

FAMEGLOW HOLDINGS LIMITED

亮晴控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8603



Annual Report 2019/20

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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.

CONTENTS

	Page
Corporate Information	3
Financial Highlights	4
Chairman’s Statement	5
Management Discussion and Analysis	6
Directors and Senior Management	12
Report of Directors	15
Corporate Governance Report	28
Environmental, Social and Governance Report	38
Independent Auditor’s Report	49
Consolidated Statement of Profit or Loss and Other Comprehensive Income	54
Consolidated Statement of Financial Position	55
Consolidated Statement of Changes in Equity	57
Consolidated Statement of Cash Flows	58
Notes to the Consolidated Financial Statements	60
Financial Summary	122

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

COMPLIANCE OFFICER

Ms. Fu Chi Ching

AUDITOR

Elite Partners CPA Limited
Certified Public Accountants
10/F, 8 Observatory Road
Tsim Sha Tsui
Kowloon
Hong Kong

COMPLIANCE ADVISER

Sorrento Capital Limited
11/F, The Wellington
198 Wellington street
Central, 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

STOCK CODE

8603

FINANCIAL HIGHLIGHTS

Revenue of the Group for the year ended 31 March 2020 amounted to approximately HK\$90.4 million, representing a decrease of approximately HK\$11.0 million or 10.9% as compared with approximately HK\$101.4 million for the year ended 31 March 2019.

The net loss of the Group for the year ended 31 March 2020 amounted to approximately HK\$31.9 million (2019: net loss approximately HK\$0.2 million).

The board of directors of the Company (the “Board”) did not recommend a payment of a final dividend for the year ended 31 March 2020.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of the Company and its subsidiaries (collectively the "Group"), I am delighted to present the annual report of the Company for the year ended 31 March 2020.

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

It has been a challenging year to the Group as the business environment in Hong Kong was adversely affected by the uncertainties due to the continuous social incidents in Hong Kong since the mid of 2019 and the impact of Coronavirus Disease 2019 ("COVID-19") pandemic since early 2020. Economic hardship caused by the shocks (i.e. local social incidents and global spread of the COVID-19) weakened client's desire and willingness to undergo medical aesthetic treatments which in term slowed down the revenue of the Group. With regards to our financial performance for the year ended 31 March 2020 as compared with the year ended 31 March 2019, our revenue decreased by approximately HK\$11.0 million, or 10.9% from approximately HK\$101.4 million to approximately HK\$90.4 million. The Group recorded a net loss of approximately HK\$31.9 million for the year ended 31 March 2020 as compared to a net loss of approximately HK\$0.2 million for the year ended 31 March 2019. The increase in net loss for the year ended 31 March 2020 was mainly attributable to the decrease in revenue and increase in operating expenses.

Notwithstanding that the COVID-19 pandemic is currently posing challenges to the Group, the Group is still optimistic about the prospects of the industry and maintains its commitment to continuous growth through leveraging on our brand image, strategic expansion in its operations and effective marketing campaigns. The Group will continue to evaluate development opportunities to strengthen its competitive advantage and industry-leading position. By acquiring new treatment devices and treatment consumables, the Group will be able to extend the spectrum of our treatment services offered.

On behalf of the Board, I would like to express my sincerest gratitude to our shareholders, business partners, and to our valued customers for their continuous support, while also expressing my appreciation to the management team and staff for their devoted commitment and contributions throughout the year.

Yip Chun Kwok Danny, MH
Chairman and Executive Director

Hong Kong, 22 June 2020

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a medical aesthetic service provider in Hong Kong and operates five medical aesthetic centres in prime locations of Causeway Bay (the “CWB Centre” and the “CWB Centre 2”), Tsim Sha Tsui (the “TST Centre” and the “TST Centre 2”) and Central (the “Central Centre”) providing non-surgical medical aesthetic services. 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.

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, CWB Centre 2 and TST Centre 2 in May 2019, June 2019 and January 2020 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.

However, for the year ended 31 March 2020, the business environment in Hong Kong was adversely affected by the continuous social incidents and the outbreak of COVID-19, the Group’s revenue amounted to approximately HK\$90.4 million, representing a decrease of approximately HK\$11.0 million or 10.9% as compared with the corresponding period of 2019. Loss for the year amounted to approximately HK\$31.9 million, while loss for the corresponding period amounted to approximately HK\$0.2 million. The Directors are of the view that the net loss is primarily attributable to the decrease in revenue and the increase in operating costs including staff costs, rental expenses, marketing and promotion expenses for the Group’s business expansion.

PROSPECTS

Despite the outlook of medical aesthetic services remains positive, the social instability since June 2019 and the outbreak of COVID-19 since early 2020 weakened clients’ desire and willingness to undergo medical aesthetic treatments which adversely affected the revenue of the Group. The Group will closely monitor the market conditions and will intensify its response and elaborate sustainable development strategies to overcome the current unfavourable environment.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Revenue for the year ended 31 March 2020 was approximately HK\$90.4 million, representing a decrease of approximately 10.9% compared to approximately HK\$101.4 million for the year ended 31 March 2019. The decrease was primarily attributable to the impacts of continuous social incidents and COVID-19 pandemic that weakened clients' desire and willingness to undergo medical aesthetic treatments.

Cost of inventories and consumables

Cost of inventories and consumables amounted to approximately HK\$10.6 million and HK\$10.0 million for the years ended 31 March 2020 and 2019 respectively, representing 11.7% and 9.8% of total revenue for the respective years.

Staff costs

Staff costs amounted to approximately HK\$49.8 million and HK\$34.1 million for the years ended 31 March 2020 and 2019 respectively. The increase in staff costs was attributable to the increase in headcount for business expansion.

Rental and related expenses

Rental and related expenses amounted to approximately HK\$4.2 million and HK\$11.0 million for the year ended 31 March 2020 and 2019 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 with lease terms more than 12 months as a result of adoption of HKFRS 16.

Depreciation of right-of-use assets

The Group recorded depreciation of right-of-use assets of approximately HK\$15.3 million for the year ended 31 March 2020, compared to nil for the year ended 31 March 2019, 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 Consolidated Financial Statements.

Depreciation of property, plant and equipment

Depreciation expenses amounted to approximately HK\$9.3 million and HK\$5.8 million for the years ended 31 March 2020 and 2019. The increase was mainly due to the additions of the property, plant and equipment.

Other expenses

Other expenses amounted to approximately HK\$31.9 million and HK\$21.6 million for the years ended 31 March 2020 and 2019 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 growth and gain market share.

MANAGEMENT DISCUSSION AND ANALYSIS

Loss for the year

The Group recorded a loss of approximately HK\$31.9 million for the year ended 31 March 2020 (2019: approximately HK\$0.2 million). This is mainly due to (i) the decrease in revenue and (ii) 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.

Dividends

The Board did not recommend a payment of any dividend for the year ended 31 March 2020 (2019: Nil).

Capital Structure, liquidity and financial resources

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

The total equity of the Group as at 31 March 2020 was approximately HK\$38.9 million (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\$39.2 million as at 31 March 2020 (2019: approximately HK\$64.4 million). The Group had total outstanding debts of HK\$56.7 million as at 31 March 2020 (2019: approximately HK\$17.7 million), which comprised lease liabilities, as disclosed in note 24 to the consolidated financial statements of this annual report, amounting to HK\$42.3 million (2019: obligations under finance leases of approximately HK\$2.0 million) and bank borrowings, as disclosed in note 23 to the consolidated financial statements of this annual report, amounting to approximately HK\$14.4 million (2019: approximately HK\$15.7 million).

Capital Expenditures

The Group purchased property, plant and equipment amounting to approximately HK\$32.1 million for the year ended 31 March 2020 which comprised additions of treatment devices, furniture and fixtures and leasehold improvements (2019: approximately HK\$10.6 million).

Employees and remuneration policies

As at 31 March 2020, the Group had a total of 119 employees (2019: 84 employees). The Group's remuneration policies are in line with the prevailing market practice and are determined on the basis of performance, qualification and experience of individual employee. The Group recognizes the importance of a good relationship with its employees. The remuneration payable to its employees includes basic salary, commission, discretionary bonus and retirement benefit scheme contributions.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

Comparison of business objectives with actual business progress

An analysis comparing the future plans and use of proceeds contained in the Prospectus with the Group's actual business progress for the year from the Listing Date to 31 March 2020 (the "Relevant Period") is set out below:

Business strategies and implementation as stated in the Prospectus

Actual business progress up to 31 March 2020

Capital expenditure and initial operating costs for establishing three new medical aesthetic Centres

The Group opened three new medical aesthetic Centres, namely Central Centre, CWB Centre 2 and TST Centre 2 in May 2019, June 2019 and January 2020 respectively. During the Relevant Period, the number of our employees increased from 76 to 119 among which 28 were employed for the new centres. The Group has also purchased sixteen laser treatment devices, three ultrasound treatment devices, four radiofrequency treatment devices and twenty one other ancillary treatment devices and equipment for the operation of the new centres.

Purchase prevailing treatment devices and treatment consumables

The Group has purchased two laser treatment devices, one radiofrequency treatment device, five 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. The Group invites one celebrity to endorse our centres.

Upgrade our business management system

As at 31 March 2020, the upgrade of our business management system is still in progress.

MANAGEMENT DISCUSSION AND ANALYSIS

Use of proceeds

On 15 October 2018, the Shares were listed on GEM by way of Share Offer. The net proceeds received by the Company from the Share Offer, after deducting underwriting commission and professional expenses in relation to the Share Offer, amounted to approximately HK\$31.6 million, which were lower than the estimated net proceeds of approximately HK\$50.0 million as disclosed in the Prospectus. The Group intends to reduce the amount of net proceeds allocated for the respective purposes as disclosed in the Prospectus on a pro-rata basis. As at 31 March 2020, the Group has utilised HK\$31.1 million of the net proceeds from the Share Offer. The proceeds were applied based on the actual development of the Group's business and market conditions. Please refer to Prospectus for the details of the Share Offer.

