2019	2018
	HK$'000	*HK$'000*
Property, plant and equipment	**477**	131

34. LEASE COMMITMENT

At 31 March 2019, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2019	2018
	HK$'000	*HK$'000*
Within one year	**14,400**	13,540
In the second to fifth years inclusive	**5,178**	7,783
	19,578	21,323

Operating lease payments represent rentals payable by the Group for certain of its office premises, factories, warehouses and retail stores. Leases are negotiated for an average term of two years (2018: two years) and rentals are fixed over the lease terms and contingent rentals. The contingent rentals are based on the predetermined percentages to turnover less the fixed basic rentals of the respective leases.

35. RELATED PARTY TRANSACTIONS

Other than those related party balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year:

(a) Transactions

The Group had the following transactions with its related parties during the year:

	2019	2018
	HK$'000	*HK$'000*
Consultancy and advisory fees paid to Mr. Chan	**456**	69

(b) The emoluments of directors and other members of key management during the year was as follows:

	2019	2018
	HK$'000	*HK$'000*
Fees	**606**	228
Other emoluments		
Salaries, allowances and benefits in kind	**2,145**	1,696
Retirement benefit scheme contributions	**85**	47
	2,230	1,743
	2,836	1,971

Further details of emoluments of directors and other members of key management during the year are set out in note 13 to the consolidated financial statements.

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of a subsidiaries

On 20 December 2018, the Group acquired the entire issued share capital of Dynasty Investment (HK) Limited at a consideration of approximately HK$450,000 (the "**Acquisition**").

Immediately prior to the completion of Acquisition, Dynasty Investment (HK) Limited was inactive. The fair value of the identifiable assets of Dynasty Investment (HK) Limited acquired as at the date of Acquisition are as follows:

	HK$'000
Amount due from a shareholder	8
Bank balances	2
Goodwill	440
	450
Settled by cash	450
Net cash outflow arising on acquisition:	
Cash consideration paid	(450)
Cash and cash equivalents acquired	2
	(448)

The goodwill arising on the Acquisition of Dynasty Investment (HK) Limited is attributable to the intangible assets that do not qualify for separate recognition.

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(b) Major non-cash transaction

Additions to property, plant and equipment during the year of approximately HK$50,000 (2018: HK$2,181,000) were financed by finance leases.

Amounts due from/to related parties with a net amount of approximately HK$2,908,000 were settled through the current accounts with Mr. Chan and Mr. Yiu during the year ended 31 March 2018.

(c) Reconciliation of liabilities arising from financing activities

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

	Borrowings	**Finance lease payables**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2017	1,716	732	2,448
Cash flow	(1,616)	(711)	(2,327)
Purchases of property, plant and equipment	–	2,181	2,181
Interest expenses/finance lease charges	29	53	82
At 31 March 2018 and 1 April 2018	129	2,255	2,384
Cash flow	**(129)**	**(1,112)**	**(1,241)**
Purchases of property, plant and equipment	**–**	**50**	**50**
Finance lease charges	**–**	**75**	**75**
At 31 March 2019	**–**	**1,268**	**1,268**

37. SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 March 2019 are as follows:

Name	Place of incorporation/ establishment	Registered/ issued and paid up capital	Percentage of ownership interest	Principal activities and place of operation
Wish Enterprise Limited	The BVI	2 ordinary shares @US$1 each	Direct 100%	Investment holding, Hong Kong
Glory Unique Limited	The BVI	2 ordinary shares @US$1 each	Direct 100%	Investment holding, Hong Kong
My Heart Lingerie Limited	Hong Kong	HK$100	Indirect 100%	Retail sales of lingerie products, Hong Kong
My Heart Factory Limited	Hong Kong	HK$5	Indirect 100%	Design and manufacture of lingerie products and provision of lingerie alteration service, Hong Kong
All Rich HK Investment Limited	Hong Kong	HK$100	Indirect 100%	Trading of garments, Hong Kong
Bodibra Beauty Limited	Hong Kong	HK$100	Indirect 100%	Provision of beauty services, Hong Kong
Excellent Goldenfield Limited	Hong Kong	HK$1	Indirect 100%	Investment holding, Hong Kong
Xianyu (Hongkong) Trading Limited	Hong Kong	HK$1	Indirect 100%	Inactive, Hong Kong
Beauty Legend Industrial Company Limited	Hong Kong	HK$1	Indirect 100%	Inactive, Hong Kong
Dynasty Investment (HK) Limited	Hong Kong	HK$10,000	Indirect 100%	Inactive, Hong Kong
My Heart Bodibra Lingerie (Macau) Limited	Macau	MOP25,000	Indirect 100%	Retail sales of lingerie products, Macau
華心思製衣(深圳)有限公司 Huaxinsi Zhiyi (Shenzhen) Co., Ltd.* ("**Hua Xin Si**") (note)	The PRC	Registered and paid up capital: RMB1,000,000	Indirect 100%	Design, manufacture and sales of lingerie products, the PRC
心心芭迪貝伊內衣(深圳)有限公司 Xin Xin Badibeiyi Lingerie (Shenzhen) Co., Ltd. * ("**Xin Xin**") (note)	The PRC	Registered: RMB1,000,000 Paid up: RMB500,000	Indirect 100%	Retail sales of lingerie products, the PRC

* The English translation of company names in Chinese are for identification purpose only.

Note:

Hua Xin Si and Xin Xin are wholly-foreign owned enterprises established in the PRC.

38. SHARE OPTION SCHEME

On 19 June 2017, written resolution of the sole shareholder of the Company was passed to conditionally approve and adopt a share option scheme ("**Share Option Scheme**") to recognise and motivate the contributions that eligible participants have made or may make to the Group.

The Share Option Scheme adopted by the Company on 19 June 2017 will remain in force for a period of ten years from its effective date to 18 June 2027. Particulars of the Share Option Scheme of the Company are set out on pages 42 to 43 of the Company's annual report.

No share option has been granted by the Company under the Share Option Scheme since its effective date and up to the end of the reporting period.

39. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are approved and authorised for issue by the Board of Directors on 24 June 2019.

FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited consolidated financial statements and restated/reclassified as appropriate, is set out below.

RESULTS

	Year ended 31 March				
	2019	2018	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**72,875**	79,165	77,710	55,621	50,913
Cost of sales	**(18,047)**	(14,738)	(14,245)	(9,055)	(9,191)
Gross profit	**54,828**	64,427	63,465	46,566	41,722
Other income	**95**	101	20	73	74
Selling expenses	**(37,623)**	(30,877)	(32,412)	(22,962)	(21,189)
Administrative and other operating expenses	**(42,409)**	(29,550)	(16,010)	(10,551)	(10,229)
(Loss)/profit from operations	**(25,109)**	4,101	15,063	13,126	10,378
Listing expenses	**–**	(9,059)	(11,367)	(1,874)	–
Finance costs	**(75)**	(82)	(104)	(200)	(426)
Share of profit of an associate	**861**	–	–	–	–
(Loss)/profit before tax	**(24,323)**	(5,040)	3,592	11,052	9,952
Income tax (expense)/credit	**(95)**	3,716	(2,535)	(2,419)	(1,609)
(Loss)/profit for the year	**(24,418)**	(1,324)	1,057	8,633	8,343
Attributable to:					
Owners of the Company	**(24,418)**	(1,324)	1,057	8,436	7,481
Non-controlling interests	**–**	–	–	197	862
	(24,418)	(1,324)	1,057	8,633	8,343

ASSETS AND LIABILITIES

	As at 31 March				
	2019	2018	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets	**52,004**	15,385	7,053	6,918	6,883
Current assets	**66,502**	123,930	86,536	79,742	56,159
Current liabilities	**(102,083)**	(97,421)	(90,601)	(68,233)	(53,270)
Non-current liabilities	**(602)**	(1,437)	(457)	(732)	(710)
Net assets	**15,821**	40,457	2,531	17,695	9,062
Attributable to:					
Owners of the Company	**15,821**	40,457	2,531	17,695	8,737
Non-controlling interests	**–**	–	–	–	325
Total equity	**15,821**	40,457	2,531	17,695	9,062