

# FAMEGLOW HOLDINGS LIMITED

## 亮晴控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8603



Interim Report 2019

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

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

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

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

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

#### Independent Non-executive Directors

Mr. Chan Sing Nun

Mr. Khoo Wun Fat William

Mr. Yu Chi Wing

#### Audit Committee

Mr. Chan Sing Nun (*Chairman*)

Mr. Khoo Wun Fat William

Mr. Yu Chi Wing

#### Remuneration Committee

Mr. Khoo Wun Fat William (*Chairman*)

Mr. Chan Sing Nun

Ms. Fu Chi Ching

#### Nomination Committee

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

Mr. Khoo Wun Fat William

Mr. Yu Chi Wing

### AUTHORISED REPRESENTATIVES

Mr. Yip Chun Kwok Danny, MH

Ms. Fu Chi Ching

### COMPANY SECRETARY

Mr. Li Chi Lok

(appointed on 8 November 2019)

Ms. Lee Ka Man Carmen

(resigned on 31 May 2019)

### COMPLIANCE OFFICER

Ms. Fu Chi Ching

### AUDITOR

Deloitte Touche Tohmatsu

Certified Public Accountants

35/F, One Pacific Place

88 Queensway

Hong Kong

### COMPLIANCE ADVISER

Innovax Capital Limited

Room 2002, 20th Floor

Chinachem Century Tower

178 Gloucester Road

Wanchai, Hong Kong

### REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

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

Unit 304, Global Gateway Tower

63 Wing Hong Street

Cheung Sha Wan

Kowloon, Hong Kong

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

Conyers Trust Company (Cayman) Limited

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

### PRINCIPAL BANKER

Bank of Communications Co., Ltd.

Hong Kong Branch

20 Pedder Street

Central, Hong Kong

### COMPANY'S WEBSITE

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

### STOCK CODE

8603

## FINANCIAL HIGHLIGHTS

Revenue of the Group for the six months ended 30 September 2019 amounted to approximately HK\$53.9 million, representing an increase of approximately HK\$9.7 million or 21.9% as compared with approximately HK\$44.2 million for the six months ended 30 September 2018.

The Group incurred net loss of approximately HK\$4.3 million for the six months ended 30 September 2019 (six months ended 30 September 2018: net loss of approximately HK\$7.4 million). The net loss of the Group is primarily attributable to the increase in operating costs including staff costs, rental expenses, marketing and promotion expenses for the Group's business expansion.

The board of directors (the "**Board**") does not recommend a payment of an interim dividend for the six months ended 30 September 2019.

The Board is pleased to report the unaudited condensed consolidated financial results of the Group for the six months ended 30 September 2019, together with the comparative unaudited figures for the corresponding period in 2018, as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

	NOTES	Six months ended 30 September	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	4	53,891	44,154
Cost of inventories and consumables		(5,443)	(3,653)
Other income		775	609
Staff costs		(23,426)	(16,213)
Rental and related expenses		(2,006)	(5,320)
Depreciation of property, plant and equipment		(4,021)	(2,782)
Depreciation of right-of-use assets		(6,891)	–
Listing expenses		–	(15,390)
Other expenses		(15,064)	(6,882)
Finance costs		(1,627)	(510)
Loss before taxation	5	(3,812)	(5,987)
Taxation	6	(484)	(1,374)
Loss and total comprehensive expense for the period		(4,296)	(7,361)
Loss per share			
– Basic (HK cents)	8	(0.54)	(1.23)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2019

	NOTES	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	59,152	45,166
Right-of-use assets	9	41,676	–
Deposits for acquisition of property, plant and equipment		9,281	8,105
Deposits and prepayments		22,469	25,266
Deferred costs		282	433
		<b>132,860</b>	78,970
<b>Current assets</b>			
Inventories		4,945	5,449
Trade receivables	10	10,522	9,665
Deposits and prepayments		10,226	3,570
Deferred costs		2,594	2,614
Tax recoverable		606	188
Bank balances and cash		43,748	64,375
		<b>72,641</b>	85,861
<b>Current liabilities</b>			
Trade payables	11	427	344
Other payables and accruals		7,622	7,245
Deferred revenue		70,718	66,007
Tax payable		945	1,050
Bank borrowings		15,045	15,671
Lease liabilities		12,245	–
Obligations under finance leases		–	1,088
		<b>107,002</b>	91,405
Net current liabilities		<b>(34,361)</b>	(5,544)
Total assets less current liabilities		<b>98,499</b>	73,426