The use of the net proceeds as at 31 March 2020 was approximately as follows:

	Actual use of proceeds from the date of the Listing to 31 March 2019 HK\$'000	Actual use of proceeds for the year ended 31 March 2020 HK\$'000	Actual use of proceeds from the date of the Listing to 31 March 2020 HK\$'000	Unutilised amount as at 31 March 2020 HK\$'000
Capital expenditure and initial operating costs for establishing three new medical aesthetic Centres	5,700	14,400	20,100	–
Purchase prevailing treatment devices and treatment consumables	200	2,800	3,000	–
Renovate our CWB Centre and TST Centre	–	2,500	2,500	–
Promotion of our brand	500	2,000	2,500	–
Upgrade our business management system	–	120	120	480
General working capital	600	2,300	2,900	–
Total	7,000	24,120	31,120	480

Note: The upgrade of our business management system is still in progress. 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 lease liabilities divided by total equity, was 145.9% as at 31 March 2020 (2019: 25.1%). The increase was mainly due to the adoption of HKFRS 16. For further details, please refer to note 3 of the Notes to Consolidated Financial Statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Foreign exchange exposure and treasury policies

The Group carries out its business in Hong Kong and most of its transactions are denominated in Hong Kong Dollar. The Group did not experience any material impact or difficulties in liquidity on its operations resulting from the fluctuation in exchange rate, and no hedging transaction or forward contract arrangement was made by the Group during the years ended 31 March 2020 and 2019. Nevertheless, the management will continue to monitor the Group's foreign exchange exposure and will take prudent measures as and when appropriate.

Commitments

As at 31 March 2020, the Group had no significant capital commitments (2019: Nil).

Contingent liabilities

As at 31 March 2020, the Group had no significant contingent liabilities (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 31 March 2020, the Group had unsecured and guaranteed bank borrowings of approximately HK\$0.9 million (2019: approximately HK\$2.1 million). As at 31 March 2020, the carrying amount of the secured and guaranteed bank borrowings was approximately HK\$13.5 million (2019: approximately HK\$13.5 million). The secured bank borrowings were secured by the payments for life insurance contracts as at 31 March 2020 and 2019. The entire bank borrowings were guaranteed by the Company as at 31 March 2020 (2019: personal guarantees by the Controlling Shareholders).

Pledge of assets

Bank borrowings of approximately HK\$13.5 million (2019: approximately HK\$13.5 million) are secured by the payments for life insurance contracts of approximately HK\$19.8 million (2019: approximately HK\$19.1 million). As at 31 March 2020, the carrying amount of right-of-use assets included an amount of approximately HK\$5.3 million (2019: approximately HK\$2.0 million) representing treatment devices and an amount of approximately HK\$0.4 million (2019: approximately HK\$0.6 million) representing motor vehicle which were acquired under finance leases.

Subsequent events

Since January 2020, the outbreak of COVID-19 has impact on the global business environment. Pending the development and spread of COVID-19 subsequent to the date of these consolidated financial statements, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of these consolidated financial statements. The Group will keep continuous attention on the situation of the COVID-19 and react actively to its impact to the financial position and operating results of the Group.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Yip Chun Kwok Danny, MH (葉振國) (“Mr. Yip”), aged 54, founded our Group with Ms. Fu Chi Ching (“Ms. Fu”) jointly in May 2008. He was appointed as a Director on 2 March 2018 and re-designated as the chairman of our Company and an executive Director on 6 June 2018. He is the chairman of the nomination committee. Mr. Yip brought more than 30 years of entrepreneurship and executive management experience to his role with our Group. He oversees general corporate direction and shares his vision and strategies with our Group. Mr. Yip is the spouse of Ms. Fu.

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

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

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

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

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

DIRECTORS AND SENIOR MANAGEMENT

Ms. Fu Chi Ching (符芷晴), aged 42, founded our Group with Mr. Yip jointly in May 2008. She was appointed as a Director on 2 March 2018 and re-designated as an executive Director and the chief executive officer of our Company on 6 June 2018. She is a member of the remuneration committee. Ms. Fu is responsible for overall daily business operations, management structure, quality assurance, and public relations of our Group. Ms. Fu is the spouse of Mr. Yip.

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

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

Independent non-executive Directors

Mr. Chan Sing Nun (陳星能) ("Mr. Chan"), aged 45, was appointed as an independent non-executive Director on 21 September 2018. Mr. Chan is the chairman of the audit committee and a member of the remuneration committee.

Mr. Chan has approximately 19 years of experience in auditing, accounting and financial management. From May 1998 to May 2002, he worked at K.L. Wong & Co., an audit firm. From January 2003 to January 2019, Mr. Chan had worked at Brandwell Limited, a consulting service company. Since March 2019, Mr. Chan has been the financial controller of Muse Group Holdings Limited. He joined Qing Lan C.P.A. Limited as the audit principal in September 2009. Mr. Chan has also served as the director of A2Z Hotel Equipment Limited, a company engaged in trading of hotel equipment, since June 2017.

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

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

Mr. Khoo Wun Fat William (丘煥法) ("Mr. Khoo"), aged 39, was appointed as an independent non-executive Director on 21 September 2018. Mr. Khoo is the chairman of the remuneration committee, and a member of the audit committee and the nomination committee.

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

DIRECTORS AND SENIOR MANAGEMENT

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

Since August 2018, Mr. Khoo has been an independent non-executive director of Zhejiang New Century Hotel Management Co., Ltd (a company listed on the Main Board (stock code: 1158)). From November 2017 to March 2020, Mr. Khoo was an independent non-executive director of Alpha Professional Holdings Limited (formerly known as Z-Obee Holdings Limited) (a company listed on the Main Board (stock code: 948)).

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

Mr. Yu Chi Wing (于志榮) (“Mr. Yu”), aged 36, was appointed as an independent non-executive Director on 21 September 2018. He is a member of the audit committee and the nomination committee.

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

Since January 2020, Mr. Yu has been an independent non-executive director of Wah Wo Holdings Group Limited (a company listed on the Main Board (Stock code: 9938))

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

SENIOR MANAGEMENT

Ms. Lam Po Shan Lucia (林寶珊) (“Ms. P.S. Lam”), aged 38, is the chief operating officer of our Group. She joined our Group in July 2015 as a customer service manager and was promoted to her current position in April 2020. Ms. P.S. Lam is primarily responsible for overseeing our daily operations, implementing marketing strategies of our Group and managing our relationship with clients.

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

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

REPORT OF DIRECTORS

The Directors hereby present the report and the audited consolidated financial statements for the year ended 31 March 2020.

CORPORATE INFORMATION

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

PRINCIPAL BUSINESS

The Company is an investment holding company. Business of the major subsidiaries of the Company is set out in note 38 to the consolidated financial statements of this annual report.

BUSINESS REVIEW

Business of the Group for the year ended 31 March 2020 is set out in the section headed “Management Discussion and Analysis” on pages 6 to 11 of this annual report. The discussion is an integral part of this Report of Directors.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Government Policies Risk

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

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

REPORT OF DIRECTORS

Risk of Adverse Economic, Social or Political Conditions

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

To the current knowledge of the Board and the management, the Group has not committed any violation or non-compliance of applicable laws and regulations that would have significant impact on the operation of the Group throughout the year ended 31 March 2020.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group acknowledges the importance to maintain good relationship with its employees and customers for the achievement of its short-term and long-term business objectives. For the year ended 31 March 2020, there was no serious and material dispute between the Group and its employees, customers and suppliers.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 March 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 54 of the annual report.

The Board does not recommend the payment of a final dividend for the year ended 31 March 2020.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out on page 122. This summary does not form part of the audited consolidated financial statements.

DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 57 of this annual report.

The Company's reserves available for distribution to shareholders as of 31 March 2020 amounted to approximately HK\$16.5 million (2019: approximately HK\$45.6 million).

PROPERTY, PLANT AND EQUIPMENT

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

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2020, the percentage of revenue derived from our five largest clients in aggregate was less than 4.7% (2019: 3.7%).

For the year ended 31 March 2020, purchases from our largest supplier accounted for approximately 16.3% (2019: 26.5%) of the Group's total purchases. For the year ended 31 March 2020, our five largest suppliers in aggregate accounted for approximately 68.9% (2019: 74.4%) of the Group's total purchases.

For the year ended 31 March 2020, none of the Directors or any of their associates or any shareholders, who to the knowledge of the Directors, owns more than 5% of the Company's issued share capital, had any interest in the five largest suppliers or customers.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 28 to the consolidated financial statements of this annual report.

DONATIONS

Donations by the Group for charitable purposes amounted to approximately HK\$16,000 (2019: approximately HK\$25,000).

REPORT OF DIRECTORS

DIRECTORS

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

Executive Directors:

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

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

Independent non-executive Directors:

Mr. Chan Sing Nun

Mr. Khoo Wun Fat William

Mr. Yu Chi Wing

Pursuant to the articles 83(3), 84(1) and 84(2) of the articles of association of the Company (the “Articles of Association”), Mr. Chan Sing Nun and Mr. Khoo Wun Fat William shall retire at the forthcoming annual general meeting of the Company (the “AGM”) and being eligible, to offer themselves for re-election at the AGM.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 12 to 14 of this annual report.

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

As at 31 March 2020, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, notified to the Company and the Stock Exchange, were as follows:

Long position in the shares of the Company:

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

Notes:

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

Save as disclosed above, as at 31 March 2020, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which are required to be recorded in the register required to be kept by the Company under Section 352 of the SFO, or which shall be, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, notified to the Company and the Stock Exchange.

REPORT OF DIRECTORS

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

As at 31 March 2020, to the knowledge of the Directors, the following persons/entities (other than the Directors or chief executive of the Company) who had or were deemed to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

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

Notes:

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

Save as disclosed above, as at 31 March 2020, the Directors are not aware of any other persons/entities (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year ended 31 March 2020 and up to the date of this report, have the Directors and the chief executive of the Company and their respective close associates (as defined under the GEM Listing Rules) had any interests in, or had been granted, or exercised any rights to subscribe for shares or underlying shares of the Company and/or its associated corporations (within the meaning of the SFO).

Save as disclosed above and as provided in the Share Option Scheme (as defined below), at no time during the year ended 31 March 2020 and up to the date of this report was the Company, any of its subsidiaries, its associated companies or its holding companies a party to any arrangements to enable the Directors or the chief executive of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of its associated corporations (within the meaning of the SFO).