	NOTE	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
Non-current liabilities			
Lease liabilities		29,710	–
Obligations under finance leases		–	980
Provisions		1,315	1,015
Deferred tax liabilities		1,043	704
		<b>32,068</b>	2,699
Net assets		<b>66,431</b>	70,727
Capital and reserves			
Share capital	12	8,000	8,000
Reserves		58,431	62,727
Total equity		<b>66,431</b>	70,727



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
As at 1 April 2019 (audited)	8,000	64,107	(21,026)	19,646	70,727
Loss and total comprehensive expense for the period	-	-	-	(4,296)	(4,296)
<b>As at 30 September 2019 (unaudited)</b>	<b>8,000</b>	<b>64,107</b>	<b>(21,026)</b>	<b>15,350</b>	<b>66,431</b>
As at 1 April 2018 (audited)	-*	-	2,000	19,868	21,868
Effect of reorganisation	-*	23,026	(23,026)	-	-
Loss and total comprehensive expense for the period	-	-	-	(7,361)	(7,361)
<b>As at 30 September 2018 (unaudited)</b>	<b>-</b>	<b>23,026</b>	<b>(21,026)</b>	<b>12,507</b>	<b>14,507</b>

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

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
NET CASH FROM OPERATING ACTIVITIES	10,005	3,480
NET CASH USED IN INVESTING ACTIVITIES	(23,547)	(6,916)
NET CASH USED IN FINANCING ACTIVITIES	(7,085)	(7,514)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(20,627)	(10,950)
CASH AND CASH EQUIVALENTS AS AT 1 APRIL	64,375	29,870
CASH AND CASH EQUIVALENTS AS AT 30 SEPTEMBER represented by bank balances and cash	43,748	18,920

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

## 1. GENERAL INFORMATION

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

The Company acts as an investment holding company and its subsidiaries are principally engaged in provision of treatment services and sale of skincare products in Hong Kong. The Company and its subsidiaries hereinafter referred to as the “**Group**”. The condensed consolidated financial statements are presented in Hong Kong Dollar (“**HKS**”) which is also the functional currency of the Company and its principal subsidiaries.

## 2. REORGANISATION AND BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

Pursuant to the group reorganisation stated in the prospectus of the Company dated 28 September 2018 (the “**Prospectus**”) in preparation for the Listing (the “**Reorganisation**”), the Company became the holding company of the subsidiaries now comprising the Group on 17 September 2018, the details of which are as set out in the Prospectus.

As the Group comprising the Company and its subsidiaries resulting from the Reorganisation continued to be controlled by Controlling Shareholders, or through their control over Equal Joy, and is regarded as a continuing entity, accordingly, the condensed consolidated financial statements have been prepared on the basis as if the Company had always been the holding company of the Group throughout the six months ended 30 September 2018 under the principles of merger accounting in accordance with the Accounting Guideline 5 “Merger Accounting, Under Common Control Combinations” issued by the HKICPA. The condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months ended 30 September 2018 includes the results, changes in equity and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the six months ended 30 September 2018.

As of 30 September 2019, the Group recorded net current liabilities of HK\$34,361,000. The net current liabilities arose mainly from the long-term bank borrowings (with maturity dates over one year) amounting to HK\$13,750,000 being classified as current liabilities as at 30 September 2019, due to the overriding right of demand clause as stipulated in the facility agreements of the bank borrowings and the recognition of lease liabilities upon adoption of HKFRS 16 on 1 April 2019. The directors of the Company believe that these loan facilities (including those unutilised bank facilities) will continue to be made available to the Group and will not be withdrawn by the banks within the next twelve months from the end of each of the reporting period. In addition, as at 30 September 2019, included in the current liabilities of the Group were deferred revenue of HK\$70,718,000, which represented services to be performed and shall not result in any cash outflow of the Group eventually.

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

### 3. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Other than changes in accounting policies resulting from application of new and amendments to HKFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2019.

#### Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
Hong Kong (International Financial Reporting Interpretations Committee) Interpretations ("HK(IFRIC)-Int") 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

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

### **Impacts and changes in accounting policies on application of HKFRS 16 Leases**

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases, and the related interpretations.

#### ***3.1 Key changes in accounting policies resulting from application of HKFRS 16***

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

##### *Definition of a lease*

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

##### *As a lessee*

##### *Allocation of consideration to components of a contract*

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

## Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

## Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

## Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

## Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

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

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

## Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

## Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

### **3.2 Transition and summary of effects arising from initial application of HKFRS 16**

#### *Definition of a lease*

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply these standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.



*As a lessee*

The Group has applied HKFRS 16 initially on 1 April 2019. As permitted by HKFRS 16, the Group has elected not to restate comparative figures. Any adjustments to the carrying amounts of assets and liabilities at the date of transaction are recognised in the opening balance in the condensed consolidated statement of financial position at 1 April 2019.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and
- iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities, adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8 (b)(ii) transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessees' incremental borrowing rate applied is 6.375%.

	Note	At 1 April 2019 HK\$'000
Operating lease commitments disclosed as at 31 March 2019		26,646
Add: Extension options reasonably certain to be exercised		12,250
Less: Recognition exemption – short-term leases		(699)
		<hr/>
		38,197
Less: Total future interest expenses		(5,891)
		<hr/>
Lease liabilities relating to operating leases recognised upon application of HKFRS 16		32,306
Add: Obligations under finance leases recognised at 31 March 2019	(b)	2,068
		<hr/>
Lease liabilities as at 1 April 2019		<b>34,374</b>
		<hr/>
Analysed as		
Current		10,235
Non-current		24,139
		<hr/>
		<b>34,374</b>

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

	Notes	At 1 April 2019 HK\$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		32,306
Adjusted by:		
Amounts included in property, plant and equipment		
– Restoration and reinstatement costs	(a)	300
– Assets previously under finance leases	(b)	2,606
Trade and other payables and accruals	(c)	(328)
Adjustments on rental deposits at 1 April 2019	(d)	692
		<hr/>
		35,576
		<hr/>
By class		
Buildings		32,970
Treatment devices		2,007
Motor vehicles		599
		<hr/>
		<b>35,576</b>

Notes:

- (a) In relation to the leases of properties that the Group acts as lessee, the carrying amount of the estimated costs of reinstating the rented premises previously included in property, plant and equipment amounting to HK\$300,000 as at 1 April 2019 were reclassified as right-of use assets.
- (b) In relation to assets previously accounted for under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1 April 2019 amounting to HK\$2,606,000 as right-of-use assets. In addition, the Group reclassified the obligations under finance leases of HK\$1,088,000 and HK\$980,000 to lease liabilities as current and non-current liabilities respectively at 1 April 2019.
- (c) In relation to accrued rent resulted from rent-free period.
- (d) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK\$692,000 was adjusted to refundable rental deposits paid and right-of-use assets.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2019 HK\$'000	Adjustments HK\$'000	Carrying amounts under HKFRS 16 at 1 April 2019 HK\$'000
<b>Non-current Assets</b>			
Property, plant and equipment	45,166	(2,906)	42,260
Right-of-use assets	–	35,576	35,576
Deposits and prepayments	25,266	(692)	24,574
<hr/>			
<b>Current Liabilities</b>			
Other payables and accruals	7,245	(328)	6,917
Lease liabilities	–	10,235	10,235
Obligations under finance leases	1,088	(1,088)	–
<hr/>			
<b>Non-current Liabilities</b>			
Lease liabilities	–	24,139	24,139
Obligations under finance leases	980	(980)	–
<hr/>			

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 September 2019, movements in working capital have been computed based on opening condensed consolidated statement of financial position as at 1 April 2019 as disclosed above.

#### 4. REVENUE AND SEGMENTAL INFORMATION

##### Revenue

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

	<b>Six months ended 30 September</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Revenue from the provision of treatment services	<b>51,302</b>	42,306
Sale of skincare products	<b>2,004</b>	1,096
Revenue from expiry of prepaid treatments	<b>585</b>	752
	<b>53,891</b>	44,154

##### Segment information

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

## 5. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Directors' remuneration	1,994	1,819
Other staff costs:		
Salaries, wages, commission, bonuses and allowances	20,695	13,875
Retirement benefit scheme contributions	737	519
<b>Total staff costs</b>	<b>23,426</b>	<b>16,213</b>
Consultancy fee for doctors (included in other expenses)	1,977	2,456
Loss on written-off of property, plant and equipment	–	412
Operating leases payments in respect of:		
– Short-term leases	401	–
– Contingent rent	81	181
– Minimum lease payments	–	4,132

## 6. TAXATION

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Hong Kong:		
Current tax	145	960
Deferred tax	339	414
<b>Income tax charge</b>	<b>484</b>	<b>1,374</b>

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

Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

For the six months ended 30 September 2019, Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2,000,000 of the estimated assessable profits of one of the subsidiaries of the Company and at 16.5% on the estimated assessable profits above HK\$2,000,000 of that subsidiary. The profits of other group entities not qualified for the two-tier profits tax regime will continue to be taxed at a flat rate of 16.5%. (six months ended 30 September 2018: same).