SHARE OPTION SCHEME OF THE COMPANY

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

As of 31 March 2020 and up to the date of this annual report, there was no options granted, exercised, lapsed or cancelled under the Share Option Scheme. As of 31 March 2020 and up to the date of this annual report, there was no outstanding share option not yet exercised under the Share Option Scheme.

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

Purpose

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

Eligible persons

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

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

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

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

REPORT OF DIRECTORS

Maximum entitlement of each Eligible Person

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

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

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

Acceptance of offers

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

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

Time of exercise of option

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

Basis of determining the exercise price

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

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

Remaining duration of the Share Option Scheme

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

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

DIRECTORS' SERVICE CONTRACTS

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

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

None of the Directors proposed for re-election at the forthcoming 2020 AGM has entered into any service contract with the Company which is not terminable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR MATERIAL CONTRACTS

There was no transactions, arrangements or material contracts including the provision of service to which the Company or any related company (holding companies, subsidiaries, or fellow subsidiaries) was a party and in which a Director of the Company or controlling shareholders or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at any time during the year ended 31 March 2020.

CONNECTED TRANSACTION/CONTINUING CONNECTED TRANSACTION AND RELATED PARTY TRANSACTIONS

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

Details of related party transaction of the Group during the year ended 31 March 2020 are set out in note 35 to the consolidated financial statements of this annual report.

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

REPORT OF DIRECTORS

NON-COMPETITION UNDERTAKINGS

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

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

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

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

REPORT OF DIRECTORS

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

PERMITTED INDEMNITY

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

MANAGEMENT CONTRACTS

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

PUBLIC FLOAT

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

COMPLIANCE ADVISER'S INTERESTS

The Company has changed the compliance adviser from Innovax Capital Limited ("Innovax") to Sorrento Capital Limited ("Sorrento") as Innovax and the Company could not reach an agreement on the consideration of fee levels, effective on 9 May 2020. As notified by Sorrento, neither Sorrento nor any of its close associates and none of the directors or employees of Sorrento had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities, if any) which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules as at 31 March 2020.

CORPORATE GOVERNANCE

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

REPORT OF DIRECTORS

EQUITY-LINKED AGREEMENT

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

PRE-EMPTIVE RIGHTS

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

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

During the year ended 31 March 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares.

REMUNERATION POLICY

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

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

SUBSEQUENT EVENTS

Since January 2020, the outbreak of COVID-19 has impact on the global business environment. Pending the development and spread of COVID-19 subsequent to the date of these consolidated financial statements, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of these consolidated financial statements. The Group will keep continuous attention on the situation of the COVID-19 and react actively to its impact to the financial position and operating results of the Group.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company ("Audit Committee") had, together with the management, reviewed the audited consolidated financial statements of the Group for the year ended 31 March 2020. The Audit Committee is satisfied that the audited consolidated financial statements have complied with the applicable accounting standards and the requirements under the GEM Listing Rules.

REPORT OF DIRECTORS

AUDITOR

Elite Partners CPA Limited has been appointed as the auditor of the Company with effect from 31 December 2019 to fill the casual vacancy following the resignation of Messrs Deloitte Touche Tohmatsu.

The consolidated financial statements for the year ended 31 March 2020 were audited by Elite Partners CPA Limited who will retire and, being eligible, offer themselves for re-appointment. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Elite Partners CPA Limited as the auditor of the Company.

On behalf of the Board

Yip Chun Kwok Danny, MH
Chairman and Executive Director

22 June 2020

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company (the “Shareholders”) and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the “CG Code”) as set out in Appendix 15 to the GEM Listing Rules as its own code of corporate governance. The Company has complied with all applicable code provisions of the CG Code during the year, 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 during the year.

BOARD OF DIRECTORS

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

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

Board Composition

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

The biographical information of the Directors are set out in the section headed “Directors and Senior Management” on pages 12 to 14 of this annual report for the year ended 31 March 2020.

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

Board Meetings

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

CORPORATE GOVERNANCE REPORT

Chairman and Executive Officer

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

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

Independent Non-executive Directors

During the year ended 31 March 2020, the Board at all times met the requirements of the GEM Listing Rules relating to the appointment of at least three Independent Non-executive Directors with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

Appointment and Re-election of Directors

In accordance with the Articles of Association, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

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

Responsibilities of the Directors

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

Continuous Professional Development of Directors

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

Every newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction shall be supplemented by visits to the Company's key plant sites and meetings with senior management of the Company.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses.

BOARD COMMITTEES

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

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

Audit Committee

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

CORPORATE GOVERNANCE REPORT

During the year and up to the date of this annual report, four meetings of the Audit Committee were held to review the interim results, the quarterly results and the annual results of the Group. The Audit Committee has held one meeting in relation to change in auditor. All members of the Audit Committee attended the meeting.

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

- the review of the audited financial statements for the year ended 31 March 2020;
- the recommendation to the Board for the proposal for re-appointment of the external auditor of the Company and approval of the remuneration and terms of engagement of the external auditor; and
- the review of the risk management and internal control systems of the Company and its subsidiaries.

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

Remuneration Committee

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

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

Pursuant to paragraph B.1.5 of the CG Code, the remuneration of the members of the senior management by band for the year ended 31 March 2020 is set out below:

Remuneration band	Number of individuals
Nil to HK\$1,000,000	–
HK\$1,000,001 to HK\$1,500,000	2

Details of the amount of Directors' emoluments and the five highest paid employees for the year ended 31 March 2020 are set out in note 10 to the consolidated financial statements of this annual report.

CORPORATE GOVERNANCE REPORT

Nomination Committee

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

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

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

During the year and up to the date of this annual report, a meeting of the Nomination Committee was held to consider the re-appointments of the retiring Directors.

Board Diversity Policy

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

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

CORPORATE GOVERNANCE REPORT

Corporate Governance Functions

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

ATTENDANCE RECORDS OF DIRECTORS

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

Name of Director	Attendance/Number of Meetings			
	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors				
Mr. Yip Chun Kwok Danny, MH	6/6	-	-	1/1
Ms. Fu Chi Ching	6/6	-	1/1	-
Independent Non-Executive Directors				
Mr. Chan Sing Nun	6/6	5/5	1/1	-
Mr. Khoo Wun Fat William	6/6	5/5	1/1	1/1
Mr. Yu Chi Wing	6/6	5/5	-	1/1

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

CORPORATE GOVERNANCE REPORT

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

Risk Management

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

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

Internal Control

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

The Group has engaged an independent internal control review advisor (the "Internal Control Advisor") to conduct the annual review on the effectiveness of the internal control system. Review of the Group's internal controls covered major operational, financial and compliance controls, as well as risk management functions of different systems has been performed on a systematic rotational basis on the risk assessments of the operations and controls. During the risk assessment process, the Internal Control Advisor interviewed the relevant personnel and identified the business objectives and significant risks of the Group. A report prepared by the Internal Control Advisor which sets out the risks, issues and recommended action plan was presented to the Board for review and endorsement. The Board considered that significant risks of the Group were managed within the acceptable level and the management will continue to monitor the residual risks and report to the Board on ongoing basis. For the year ended 31 March 2020, the Board have reviewed the effectiveness of the internal control system and they consider them effective and adequate.

Review of Risk Management and Internal Control Systems

The Audit Committee assists the Board in the review of the effectiveness of the Company's risk management and internal control systems on an ongoing basis. The directors through the Audit Committees are kept informed of significant risks that may impact on the Company's performance. For the year ended 31 March 2020, the Board considered the risk management and internal control systems of the Company to be effective and adequate.

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

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

CORPORATE GOVERNANCE REPORT

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

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

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 March 2020.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about the reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 49 to 53 of this annual report.

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

AUDITOR'S REMUNERATION

An analysis of the remuneration paid to the external auditor of the Company, Elite Partners CPA Limited, in respect of audit services and non-audit services for the year ended 31 March 2020 is set out below:

Service Category	Fees Paid/ Payable HK\$'000
Audit Services	500
Non-audit Services	-
	<hr/>
	500

COMPANY SECRETARY

The company secretary is a full-time employee of the Company and has day-to-day knowledge of the Company's affairs. During the year, the company secretary has confirmed that he has taken no less than 15 hours of relevant professional training.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

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

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

Convening an Extraordinary General Meeting

Pursuant to Article 58 of the Company's Articles of Association, the Board may whenever it thinks fit call extraordinary general meetings. Any one or more Members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Proposals at Annual General Meetings

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

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

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

Email: info@perface.com

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, apart from the registered office of the Company, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

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

Dividend Policy

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Fameglow Holdings Limited (the “Company” or “Fameglow” and its subsidiaries (collectively, the “Group”, “we”, “us” or “our”) are pleased to present its Environmental, Social and Governance report (“ESG report”) for the year ended 31 March 2020 (the “Reporting Period”).

Scope and boundary of this report

This ESG Report details the ESG performance of the Group for the financial year ended 31 March 2020 (the “Reporting Period”). We apply the concept of materiality in planning and developing the ESG Report. Unless otherwise indicated, the ESG Report covers the Group and its subsidiaries.

Reporting principles

The ESG Report is prepared in accordance with Appendix 20 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited. According to the guideline, the following principles are underpinned:

1. **Materiality:** Environmental, social and governance issues that have major impacts on investors and other stakeholders must be set out in this ESG Report.
2. **Quantitative:** If the key performance indicators (KPIs) have been established, they must be measurable and applicable to valid comparisons under appropriate conditions. They must also be able to describe the purpose and impacts of quantitative information.
3. **Balance:** This ESG Report must provide an unbiased picture of the environmental, social and governance performance of the Group. It should avoid selecting, omitting, or presenting formats that may inappropriately influence a decision or judgment by the reader.
4. **Consistency:** This ESG Report should use consistent and disclose statistical methodologies to allow meaningful comparisons of related data over time. Any changes to the methods used must be specified in the ESG Report.

Confirmation

The information documented in this ESG Report is sourced from official documents, statistical data, management and operation information of and collected by the Group in accordance with relevant internal policies. The Group has established internal controls and a formal review process to ensure that any information presented in this ESG Report is as accurate and reliable as possible.