## 7. DIVIDEND

The Board does not recommend a payment of an interim dividend for the six months ended 30 September 2019 (six months ended 30 September 2018: Nil).

## 8. LOSS PER SHARE

The calculation of the basic loss per share attributable to the owners of the Company is based on the following data:

	<b>Six months ended 30 September</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Loss for the period for the purposes of basic loss per share	<b>(4,296)</b>	(7,361)

	<b>Six months ended 30 September</b>	
	<b>2019</b>	2018
	<b>'000</b>	'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Number of shares</b>		
Number of ordinary shares for the purpose of basic loss per share	<b>800,000</b>	600,000

The number of ordinary shares for the purpose of calculating basic loss per share has been retrospectively adjusted and determined on the assumption that the Reorganisation and the capitalisation issue as described in the Prospectus has been effective on 1 April 2018.

No diluted loss per share for both periods was presented as there were no potential ordinary shares in issue during both periods.

## 9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS

For the six months ended 30 September 2019, the Group acquired property, plant and equipment with aggregate cost of approximately HK\$20,913,000 (six months ended 30 September 2018: HK\$5,965,000).

As detailed in note 3, the Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 April 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17.

The Group entered into a lease agreement for use of a property in prior year. On lease commencement, the Group recognised the additions to right-of-use assets of HK\$12,991,000.

## 10. TRADE RECEIVABLES

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

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

	<b>As at 30 September 2019 HK\$'000 (Unaudited)</b>	<b>As at 31 March 2019 HK\$'000 (Audited)</b>
0 – 30 days	5,401	5,224
31 – 90 days	3,077	3,195
Over 90 days	2,044	1,246
	<b>10,522</b>	<b>9,665</b>

As at 30 September 2019 and 31 March 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$891,000 and HK\$1,206,000 respectively which are past due as at the reporting date. Out of the past due balances, HK\$7,000 and HK\$45,000 have been past due 31 days or more as at 30 September 2019 and 31 March 2019 respectively. The directors of the Company do not consider the amount as significant increase in credit risk with reference to the historical records, past experience and also available reasonable and supportive forward-looking information of these debtors, and the recurring overdue records of these debtors with satisfactory settlement history.

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

In view of the business nature, management of the Group considers that the credit risks of trade receivables are insignificant after considering the credit quality and financial ability of the relevant financial institutions and there is no history of default in settlement by them. In the opinion of the management of the Group, the risk of default by these counterparties is not significant and the Group assessed that the ECL on these balances are insignificant on 30 September 2019 and thus no impairment loss allowance was recognised for the six months ended 30 September 2019.

## 11. TRADE PAYABLES

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

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

	<b>As at 30 September 2019 HK\$'000 (Unaudited)</b>	<b>As at 31 March 2019 HK\$'000 (Audited)</b>
0 – 30 days	<b>321</b>	340
31 – 90 days	<b>106</b>	4
	<b>427</b>	344



## 12. SHARE CAPITAL

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

	Number of shares	Amount HK\$'000
<b>Ordinary shares of HK\$0.01 each</b>		
Authorised:		
At 1 April 2018	38,000,000	380
Increase on 21 September 2018 (Note a)	9,962,000,000	99,620
	<hr/>	<hr/>
At 31 March 2019, 1 April 2019 and 30 September 2019	10,000,000,000	100,000
	<hr/>	<hr/>
Issued and fully paid:		
At 1 April 2018	1	—*
Issue of shares on 17 September 2018 (Note b)	99	—*
Issue of shares on 15 October 2018 (Note c)	200,000,000	2,000
Capitalisation issue (Note d)	599,999,900	6,000
	<hr/>	<hr/>
At 31 March 2019, 1 April 2019 and 30 September 2019	800,000,000	8,000
	<hr/>	<hr/>

\* Amount less than HK\$1,000

Notes:

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

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

### 13. RELATED PARTY TRANSACTIONS

#### Compensation of key management personnel

The remuneration of key management personnel during the six months ended 30 September 2019 and 2018, respectively were as follows:

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Short-term benefits	2,881	2,861
Post-employment benefits	36	36
	<b>2,917</b>	<b>2,897</b>

### 14. OPERATING LEASE COMMITMENTS

#### The Group as lessee

At 31 March 2019, the Group has commitments for future minimum lease payments under non-cancellable operating leases with independent third party, which fall due as follows:

	As at 31 March 2019 HK\$'000 (Audited)
Within one year	12,012
In the second to fifth year inclusive	14,634
	<b>26,646</b>

Operating lease payments represent rentals payable by the Group for medical centres, retail shop and sales counters. Leases and rentals are negotiated for a term of two to four years. Certain leases include contingent rentals calculated with reference to turnover of the retail shop and sales counters. Other leases are fixed for terms of two to four years.

The Group is the lessee in respect of a number of properties which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to these leases (see note 3). From 1 April 2019 onwards, future lease payments are recognised as lease liabilities in the condensed consolidated statement of financial position in accordance with the policies set out in note 3.

### 15. EVENT AFTER THE REPORTING PERIOD

There was no significant event which took place after 30 September 2019.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group is a medical aesthetic service provider in Hong Kong and operates four medical aesthetic centres in prime locations of Causeway Bay (the “**CWB Centre**” and the “**CWB Centre 2**”), Tsim Sha Tsui (the “**TST Centre**”) and Central (the “**Central Centre**”) under our brand “per Face” providing non-surgical medical aesthetic services. We started using the brand “per Face” when we set up the CWB Centre in September 2010. We strive to provide holistic treatment solutions to our clients through our non-surgical medical aesthetic services, traditional beauty services and sale of skincare products to help our clients maintain and enhance their skin conditions and physical appearance. Our non-surgical medical aesthetic services can generally be categorised as (i) energy-based procedures; and (ii) minimally invasive procedures.

For the six months ended 30 September 2019, the Group’s revenue amounted to approximately HK\$53.9 million, representing an increase of approximately HK\$9.7 million or 21.9% as compared with the corresponding period of 2018. Loss for the six months ended 30 September 2019 amounted to approximately HK\$4.3 million, while loss for the corresponding period amounted to approximately HK\$7.4 million. The Directors are of the view that the loss for the period is primarily attributable to the increase in operating costs including staff costs, rental expenses, marketing and promotion expenses for the Group’s business expansion.

## PROSPECTS

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

In order to seize the opportunity created by increasing customer demands, we have expanded our operation scale by opening our Central Centre and CWB Centre 2 in May 2019 and June 2019 respectively to facilitate the continuous growth of our business. The Group believes that the expansion will enable us to deepen our market penetration in Hong Kong and improve our Group’s profitability. The Group will also take advantage of its enlarging geographical presence to attract new and more diverse customers. Along with the strategic expansion of its medical aesthetic centre network, the Group will sharpen its competitive advantage by extending the spectrum of our treatment services offered.

Despite the outlook of medical aesthetic services remains positive, the social instability since June 2019 has weakened clients' desire or willingness to undergo medical aesthetic treatments which in term slowing down the revenue of the Group in recent months. The Group has therefore applied operating strategies to cope with the unfavourable changes in economic and business environment. For instance, the Group has implemented promotional campaigns to maintain the market share.

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

## **FINANCIAL REVIEW**

### **Revenue**

Revenue for the six months ended 30 September 2019 was approximately HK\$53.9 million, representing an increase of approximately 21.9% compared to approximately HK\$44.2 million for the six months ended 30 September 2018. The increase was primarily attributable to the increase in promotional campaign in different marketing channels, such as outdoor advertising, social media marketing on Facebook and Instagram and the celebrity endorsement, which raised consumer awareness of the "per Face" brand, and secured more customers.

### **Cost of inventories and consumables**

Cost of inventories and consumables amounted to approximately HK\$5.4 million and HK\$3.7 million for the six months ended 30 September 2019 and 2018 respectively. The increase was mainly attributable to the sales growth.

### **Staff costs**

Staff costs amounted to approximately HK\$23.4 million and HK\$16.2 million for the six months ended 30 September 2019 and 2018 respectively. The increase in staff costs were attributable to the increase in headcount for business expansion.

## **Rental and related expenses**

Property rental and related expenses amounted to approximately HK\$2.0 million and HK\$5.3 million for the six months ended 30 September 2019 and 2018 respectively, which comprised of rental payments, management fees, rates and government rent and license fees for our medical aesthetic centres and retail/service outlets. The decrease was mainly due to the absence of operating leases payments for lease term more than 12 months due to the adoption of HKFRS 16.