Feedback

The Group discloses the latest business information regularly to investors and the public. We also welcome investors and shareholders to share their views with the board of directors of the Company by fax at +852 3185 7877.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE GROUP

The Group is a medical aesthetic service provider in Hong Kong and operates five medical aesthetic centres at prime locations in Causeway Bay, Central, and Tsim Sha Tsui under the brand “per Face” during the Reporting Period. The Group strives to provide holistic treatment solution to the clients through non-surgical medical aesthetic services, traditional beauty services and sale of skincare products to help the clients maintain and enhance their skin conditions and physical appearance. Our competitive strength is the ability to provide timely and reliable products. Over the years, our solid track record and experienced management team have established an excellent reputation within the industry.

The corporation objectives of the Group are to achieve sustainable growth in its business and financial performance, actively expand and strengthen its market position.

STAKEHOLDERS ENGAGEMENT

In order to understand the aspiration and concerns from the stakeholders in connection with the environmental and social activities of the Group, we have maintained interaction with them via various effective communication channels, with a view to perfecting our sustainability strategies in the interest of stakeholders and our ability to grow progressively. The Group’s identified stakeholders and our main communication channels are listed in the following table:

Internal stakeholders

Types of stakeholders	Topics of concerns	Communication channels
Directors	<ul style="list-style-type: none">• Risk management• Enterprise reputation• Operation	<ul style="list-style-type: none">• Day to day operation• Meetings• Telephone or email
Employees	<ul style="list-style-type: none">• Vocational training and development• Remuneration and benefits• Health and safety• Working environment including equal opportunities	<ul style="list-style-type: none">• Meetings• Annual appraisal including promotion• Training• Day to day operation

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

External stakeholders

Types of stakeholders	Topics of concerns	Communication channels
Government and regulatory authorities	<ul style="list-style-type: none">• Operational and corporate compliance• Commitment to social responsibility• Taxation	<ul style="list-style-type: none">• Published documents, including annual, interim and quarterly reports, announcements and circulars• Tax returns filing
Shareholders/Investors	<ul style="list-style-type: none">• Information disclosure and high transparency• Protection of shareholder's right and interest	<ul style="list-style-type: none">• Published documents, including annual, interim and quarterly reports, announcements and circulars• Shareholder meetings including annual general meeting• Company website
Customers	<ul style="list-style-type: none">• Safety and quality control on products and services• Aftersales services	<ul style="list-style-type: none">• Company website• Social media platform• Customer satisfaction survey
Suppliers	<ul style="list-style-type: none">• Supply chain management system and procurement process under regulation	<ul style="list-style-type: none">• Telephone or email• Meetings

ENVIRONMENTAL ASPECTS

Emissions

The management of the Group retains the overall responsibility to ensure the Group's operation comply with the relevant local environmental protection laws, including the "Air Pollution Control Ordinance" (Chapter 311 of the Laws of Hong Kong), the "Waste Disposal Ordinance" (Chapter 354 of the Laws of Hong Kong), the "Water Pollution Control Ordinance" (Chapter 358 of the Laws of Hong Kong), the "Noise Control Ordinance" (Chapter 400 of the Laws of Hong Kong) and the "Product Eco-responsibility Ordinance" (Chapter 603 of the Laws of Hong Kong).

In order to ensure that the relevant business complies with the above-mentioned environmental regulations, we have implemented different measures in the following areas:

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Air Emission

Emissions generated by the Group were mainly indirect Green House Gases (“GHG”) emissions generated from the use of purchased electricity and business air travel by employees. Our employees are encouraged to use public transports to reduce the use of non-renewable energy resources, such as gasoline and diesel. During the Reporting Period, the Group has already been using electric motor vehicles to reduce the burden on the surrounding environment.

During the Reporting Period, the main air pollutant emissions generated by the Group’s vehicles are as follows:

Vehicle exhaust emissions	Emissions	Unit
Nitrogen oxide (NO _x) emissions	837	g
Particulate matter (PM) emissions	62	g

During the Reporting Period, the GHG emissions generated by the Group’s operations are as follows:

Total GHG emissions	Emissions	Unit
CO ₂ emissions of electric vehicles	1,446	kg
CO ₂ emissions generated by electricity consumption	166,531.38	kg

Other indirect GHG emissions	Emissions	Unit
CO ₂ emissions generated by paper waste	5,052	kg

GHG emission intensity per capita	Emissions	Unit
CO ₂ emissions of electric vehicles	12.15	kg/capita
CO ₂ emissions generated by electricity consumption	1,399.42	kg/capita
CO ₂ emissions generated by paper waste	42.45	kg/capita

Note: The intensity is calculated based on the number of employees. At the end of the Reporting Period, 119 employees were employed by the Group.

Sewage

The sewage generated by the Group is mainly the water consumption in offices and medical aesthetic centres, which can be discharged and treated through sewage pipes.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Waste Management

Given the medical aesthetic services provided at our medical aesthetic centres may produce used or contaminated sharps such as syringes and needles as well as medical dressings, our Group is subject to the Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong), the Waste Disposal (Clinical Waste) (General) Regulation (Chapter 354O of the Laws of Hong Kong) and the Code of Practice for the Management of Clinical Waste-Clinical Waste Producers and Waste Collectors.

Each of the operating subsidiaries of the Company, is registered under the Environmental Protection Department as a clinical waste producer. We are also in compliance with the requirements under the Waste Disposal (Clinical Waste) (General) Regulation by consigning the hazardous medical waste to a licensed clinical waste collector for delivery to a reception point or collection point and keeping such records for inspection upon request by the Director of Environmental Protection. During the Reporting Period, our medical wastes were approximately 59 kg.

The Group generates general non-hazardous wastes, which include paper, face masks, plastic gloves and plastic bottles. These non-hazardous wastes are collected and handled by the relevant property management companies of the buildings where our centres and offices are situated. During the Reporting Period, these non-hazardous wastes were approximately 3,465 kg. The Group's also ensures the safety of the disposal process of hazardous and non-hazardous wastes according to our internal policies.

Use of Resources

The Group is committed to continue to monitor the use of resource and take the potential environmental impact into consideration when providing our non-surgical medical aesthetic services and selling skincare products, as well as to comply with relevant government policy and environmental regulations.

Energy consumption by the Group during the Reporting Period is set out below:

Type of energy	Energy consumed	Intensity (per capita)
Purchased electricity	268,598 kWh	2,257 kWh
Water consumption	424 m ³	3.56 m ³

Note: The intensity is calculated based on the number of employees. At the end of the Reporting Period, 119 employees were employed by the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Paper Saving

In order to reduce the use of paper by staff, we encourage them to set the default printing as double-sided and use suitable font size/shrinkage mode to minimise pages, if possible. Also, we set waste paper recycling bins in office to manage paper resources properly and to reduce the burden laid on the environment by waste. During the Reporting Period, the total amount of recycled paper disposed at landfills is 1,052.5 kg.

Water Conservation

In order to encourage staff to save water, we have put up signs in offices and medical aesthetic centres to remind employees to reduce water consumption. During the Reporting Period, as the Group utilized the local water supply system, we did not find any problems in obtaining suitable water sources, the total consumption of the water is 424 m³.

Electricity Conservation

The Group has replaced traditional lightbulbs with energy saving bulbs, i.e. LED lights. Compared to traditional lightbulbs, they are more energy-efficient and eco-friendly, thus reducing electricity consumption. We also maintain the temperature of air conditioners at an appropriate level and regular maintenance is scheduled to ensure proper temperature and energy efficiency. All electrical appliance should be set at energy saving mode where possible, whereas unnecessary lighting and power supply should be switched off when they are not in use.

Packaging Material Management

The major packaging material used in our business are mainly paper box and plastic bag. The consumption of those material during the Reporting Period is summarized below.

Packaging material	Quantity
Paper box	180
Plastic bag	140

The Environment and Natural Resources

The Group is committed to environmental protection and has adopted and effectively implemented a number of measures to make efficient use of resources, reduce wastage and dispose of waste in an environmental-friendly manner. Unless otherwise stated, we believe we did not have a significant impact on the environment and natural resources in our daily operation during the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SOCIAL ASPECTS

Employment and Labour Practices

Employment

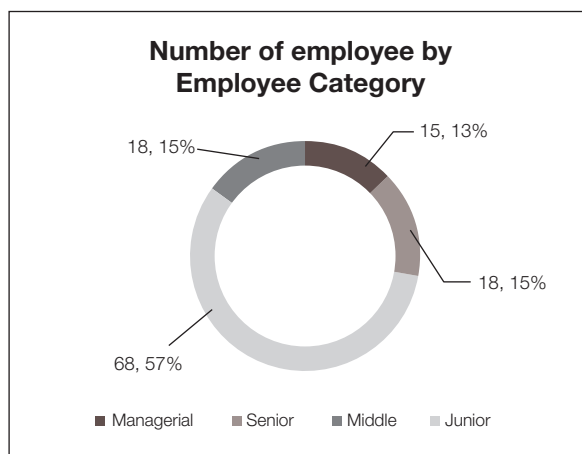
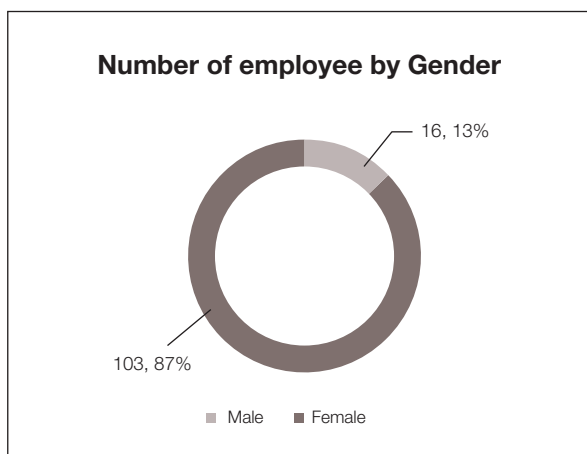
The Group considers human resources is the key to success. Therefore, the Group strictly abides by the “Employment Ordinance”, the “Sex Discrimination Ordinance”, the “Disability Discrimination Ordinance”, the “Family Status Discrimination Ordinance” and the “Race Discrimination Ordinance”. In addition, the Group also makes and regularly updates relevant internal policies and regulations to ensure that each employee is treated equally and free from discrimination. During the Reporting Period, the Group did not notice any significant violations of the relevant laws and regulations listed above.

Employee recruitment and remuneration decisions are made on the basis of merits and working experience, including qualifications, industrial expertise, general aptitude and competence for the job the candidates are applying for. The Group commits to equal opportunity, and recruitment decisions are never based on gender, family position or ethnic background. There is no limit imposed on age other than the legal minimum age limit.

The Group has established and implemented “Staff Manual”, which contains the policies relating to human resources, covering areas such as compensation and dismissal, recruitment and promotion, salary, working hours, rest periods, equal opportunities, diversity, anti-discrimination and other benefits and welfare. Employees are also entitled to leave entitlements as set out in the “Employment Ordinance”, including annual leave, sick leave, volunteer work leave, maternity leave and paternity leave. We also fulfill our responsibilities as an employer in terms of making MPF contributions.

We endeavour to incentivise our staff for their contribution with an aim to improve our business performance. In particular, we have formulated an incentive scheme for certain front-line employees with their commission linked to the amount of sales of our treatment services. We offer the same commission rates which apply uniformly across all services we offer, including the sales of one-off treatment and prepaid packages.

As at 31 March 2020, the total number of employees of the Group was 119. The following figures are based on the total number of employees at the end of the Reporting Period.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Health and Safety

The Group is committed to provide a safe and healthy working environment for employees and visitors. Our offices and medical aesthetic centres implement safety procedures and good housekeeping practices in accordance with applicable regulations.

To raise our employees' awareness of health and safety issues, we provide training on topics related to occupational health and safety to all our employees and keeps them up-to-date with the latest knowledge on the mitigation of occupational hazards. Also, we have clear measures for our employees to follow in order to prevent infection, including how to ensure hand hygiene and requiring the staff not to wear accessories such as artificial nails or rings. We have implemented operational safety guidelines and manuals for performing treatment procedures and the use of treatment devices covering aspects including obtaining client consent, equipment requirements (such as safety goggles), explaining the sensation that the client may feel upon application of treatment devices on the skin, pre- and post-treatment examination of the client, emergency response protocols and the disposal of medical waste.

During the Reporting Period, there was no work injuries or fatalities reported, and no legal case regarding health and safety was brought against the Group.

Development and Training

The Group places great importance on the continuing development of professional knowledge and skills for the employees. The Company believes that the continued growth and success of our business is built upon employee excellence and their ability to provide quality of services to our customers, and workforce retention.

The Group is committed to provide professional trainings to our trained therapists in order to provide quality services to our clients. Our trainings included both theoretical and practical trainings and our training program has been specifically formulated by our consultant doctors and training managers. We have also established our own training centre to strengthen the quality of our trainings offered to our staff. The Group believes that the ability to keep abreast of the latest trend in medical aesthetic services and to offer quality service will positively impact our client traffic, revenue growth and financial performance.

From time to time, our consultant doctors attend industry conferences, seminars and workshops as well as seminars organised by our suppliers on topics such as minimally invasive procedures and energy-based procedures to keep abreast of the latest developments in the medical aesthetic industry. To ensure our newly recruited doctor is well versed with our internal operating protocols and service standards, our chief executive officer would, together with the consultant doctors, go through our company policies and the orientation programme with the newly recruited doctor before the newly recruited doctor commences to serve our clients.

Labour Standards

According to "Employment of Children Regulation", the Group has never hired any child labour or forced labour in compliance with the related Hong Kong laws and regulations. During our recruitment process, relevant staff from the human resources department would screen out candidates who fail to meet the age requirement for employment. In addition, the Group strictly complies with the "Employment Ordinance" (Chapter 57 of the Laws of Hong Kong), the "Mandatory Provident Fund Schemes Ordinance" (Chapter 485 of the Laws of Hong Kong), the "Occupational Safety and Health Ordinance" (Chapter 509 of the Laws of Hong Kong) and the "Minimum Wage Ordinance" (Chapter 608 of the Laws of Hong Kong) and their respective subsidiary legislations in Hong Kong.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Operation Practices

Supply chain management

Reliable and quality suppliers are equally important in facilitating our provision of services with high standard of safety and professionalism.

Procurement of treatment devices/treatment consumables

We commit to delivering quality medical aesthetics services and endeavour to ensure treatment devices introduced for use in our medical aesthetic centres are reliable and capable of delivering desired results for our clients. We therefore have established policies and procedures to evaluate and assess treatment devices. We rely on our marketing and business development department to keep up with the prevailing technologies and conduct market research on the latest and prevailing treatment technologies and skincare product trends. In order to keep up with the latest industry trend and the prevailing technologies, our chief executive officer attends overseas industry expositions to get previews of the latest treatment devices. Periodic meetings are held among our executive directors, chief executive officer, consultant doctors and marketing and business development department to discuss the latest technologies and skincare products, during which our marketing and business development department may recommend the types of treatment devices to procure.

From time to time, suppliers of treatment devices visit us and demonstrate their treatment devices to us, which may also provide us with a trial period during which we can evaluate and assess the function and effectiveness of the treatment devices.

When deciding whether to procure a new treatment device, we take into account factors such as (i) whether it is approved by national government agencies such as the FDA and MFDS and/or whether such devices bear CE mark(s); (ii) whether there are similar devices on the market; (iii) whether it is complementary to our existing treatment offering; and (iv) our internal test results. The approval of our executive directors must be obtained before we procure a new treatment device and our executive directors will only make such procurement decision after consultation with our consultant doctors.

Procurement of skincare products

The skincare products offered by us are supplied by distributors. The countries of origin of our skincare products include the United Kingdom, New Zealand and France. We select and source skincare products with due caution and with regard to factors such as the suppliers' background, credentials and reputation, product quality and cost. The approval of our chief executive officer must be obtained before we bring in any new skincare product for sale.

The Group has stringent policies for selecting suppliers. When selecting suppliers, we consider factors including but not limited to suppliers' reputation, safety records, past performance records, supply quality, price competitiveness, delivery punctuality, relationship with the Group, service quality and types of products supplied. We review and assess suppliers' performance and qualifications regularly and update the approved supplier list accordingly. New suppliers are added onto the list of approved suppliers only if they meet the new admission criteria, and upon the approval by our executive directors.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Product responsibility

Quality Assurance

The Group is committed to delivering quality non-surgical medical aesthetic services. We have therefore adopted comprehensive and stringent quality assurance and control measures throughout our business processes which cover staff recruitment and training, performance of consultation and treatments, procurement of treatment devices, treatment consumables and skincare products, standardised operation procedures, and operational safety guidelines.

Recruitment of professional staff

We assess, among others, the academic and professional qualifications, years of relevant experience as well as the character and integrity of registered medical practitioners and therapists during our selection process. We generally prefer to engage registered medical practitioners with at least five years of practising experience in the medical aesthetic service industry prior to joining our Group. For therapists, we generally prefer candidates who have obtained relevant beauty service qualifications or with at least three years of relevant experience in the medical aesthetic service industry.

Performance of consultation and treatments

The carrying out of consultation services that involve the practice of medicine, medical diagnosis, prescription of pharmaceutical products and medicines (each as defined under the Pharmacy and Poisons Ordinance (Chapter 138 of the Laws of Hong Kong)) and certain types of treatments (such as injection of botulinum toxin type A and dermal fillers) constitute the practice of medicine and therefore must be carried out by registered medical practitioners pursuant to the Medical Registration Ordinance (Chapter 151 of the Laws of Hong Kong). Our consultant doctors carry out such consultation services and high risk treatment procedures. Generally, all treatments with risk of severe complication or potential risk of irreversible damage to the eye or tissue damage including nerve injury, muscle burn, fat necrosis or skin necrosis will be considered as high risk treatment procedures under our generally adopted practice and must be performed by consultant doctors only.

Client feedback and complaint handling

When the Group receives an unfavourable feedback, the customer services will record the case in a log sheet and take all necessary action to remedy the problem, including but not limited to a refund, change of the product or exchange of any problematic product. All refunds to customers are subject to the approval of our chief executive officer or head of finance. The number of unfavourable feedback for the Reporting Period was four. After the matter is settled, the customer services will update the feedback log sheet and all of the relevant documents will be filed properly.

Customer Data Information Protection

The Group is subject to, among others, the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), which limits the use of personal data of clients collected by us for such purposes for which they were collected or for a directly related purpose. During the Reporting Period, the Group did not receive any complain in relation to the relevant laws and regulations listed above.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Anti-Corruption

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

Code of Conduct Policy

- Neither directors nor employees shall obtain or provide benefit to clients, contractors, suppliers or people with business relationship with the Group;
- Employees should avoid any conflict of interest, and when actual or potential conflict of interest arises, the directors or employees shall make a declaration to the management; and
- Accepting gifts must be declared. All directors and employees are required to strictly follow the section headed “Acceptance of Advantages and Entertainment” in Code of Conduct and have to undergo the approval process as stipulated in that policy.

Whistleblowing Policy

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

During the Reporting Period, the Group was in compliance with the Prevention of Bribery Ordinance (Cap. 201) and no legal cases regarding corrupt practices was brought against the Group or its directors or employees.

Community

Community Investment

The Group is committed to caring for our community. We hope that we can contribute and give back to the community during all areas of our business. We also promote the message of caring for community to our employees and encourage our employees to participate in community services. The Group has been honoured as a “Caring Company” by The Hong Kong Council of Social Service during the Reporting Period.

During the Reporting Period, the Group made charitable and other kinds of donations amounting to approximately HK\$16,000.



TO THE MEMBERS OF FAMEGLOW HOLDINGS LIMITED

(incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Fameglow Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as “the Group”) set out on pages 54 to 121, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the 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 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section to our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants (the “Code”) issued by the HKICPA, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended 31 March 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Key audit matter

How the matter was addressed in our audit

Revenue recognition in relation to provision of treatment services

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

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

For the year ended 31 March 2020, revenue in relation to provision of treatment services amounting to approximately HK\$86,918,000 was recognised. As at 31 March 2020, the Group had deferred revenue of approximately HK\$92,181,000.

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

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

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Siu Edmund with Practising Certificate Number P05333.