## **Depreciation of the property, plant and equipment**

Depreciation expenses amounted to approximately HK\$4.0 million and HK\$2.8 million for the six months ended 30 September 2019 and 2018 respectively. The increase was mainly due to the acquisition of the property, plant and equipment.

## **Depreciation of right-of-use assets**

The Group recorded depreciation of right-of-use assets of approximately HK\$6.9 million for the six months ended 30 September 2019, compared to nil for the six months ended 30 September 2018, was due to the adoption of HKFRS 16 with the date of initial application of 1 April 2019. For further details, please refer to note 3 of the Notes to the Condensed Consolidated Financial Statements above.

## **Other expenses**

Other expenses amounted to approximately HK\$15.1 million and HK\$6.9 million for the six months ended 30 September 2019 and 2018 respectively, which mainly represented consultancy fee to doctors, card commission expenses, marketing and promotion expenses and other operating and administrative expenses. The increase was primarily due to the increment in promotional campaigns such as outdoor advertising and various social media platforms to improve the brand awareness so as to maintain the business and gain market share and the increase in professional service fees.

## Loss for the period

The Group recorded a loss of approximately HK\$4.3 million for the six months ended 30 September 2019 (six months ended 30 September 2018: loss of approximately HK\$7.4 million). This is mainly due to the increase in operating costs including staff costs, rental expenses (i.e. rental and related expenses and depreciation of right-of-use assets), marketing and promotion expenses for the Group's business expansion.

## Capital structure, liquidity and financial resources

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

The total equity of the Group as at 30 September 2019 was approximately HK\$66.4 million (31 March 2019: approximately HK\$70.7 million). The Group generally finances its operation with internally generated cash flows. The Group had bank balances and cash of approximately HK\$43.7 million as at 30 September 2019 (31 March 2019: approximately HK\$64.4 million). The Group had total outstanding debts of HK\$16.4 million as at 30 September 2019 (31 March 2019: HK\$17.7 million), which comprised obligations under finance leases (included in lease liabilities) amounting to HK\$1.4 million (31 March 2019: HK\$2.0 million) and bank borrowings amounting to HK\$15.0 million (31 March 2019: HK\$15.7 million).

As at 30 September 2019, bank borrowings of HK\$1.3 million and HK\$13.7 million (31 March 2019: HK\$1.3 million and HK\$14.4 million), without considering the demand clause, will mature within one year and in the second year respectively. The interest rates of the bank borrowings are ranging from 2.25% to 4.00% (31 March 2019: 2.25% to 4.00%).

As at 30 September 2019, obligations under finance leases (included in lease liabilities) of HK\$0.9 million, HK\$0.3 million and HK\$0.2 million (31 March 2019: HK\$1.1 million, HK\$0.7 million and HK\$0.2 million) will mature within one year, in the second year and in the third year respectively. The interest rates of the finance leases are ranging from 2.30% to 5.35% (31 March 2019: 2.41% to 4.37%).

## **Capital expenditures**

The Group purchased property, plant and equipment amounting to approximately HK20.9 million for the six months ended 30 September 2019 which comprised acquisition of treatment devices, furniture and fixtures and leasehold improvements (six months ended 30 September 2018: HK\$5.9 million).

## **Interim dividend**

The Board does not recommend a payment of an interim dividend for the six months ended 30 September 2019 (six months ended 30 September 2018: Nil).

## **Employees and remuneration policies**

As at 30 September 2019, the Company had a total of 127 employees (31 March 2019: 84). The Company's remuneration policies are in line with the prevailing market practice and are determined on the basis of performance, qualification and experience of individual employee. The Company recognises the importance of a good relationship with its employees. The remuneration payable to its employees includes basic salary, commission, discretionary bonus and retirement benefit scheme contributions.

## **Principal risks and uncertainties**

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

### ***Government policies risk***

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

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

### ***Risk of adverse economic, social or political conditions***

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

### **Future plans for material investments and capital assets**

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

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

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



## Comparison of business objectives and strategies with actual business progress

An analysis comparing the business strategies contained in the Prospectus with the Group's actual business progress for the period from the Listing Date to 30 September 2019 (the "Relevant Period") is set out below:

### Business strategies and implementation as stated in the Prospectus

### Actual business progress up to 30 September 2019

Capital expenditure and initial operating costs for establishing three New Medical Aesthetic Centres	The Group opened two New Medical Aesthetic Centres in Central (Central Centre) and Causeway Bay (CWB Centre 2) in Hong Kong. During the Relevant Period, the number of our employees increased from 76 to 127. The Group has also purchased four laser treatment devices, two ultrasound treatment devices, one radiofrequency treatment device and eight other ancillary treatment devices and equipment for the operation of the new centres.
Purchase prevailing treatment devices and treatment consumables	The Group has purchased ultrasound devices and treatment consumables to extend the spectrum of our treatment services offered in our medical aesthetic centres.
Renovate our CWB Centre and TST Centre	During the Relevant Period, the Group underwent renovation for its CWB Centre and TST Centre to maintain a comfortable ambience to enhance our clients' experience when visiting there.
Promotion of our brand	The Group actively participates in online marketing campaigns, including search engine marketing, search engine optimisation and social media marketing to further enhance its brand recognition during the Relevant Period.
Upgrade our business management system	As at 30 September 2019, the Group is negotiating on the price with the supplier in relation to the upgrade of our business management system.

## Use of proceeds

On 15 October 2018, the shares of the Company were listed on GEM by way of share offer. The net proceeds received by the Company from the share offer, after deducting underwriting commission and professional expenses in relation to the share offer, amounted to approximately HK\$31.6 million, which were lower than the estimated net proceeds of approximately HK\$50.0 million as disclosed in the Prospectus. The Group intends to reduce the amount of net proceeds allocated for the respective purposes as disclosed in the Prospectus on a pro-rata basis. As at 30 September 2019, the Group has utilised HK\$12.3 million of the net proceeds from the share offer. The proceeds were applied based on the actual development of the Group's business and market conditions.

The use of the net proceeds as at 30 September 2019 was approximately as follows:

	<b>Planned use of proceeds as shown in the Prospectus from the date of the Listing to 30 September 2019 (adjusted on a pro rata basis based on the actual net proceeds) HK\$'000</b>	<b>Actual use of proceeds from the date of the Listing to 30 September 2019 HK\$'000</b>
Capital expenditure and initial operating costs for establishing three New Medical Aesthetic Centres	7,600	7,600
Purchase prevailing treatment devices and treatment consumables	1,000	1,000
Renovate our CWB Centre and TST Centre	1,600	1,600
Promotion of our brand	1,000	1,000
Upgrade our business management system	600	— (Note)
General working capital	1,100	1,100
	<hr/>	<hr/>
Total	12,900	12,300

Note: We are negotiating on the price in relation to the upgrade of our business management system. The unused proceeds are deposited in licensed bank in Hong Kong.

## **Gearing ratio**

The gearing ratio, which is based on the total amounts of total bank borrowings and obligations under finance leases (included in lease liabilities) divided by total equity, was 24.7% as at 30 September 2019 (31 March 2019: 25.1%).

## **Foreign exchange exposure and treasury policies**

The Group carries out its business in Hong Kong and most of its transactions are denominated in Hong Kong Dollar. The Group did not experience any material impact or difficulties in liquidity on its operations resulting from the fluctuation in exchange rate, and no hedging transaction or forward contract arrangement was made by the Group during the six months ended 30 September 2019 and 2018. Nevertheless, the management will continue to monitor the Group's foreign exchange exposure and will take prudent measures as and when appropriate.

## **Contingent liabilities**

As at 30 September 2019, the Group had no significant contingent liabilities (31 March 2019: Nil).

## **Financial risk management**

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

## **Bank borrowings**

As at 30 September 2019, the Group had unsecured and guaranteed bank borrowings of approximately HK\$1.5 million (31 March 2019: approximately HK\$2.1 million). As at 30 September 2019, the carrying amount of the secured and guaranteed bank borrowings was approximately HK\$13.5 million (31 March 2019: approximately HK\$13.5 million). The secured bank borrowings were secured by the payments for life insurance contracts as at 30 September 2019 (31 March 2019: same). The entire bank borrowings were guaranteed by the Company as at 30 September 2019 (31 March 2019: personal guarantees by the Controlling Shareholders).

## Pledge of assets

Bank borrowings of approximately HK\$13.5 million (31 March 2019: approximately HK\$13.5 million) are secured by the payments for life insurance contracts of approximately HK\$19.4 million (31 March 2019: approximately HK\$19.1 million). As at 30 September 2019, the carrying amount of right-of-use assets included an amount of approximately HK\$1.7 million (31 March 2019: approximately HK\$2.0 million) representing treatment devices and an amount of approximately HK\$0.5 million (31 March 2019: approximately HK\$0.6 million) representing motor vehicle which were acquired under finance leases.