Elite Partners CPA Limited
Certified Public Accountants
Hong Kong, 22 June 2020

10/F., 8 Observatory Road
Tsim Sha Tsui
Kowloon, Hong Kong

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	NOTES	Year ended 31 March	
		2020 HK\$'000	2019 HK\$'000
Revenue	6	90,425	101,433
Cost of inventories and consumables		(10,562)	(9,989)
Other income	7	1,874	1,242
Staff costs		(49,758)	(34,060)
Rental and related expenses		(4,186)	(10,980)
Depreciation of property, plant and equipment		(9,279)	(5,835)
Depreciation of right-of-use assets		(15,338)	–
Listing expenses		–	(16,325)
Other expenses		(31,938)	(21,570)
Finance costs	8	(2,043)	(848)
(Loss)/profit before taxation	9	(30,805)	3,068
Taxation	11	(1,053)	(3,290)
Loss and total comprehensive expense for the year attributable to owners of the company		(31,858)	(222)
Loss per share (HK cents)	13	(3.98)	(0.03)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	NOTES	As at 31 March	
		2020 HK\$'000	2019 HK\$'000
Non-current assets			
Property, plant and equipment	14	64,957	45,166
Right-of-use assets	15	42,246	–
Deposits for acquisition of property, plant and equipment		–	8,105
Deposits and prepayments	17	2,956	25,266
Deferred costs	18	328	433
Deferred tax assets	27	–	–
		110,487	78,970
Current assets			
Inventories	16	5,493	5,449
Trade receivables, deposits and prepayments	17	40,713	13,235
Deferred costs	18	2,529	2,614
Tax recoverable		736	188
Amount due from a controlling shareholder	19	–	–
Bank balances and cash	20	39,218	64,375
		88,689	85,861
Current liabilities			
Trade and other payables and accruals	21	7,402	7,589
Deferred revenue	22	92,181	66,007
Tax payable		828	1,050
Bank borrowings	23	14,404	15,671
Lease liabilities	24	11,765	–
Obligations under finance leases	25	–	1,088
		126,580	91,405
Net current liabilities		(37,891)	(5,544)
Total assets less current liabilities		72,596	73,426

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	NOTES	As at 31 March	
		2020 HK\$'000	2019 HK\$'000
Non-current liabilities			
Lease liabilities	24	30,551	–
Obligations under finance leases	25	–	980
Provisions	26	1,315	1,015
Deferred tax liabilities	27	1,861	704
		33,727	2,699
Net assets		38,869	70,727
Capital and reserves			
Share capital	28	8,000	8,000
Reserves		30,869	62,727
Total equity		38,869	70,727

The consolidated financial statements on pages 54 to 121 were approved and authorised for issue by the Board of Directors on 22 June 2020 and are signed on its behalf by:

Ms. Fu Chi Ching
Director

Mr. Yip Chun Kwok Danny, MH
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (Note)	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
As at 1 April 2018	–*	–	2,000	19,868	21,868
Loss and total comprehensive expense for the year	–	–	–	(222)	(222)
Effect of reorganisation	–*	23,026	(23,026)	–	–
Issue of shares (note 28)	2,000	54,000	–	–	56,000
Capitalisation issue (note 28)	6,000	(6,000)	–	–	–
Transaction costs attributable to issue of shares	–	(6,919)	–	–	(6,919)
As at 31 March 2019	8,000	64,107	(21,026)	19,646	70,727
Loss and total comprehensive expense for the year	–	–	–	(31,858)	(31,858)
As at 31 March 2020	8,000	64,107	(21,026)	(12,212)	38,869

* Amount less than HK\$1,000.

Note: The other reserve represented the difference between the nominal value of the share capital of the subsidiaries acquired as a result of the reorganisation (the "Reorganisation") as fully explained in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Group Structure" of the prospectus of the Company dated 28 September 2018 (the "Prospectus") and the nominal value of the share capital of the Company issued in exchange thereof.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	Year ended 31 March	
	2020 HK\$'000	2019 HK\$'000
OPERATING ACTIVITIES		
(Loss)/profit before taxation	(30,805)	3,068
Adjustments for:		
Interest income	(1,771)	(1,120)
Depreciation of property, plant and equipment	9,279	5,835
Depreciation of right-of-use assets	15,338	–
Loss on disposal/written-off of property, plant and equipment	133	412
Finance costs	2,043	848
Operating cash flows before movements in working capital	(5,783)	9,043
Increase in inventories	(44)	(2,585)
Increase in trade receivables, deposits and prepayments	(4,071)	(365)
Decrease/(increase) in deferred costs	190	(370)
(Decrease)/increase in trade and other payables and accruals	(113)	5,274
Increase in deferred revenue	26,174	3,195
Increase in provisions	–	300
Cash generated from operations	16,353	14,492
Hong Kong Profits Tax paid	(666)	(5,977)
NET CASH GENERATED FROM OPERATING ACTIVITIES	15,687	8,515
INVESTING ACTIVITIES		
Interest income received	467	5
Purchases of property, plant and equipment	(24,078)	(7,721)
Deposits for acquisition of property, plant and equipment	–	(8,105)
Repayments from controlling shareholders	–	279
NET CASH USED IN INVESTING ACTIVITIES	(23,611)	(15,542)
FINANCING ACTIVITIES		
Interests paid	(2,043)	(848)
Proceeds from issue of shares	–	56,000
Share issuance costs paid	–	(5,965)
Repayment of to lease liabilities	(13,923)	–
Repayments of obligations under finance leases	–	(1,682)
Repayments of bank borrowings	(1,267)	(5,973)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(17,233)	41,532

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	Year ended 31 March	
	2020 HK\$'000	2019 HK\$'000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(25,157)	34,505
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	64,375	29,870
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	39,218	64,375

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

1. GENERAL

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

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

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

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

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

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

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

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

As of 31 March 2020, the Group recorded net current liabilities of HK\$37,891,000. The net current liabilities arose mainly from the deferred revenue of HK\$92,181,000, which represented services to be performed and shall not result in any cash outflow of the Group eventually.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

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

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

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time to the current year:

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 HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

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

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 “Lease” (“HKAS 17”), and the related interpretations.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

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

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

HKFRS 16 Leases (Continued)

Definition of a lease (Continued)

As a lessee

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. Any difference at the date of initial applications is recognised in the opening retained profits and comparative information has not been restated.

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.

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 2.968%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

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

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

HKFRS 16 Leases (Continued)

Definition of a lease (Continued)

As a lessee (Continued)

	Note	As 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)
		38,197
Less: Total future interest expenses		(2,593)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16		35,604
Add: Obligations under finance leases recognised as at 31 March 2019	(b)	2,068
Lease liabilities as at 1 April 2019		37,672
Analysed as:		
Current		11,461
Non-current		26,211
		37,672

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

	Notes	As at 1 April 2019 HK\$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		35,604
Adjusted by:		
Amounts included in property, plant and equipment under HKAS 17		
– Restoration and reinstatement costs	(a)	300
– Assets previously under finance leases	(b)	2,606
Accrued lease liabilities rent from period as at 1 April 2019	(c)	(328)
Adjustments on rental deposits as at 1 April 2019	(d)	348
		38,530
By class		
Leasehold buildings		35,924
Treatment devices		2,007
Motor vehicles		599
		38,530

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

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

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

HKFRS 16 Leases (Continued)

Definition of a lease (Continued)

As a lessee (Continued)

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 as at 1 April 2019.
- (c) These relate to accrued lease liabilities for leases of properties in which the lessors provided rent-free period. The carrying amount of the lease incentive liabilities under trade and other payables and accruals as at 1 April 2019 was adjusted to right-of-use assets at transition.
- (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\$332,000 was adjusted to refundable rental deposits paid and right-of-use assets.

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

	Carrying amounts previously reported as at 31 March 2019 HK\$'000	Adjustments HK\$'000	Carrying amounts under HKFRS 16 as at 1 April 2019 HK\$'000
Non-current assets			
Property, plant and equipment	45,166	(2,906)	42,260
Right-of-use assets	–	38,530	38,530
Deposits and prepayments	25,266	(348)	24,918
Current liabilities			
Trade and other payables and accruals	7,589	(328)	7,261
Lease liabilities	–	11,461	11,461
Obligations under finance leases	1,088	(1,088)	–
Non-current liabilities			
Lease liabilities	–	26,211	26,211
Obligations under finance leases	980	(980)	–

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 March 2020, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 April 2019 as disclosed above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts ¹
Amendments to HKFRS 3	Definition of Business ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 16	COVID-19-Related Rent Concessions ⁴
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁵
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ⁵

¹ Effective for annual periods beginning on or after 1 January 2021.

² Effective for business combinations and assets acquisitions for which the acquisition date is on or after beginning of the first annual period beginning on or after 1 January 2020.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 June 2020.

⁵ Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

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

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

Amendment to HKFRS 16 COVID-19-Related Rent Concessions

The amendment is issued in June 2020 and is effective for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including interim or annual financial statements not authorised for issue as at 4 June 2020, the date of the amendment is issued.

The amendment introduces a new practical expedient for lessees to elect not to assess whether a COVID-19-related rent concessions is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lease applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes were not lease modifications. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs. The application of the amendment is expected to have impact on the financial positions and performance of the Group if the Group would elect to early apply the amendment for the Group’s annual period beginning on 1 April 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

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

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

Conceptual Framework for Financial Reporting 2018 (the “New Framework”) and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for the Group’s annual periods beginning on or after 1 April 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of HKFRS 2 “Share-based payment”, leasing transactions that are in accordance with HKFRS 16 (Since 1 April 2019) or HKAS 17 (before application of HKFRS 2), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of Assets”.

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

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

The principal accounting policies adopted are set out below.

Basis of consolidation

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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

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

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

Merger accounting for business combination involving businesses under common control

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

The net assets of the combining businesses are consolidated using the existing carrying values from the Controlling Shareholders's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

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

Revenue from contracts with customers

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

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

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A deferred revenue is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a deferred revenue is recognised when the payment is made or the payment is due (whichever is earlier). Deferred revenue are recognised as revenue when the Group performs under the contract.

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

Provision for treatment services and expiry of prepaid treatments

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

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

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

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

Sale of skincare products

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

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

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

Incremental costs of obtaining a contract

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

Lease

Definition of a lease (upon application of HKFRS 16 in accordance with transition in note 3)

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 (upon application of HKFRS 16 in accordance with transition in note 3)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lease (Continued)

As a lessee (upon application of HKFRS 16 in accordance with transition in note 3) (Continued)

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

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lease (Continued)

As a lessee (upon application of HKFRS 16 in accordance with transition in note 3)

(Continued)

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.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Lease *(Continued)*

As a lessee (upon application of HKFRS 16 in accordance with transition in note 3) *(Continued)*

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.

The Group as lessee (prior to 1 April 2019)

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

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Lease (Continued)

Leasehold land and building

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

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

Borrowing costs

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

Retirement benefits costs

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

Short-term and other long-term employee benefits

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of 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 associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

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

Current and deferred tax are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

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

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

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

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

Impairment on property, plant and equipment, right-of-use assets and deferred costs

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets with finite useful lives and deferred costs to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on property, plant and equipment, right-of-use assets and deferred costs (Continued)

Before the Group recognises an impairment loss for assets capitalised as deferred costs under HKFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as deferred costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as deferred costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

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

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

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

Inventories

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

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

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

Reinstatement provision

Provisions for the costs to restore leased assets to their original condition, as required by the terms and conditions of the lease, are recognised at the date of inception of the lease at the directors' best estimate of the expenditure that would be required to restore the assets. Estimates are regularly reviewed and adjusted as appropriate for new circumstances.

Financial instruments

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

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

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

Amortised cost and interest income

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

Impairment of financial assets

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(ii) Definition of default

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

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

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

(iii) Credit-impaired financial assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL (Continued)

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

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

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

Derecognition of financial assets

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

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments (Continued)

Derecognition of financial liabilities

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

Related parties

- (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 group or the group's parent.
- (b) An entity is related to the group if any of the following conditions applies:
- (i) The entity and the group 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 group or to the group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Revenue recognition of breakage

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

Inventories

The management of the Group reviews an ageing analysis at the end of the reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in operation. Estimation of net realisable value are based on the latest invoice prices and current market condition. Where the net realisable value is less than the carrying amount, impairment loss may arise. As at 31 March 2020, the carrying amount of inventories is approximately HK\$5,493,000 (2019: HK\$5,449,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

6. REVENUE AND SEGMENT INFORMATION

Revenue

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

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

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

	Year ended 31 March	
	2020 HK\$'000	2019 HK\$'000
Revenue from provision of treatment services		
– Non-surgical medical aesthetic services		
– Energy-based procedures	70,258	84,979
– Minimally invasive procedures	12,022	8,004
– Traditional beauty services	4,638	4,118
	86,918	97,101
Sale of skincare products	3,131	2,806
Revenue from expiry of prepaid treatments	376	1,526
Revenue from contract with customers	90,425	101,433
Timing of revenue recognition:		
Over time	81,089	91,664
A point in time	9,336	9,769
	90,425	101,433

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

6. REVENUE AND SEGMENT INFORMATION (Continued)

Revenue (Continued)

Performance obligations for contracts with customers

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

	As at 31 March	
	2020 HK\$'000	2019 HK\$'000
Unsatisfied performance obligations relating to provision of treatment services	92,181	66,007

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

Segment information

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

Geographical information

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

Information about major customers

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

7. OTHER INCOME

	Year ended 31 March	
	2020 HK\$'000	2019 HK\$'000
Interest income from life insurance contracts	1,168	1,115
Interest income from bank deposits	467	5
Interest income from rental deposit	136	–
Others	103	122
	1,874	1,242

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

8. FINANCE COSTS

	Year ended 31 March	
	2020 HK\$'000	2019 HK\$'000
Interests on:		
Bank borrowings	584	710
Obligations under finance leases	–	138
Lease liabilities	1,459	–
	2,043	848

9. (LOSS)/PROFIT BEFORE TAXATION

	Year ended 31 March	
	2020 HK\$'000	2019 HK\$'000
(Loss)/profit before taxation has been arrived at after charging:		
Directors' remuneration (Note 10)	3,710	3,496
Other staff costs:		
Salaries, wages, commission, bonuses and allowances	44,474	28,782
Retirement benefit scheme contributions	1,574	1,782
Total staff costs	49,758	34,060
Consultancy fee for doctors (included in other expenses)	5,517	4,632
Auditor's remuneration	500	950
Depreciation of property, plant and equipment	9,279	5,835
Depreciation of right-of-use assets	15,338	–
Loss on disposal/written-off of property, plant and equipment	133	412
Operating leases payments in respect of tenancy agreement of rented premises entered into by the Group:		
– for minimum lease payments	–	8,260
– contingent rents (Note)	122	680
Expenses relating to short-term lease payment	1,147	–
	1,269	8,940

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

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

(a) Directors' and chief executive's emoluments

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

	Fees HK\$'000	Salaries and allowances HK\$'000 (Note a)	Discretionary bonus HK\$'000 (Note b)	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
Year ended 31 March 2020					
Executive directors					
Ms. Fu	-	2,574	200	18	2,792
Mr. Yip	-	468	-	18	486
Independent non-executive directors					
Mr. Chan Sing Nun (Note c)	144	-	-	-	144
Mr. Khoo Wun Fat William (Note c)	144	-	-	-	144
Mr. Yu Chi Wing (Note c)	144	-	-	-	144
	432	3,042	200	36	3,710
Year ended 31 March 2019					
Executive directors					
Ms. Fu	-	2,400	379	18	2,797
Mr. Yip	-	480	-	18	498
Independent non-executive directors					
Mr. Chan Sing Nun (Note c)	67	-	-	-	67
Mr. Khoo Wun Fat William (Note c)	67	-	-	-	67
Mr. Yu Chi Wing (Note c)	67	-	-	-	67
	201	2,880	379	36	3,496

Notes:

- (a) Salaries, allowance and benefits in kind paid to or for the executive directors are generally emoluments paid or receivable in respect of those person's other services in connection with the management of the affairs of the Company and its subsidiaries.
- (b) The discretionary bonus is determined with reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.
- (c) Mr. Chan Sing Nun, Mr. Khoo Wun Fat William and Mr. Yu Chi Wing were appointed as independent non-executive directors of the Company on 21 September 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

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

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

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

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

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

None of the directors of the Company has waived or agreed to waive any emoluments during both years.

Except for those disclosed in material related party transactions in note 35 to the financial statements, no other transactions, arrangements and contracts in relation to the Group's business to which the Company or any subsidiaries of the Company was a party and in which a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, one (2019: one) was director of the Company for the year ended 31 March 2020, whose emoluments are included in the disclosures above. The emoluments of the remaining four (2019: four) individuals are as follows:

	Year ended 31 March	
	2020 HK\$'000	2019 HK\$'000
Employees		
– salaries and allowances	5,451	5,701
– discretionary bonus (Note)	–	89
– retirement benefit scheme contributions	72	72
	5,523	5,862

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

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

(b) Employees' emoluments (Continued)

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

	Number of employees Year ended 31 March	
	2020	2019
HK\$1,000,001 to HK\$1,500,000	3	2
HK\$1,500,001 to HK\$2,000,000	1	2
	4	4

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

11. TAXATION

	Year ended 31 March	
	2020 HK\$'000	2019 HK\$'000
Hong Kong Profits Tax:		
Current tax	31	2,864
Over-provision in prior years	(135)	(374)
Deferred tax (Note 27)	1,157	800
	1,053	3,290

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%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

11. TAXATION (Continued)

For the year ended 31 March 2020 and 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%.

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

	Year ended 31 March	
	2020 HK\$'000	2019 HK\$'000
(Loss)/profit before taxation	(30,805)	3,068
Tax at the Hong Kong Profits Tax rate of 16.5%	(5,083)	506
Tax effect of expenses not deductible for tax purpose	592	2,977
Tax effect of income not taxable for tax purpose	(98)	(7)
Utilisation of tax losses previously not recognised	(12)	(13)
Tax effect of tax losses not recognised	5,719	85
Over-provision in prior years	(135)	(374)
Income tax at concessionary rate	(71)	(205)
Others	141	321
Taxation for the year	1,053	3,290

At 31 March 2020, the Group has estimated unused tax losses of HK\$35,453,000 (2019: HK\$827,000) available for offset against future profits. No deferred tax asset has been recognised due to unpredictability of future profit streams. All the unused tax losses may be carried forward indefinitely.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

12. DIVIDENDS

No dividend was paid or proposed for ordinary shareholder of the Company during 2020, nor has any dividend been proposed since the ended of the reporting period (2019: nil).

13. LOSS PER SHARE

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

	Year ended 31 March	
	2020 HK\$'000	2019 HK\$'000
Loss for the year attributable to owners of the Company for the purpose of calculating basic and diluted loss per share	(31,858)	(222)

	Year ended 31 March	
	2020	2019
Weighted average number of ordinary shares in issue for the purpose of calculating basic and diluted loss per share	800,000,000	692,054,795

For the year 31 March 2019, the weighted average number of ordinary shares for the purpose of calculating basic loss per share have been adjusted for the effect of placing completed on 15 October 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Treatment devices HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST						
As at 1 April 2018	28,505	8,712	2,418	16,344	2,117	58,096
Additions	-	1,673	1,171	6,322	1,469	10,635
Disposal/written-off	-	-	(56)	(894)	(749)	(1,699)
As at 31 March 2019	28,505	10,385	3,533	21,772	2,837	67,032
Adjustment upon application of HKFRS 16 (Note 3)	-	(1,015)	-	(2,700)	(971)	(4,686)
As at 1 April 2019 (restated)	28,505	9,370	3,533	19,072	1,866	62,346
Additions	-	14,803	589	16,717	-	32,109
Disposal/written-off	-	(536)	(2)	-	-	(538)
As at 31 March 2020	28,505	23,637	4,120	35,789	1,866	93,917
ACCUMULATED DEPRECIATION						
As at 1 April 2018	380	3,429	1,297	10,762	1,150	17,018
Provided for the year	1,140	1,408	373	2,459	455	5,835
Eliminated on disposal/written-off	-	-	(56)	(894)	(37)	(987)
As at 31 March 2019	1,520	4,837	1,614	12,327	1,568	21,866
Adjustment upon application of HKFRS 16 (Note 3)	-	(715)	-	(693)	(372)	(1,780)
As at 1 April 2019	1,520	4,122	1,614	11,634	1,196	20,086
Provided for the year	1,140	3,552	540	3,845	202	9,279
Eliminated on disposal/written-off	-	(404)	(1)	-	-	(405)
As at 31 March 2020	2,660	7,270	2,153	15,479	1,398	28,960
CARRYING VALUES						
As at 31 March 2020	25,845	16,367	1,967	20,310	468	64,957
As at 31 March 2019	26,985	5,548	1,919	9,445	1,269	45,166

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

All the Group's leasehold land and buildings are situated in Hong Kong under medium-term lease.