## Subsequent events

There was no significant event which took place after 30 September 2019.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company (the “**Shareholders**”) and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 15 to the GEM Listing Rules as its own code of corporate governance. The Company has complied with all applicable code provisions of the CG Code during the six months ended 30 September 2019 and up to the date of this report, save for the F.1.1 of CG Code that the position of the company secretary became vacant following the resignation of Ms. Lee Ka Man Carmen on 31 May 2019. The Company has subsequently appointed Mr. Li Chi Lok as the company secretary on 8 November 2019 to fill the vacancy and please refer to announcement of the Company in respect of the appointment of company secretary dated 8 November 2019 for details. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

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

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct regarding Directors’ securities transactions. Having made specific enquiries of all the Directors, each of the Directors has confirmed that he has complied with the required standard of dealings for the six months ended 30 September 2019.

## AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Company has established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and the CG Code. The Audit Committee comprises three members, namely Mr. Chan Sing Nun (chairman), Mr. Khoo Wun Fat William and Mr. Yu Chi Wing, all of them are independent non-executive Directors. The Audit Committee has reviewed with the management the accounting policies and practices adopted by the Group and discussed with the management internal control and financial reporting matters of the Company, including the review of the unaudited condensed consolidated results of the Group for the six months ended 30 September 2019 and the interim report. The Audit Committee is of the opinion that the unaudited condensed consolidated results of the Group for the six months ended 30 September 2019 comply with the applicable accounting standards, the GEM Listing Rules and legal requirements and that adequate disclosure has been made.

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

During the six months ended 30 September 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

## INTERESTS OF COMPLIANCE ADVISER

As notified by the Company’s compliance adviser, Innovax Capital Limited (“**Innovax**”), neither Innovax nor any of its directors or employees or close associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) or otherwise in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules and all Directors and controlling Shareholders and their respective close associates as referred to in Rule 11.04 of the GEM Listing Rules (except for the compliance adviser service provided by Innovax as at the date of this report).

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2019, none of the Directors and the chief executive of the Company had any interest and short positions in the Shares, underlying shares and the debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which would have to be notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they are taken or deemed to have taken under such provisions of the SFO).

As at the date of this report, the interests or short positions of our Directors and the chief executive of the Company in the Shares, underlying shares and debentures of the Company and our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors, in each case once the Shares are listed on the Stock Exchange, will be as follows:

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

Notes:

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

Save as disclosed above, as at the date of this report, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

## **SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

As at 30 September 2019, there was no interest in the shares and underlying shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and entered in the register maintained by the Company pursuant to under Section 336 of the SFO.

As at the date of this report, to the best knowledge of the Directors, the following persons/entities not being a Director or the chief executive of the Company will have an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of the Company required to be kept under section 336 of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group:

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

Notes:

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

Save as disclosed above, as at the date of this report, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

## **SHARE OPTION SCHEME**

In order to incentivise and/or recognise and acknowledge the contributions that eligible persons have made or may make to the Group, the Company adopted the share option scheme pursuant to written resolutions of the Shareholders passed on 21 September 2018 (the “**Share Option Scheme**”). The Board may, at its discretion, offer to grant an option to any eligible persons.

Unless terminated by the Company by resolution in general meeting, the Share Option Scheme shall be valid and effective for a period of 10 years commencing from the date of adoption.

The purpose of the Share Option Scheme is to advance the interests of the Company and the Shareholders by enabling the Company to grant options to attract, retain and reward the eligible persons and to provide the eligible persons an incentive or reward for their contribution to the Group and by enabling such persons’ contribution to further advance the interests of the Group. The terms of the Share Option Scheme are in accordance with provisions of Chapter 23 of GEM Listing Rules.

No option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption. The Company did not have any outstanding share options, warrants derivatives or securities which are convertible or exchangeable into Shares as at 30 September 2019 and up to the date of this report.

## **DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save as otherwise disclosed in this interim report, at no time during the six months ended 30 September 2019 and up to the date of this report was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.



## **DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS**

During the six months ended 30 September 2019, and up to the date of this report, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group and which requires disclosure pursuant to Rule 11.04 of GEM Listing Rules.

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

Hong Kong, 12 November 2019

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