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

15. RIGHT-OF-USE ASSETS

	Leasehold building HK\$'000	Reinstatement cost HK\$'000	Treatment devices HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST					
As at 1 April 2019	35,624	300	2,007	599	38,530
Addition	14,958	300	4,540	–	19,798
Rent concession	(744)	–	–	–	(744)
As at 31 March 2020	49,838	600	6,547	599	57,584
ACCUMULATED DEPRECIATION					
As at 1 April 2019	–	–	–	–	–
Charge for the year	13,844	59	1,241	194	15,338
As at 31 March 2020	13,844	59	1,241	194	15,338
CARRYING VALUES					
As at 31 March 2020	35,994	541	5,306	405	42,246
As at 1 April 2019	35,624	300	2,007	599	38,530
Expenses relating to short-term leases and other leases with leases terms and within 12 months of the date of initial application of HKFRS 16					1,147
Variable lease payments not included in the measurement of lease liabilities					122

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

15. RIGHT-OF-USE ASSETS (Continued)

For both years, the Group leases shops, treatment devisers and motor vehicles for its operations. Lease contracts are entered into for fixed term of 1 year to 7 years, but may have extension and termination options as described below. Certain leases of equipment and motor vehicles were accounted for as finance leases during the year ended 31 March 2019 and carried interest ranged from 2.41% to 4.37%. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Variable lease payments

Leases of retail stores are either with only fixed lease payments or contain variable lease payment that are based on 12% sales and minimum annual lease payment that are fixed over the lease term. Some variable payment terms include cap clauses. The payment terms are common in retail stores in Hong Kong where the Group operates. The amount of fixed and variable lease payments paid/payable to relevant lessors for the year ended 31 March 2020:

	Number of shops HK\$000	Fixed payments HK\$000	Variable payments HK\$000	Total payments HK\$000
Shops without variable lease payments	4	11,076	–	11,076
Shops with variable lease payments	2	1,694	122	1,816
	6	12,770	122	12,892

The overall financial effect of using variable payment terms is that higher rental costs are incurred by stores with higher sales. Variable rent expenses are expected to continue to represent a similar proportion of store sales in future years.

Extension and termination options

The Group has extension and termination options in a number of leases for the 2 shops. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessors. The Group has considered to exercise all extension options and not to exercise the termination options for all of its leases.

In addition, the Group reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the year ended 31 March 2020, there is no such triggering event.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

16. INVENTORIES

	As at 31 March	
	2020 HK\$'000	2019 HK\$'000
Skincare products and consumables	5,493	5,449

17. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 March	
	2020 HK\$'000	2019 HK\$'000
Trade receivables	10,175	9,665
Rental, utilities and other deposits	6,662	6,790
Payments for life insurance contracts	19,790	19,091
Prepayments (Note)	7,042	2,955
Total trade receivables, deposits and prepayments	43,669	38,501
Analysed for reporting purposes as:		
Non-current assets	2,956	25,266
Current assets	40,713	13,235
	43,669	38,501

Note: Prepayment represent the equipment and marketing prepayment.

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

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

	As at 31 March	
	2020 HK\$'000	2019 HK\$'000
0 – 30 days	3,831	5,224
31 – 90 days	3,099	3,195
Over 90 days	3,245	1,246
	10,175	9,665

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

17. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

As at 31 March 2020 and 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$988,000 (2019: HK\$1,206,000) which are past due as at the reporting date. Out of the past due balances, HK\$45,000 has been past due 31 days or more as at 31 March 2019. The directors of the Company do not consider the amount as significant increase in credit risk with reference to the historical records, past experience and also available reasonable and supportive forward-looking information of these debtors, and the recurring overdue records of these debtors with satisfactory settlement history.

Details of impairment assessment of trade receivables, utilities and other deposits and payments for life insurance contracts for the year ended 31 March 2020 and 2019 are set out in note 33.

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

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

18. DEFERRED COSTS

	As at 31 March	
	2020 HK\$'000	2019 HK\$'000
Costs to obtain contracts	2,857	3,047
Analysed for reporting purposes as:		
Non-current assets	328	433
Current assets	2,529	2,614
	2,857	3,047

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

18. DEFERRED COSTS (Continued)

Management of the Group expects that incremental cost paid or payable to the staff as a result of obtaining prepaid packages are recoverable. The Group therefore capitalised them as deferred cost in the amount of HK\$2,857,000 as at 31 March 2020 (2019: HK\$3,047,000).

Capitalised incremental cost are amortised when the related revenue are recognised. The amount of amortisation was HK\$7,355,000 during the year ended 31 March 2020 (2019: HK\$6,650,000) and there was no impairment loss in relation to the costs capitalised.

19. AMOUNT DUE FROM A CONTROLLING SHAREHOLDER

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

Name	As at 31 March		Maximum amount outstanding during 31 March	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Ms. Fu	-	-	-	279

20. BANK BALANCES AND CASH

Bank balances carry interest at prevailing market rates ranging from 0.001% to 0.01% (2019: 0.001% to 0.01%) per annum as at 31 March 2020.

Details of impairment assessment of bank balances for the years ended 31 March 2020 and 2019 are set out in note 33.

21. TRADE AND OTHER PAYABLES AND ACCRUALS

	As at 31 March	
	2020 HK\$'000	2019 HK\$'000
Trade payables	212	344
Payables for salaries	4,787	1,066
Payables for consultancy fee for doctors	484	366
Payables for additions to property, plant and equipment	41	197
Listing expenses payables	-	3,495
Accruals and other payables	1,878	2,121
	7,402	7,589

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

21. TRADE AND OTHER PAYABLES AND ACCRUALS (Continued)

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

	As at 31 March	
	2020 HK\$'000	2019 HK\$'000
0 – 30 days	212	340
31 – 90 days	–	4
	212	344

22. DEFERRED REVENUE

Deferred revenue represents the treatment package fees received in advance.

The movements in deferred revenue are as follows:

	2020 HK\$'000	2019 HK\$'000
At the beginning of reporting period	66,007	62,812
Sales contracts entered into during the year	113,468	101,822
Revenue recognised upon provision of services (note 6)	(86,918)	(97,101)
Revenue recognised from expiry of prepaid treatments (note 6)	(376)	(1,526)
At the end of reporting period	92,181	66,007

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

	For the year ended	
	2020 HK\$'000	2019 HK\$'000
Revenue recognised that was included in the deferred revenue balance of beginning of the reporting period	31,436	34,041

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

23. BANK BORROWINGS

	As at 31 March	
	2020 HK\$'000	2019 HK\$'000
Unsecured bank borrowings	876	2,143
Secured bank borrowings	13,528	13,528
Variable-rate bank borrowings	14,404	15,671
The carrying amounts are repayable*:		
Within one year	14,404	1,267
Within a period of more than one year but not exceeding two years	–	14,404
	14,404	15,671
Less: Amounts due within one year or contain a repayable on demand clause shown under current liabilities	(14,404)	(15,671)
Amounts shown under non-current liabilities	–	–

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

The variable-rate bank borrowings bear interest ranging from HK\$ Best Lending Rate minus/plus a spread per annum. The ranges of interest rates (which are also equal to contracted interest rates) on the Group's variable-rate bank borrowings as at 31 March 2020 and 2019 are as follows:

	As at 31 March	
	2020	2019
Variable-rate borrowings	2.25% – 4.25%	2.25% – 4.00%

The secured bank borrowings are secured by the payments for life insurance contracts as disclosed in note 17 as at 31 March 2020 and 2019.

The bank borrowings are guaranteed by the Company as at 31 March 2020 (2019: personal guarantee by controlling shareholders). The personal guarantee were released subsequently after year ended 31 March 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

24. LEASE LIABILITIES

The exposure of the Group's lease liabilities are as follows:

	2020 HK\$'000
Current	11,765
Non-current	30,551
	42,316

	Minimum lease payments	Present value of lease liabilities
	2020 HK\$'000	2020 HK\$'000
Minimum lease payment due:		
Within one year	12,918	11,765
Within a period of more than one year but not exceeding two years	9,330	8,535
Within a period of more than two years but not exceeding five years	23,262	22,016
	45,510	42,316
Less: Future finance charges	(3,194)	N/A
Present value of lease liabilities	42,316	42,316
Less: Amounts due for settlement within one year (shown under current liabilities)		(11,765)
Amounts due for settlement after one year		30,551

The Group leases shops, treatment devices and motor vehicles for operation and these lease liabilities were measured at the present value of the lease payment that are not yet paid. All leases are entered at fixed prices.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

25. OBLIGATIONS UNDER FINANCE LEASES

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

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

The Group's obligations under finance leases were secured by the lessor's charge over the motor vehicles and treatment devices as disclosed in notes 14 and 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

26. PROVISIONS

	Provisions for reinstatement cost HK\$'000
As at 1 April 2018	715
Additions	300
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As at 31 March 2019 and 1 April 2019	1,015
Additions	300
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As at 31 March 2020	1,315

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

27. DEFERRED TAXATION

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

	Accelerated accounting depreciation HK\$'000	Accelerated tax depreciation HK\$'000	Total HK\$'000
As at 1 April 2018	177	(81)	96
Charge to profit or loss (Note 11)	(177)	(623)	(800)
<hr/>			
As at 31 March 2019 and 1 April 2019	–	(704)	(704)
Charge to profit or loss (Note 11)	–	(1,157)	(1,157)
<hr/>			
As at 31 March 2020	–	(1,861)	(1,861)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

28. SHARE CAPITAL

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

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
As at 1 April 2018	38,000,000	380
Increase on 21 September 2018 (Note a)	9,962,000,000	99,620
As at 31 March 2019, 1 April 2019 and 31 March 2020	10,000,000,000	100,000
Issued and fully paid:		
As at 1 April 2018	1	—*
Issue of shares on 17 September 2018 (Note b)	99	—*
Capitalisation issue (Note c)	599,999,900	6,000
Issue of shares on 15 October 2018 (Note d)	200,000,000	2,000
As at 31 March 2019, 1 April 2019 and 31 March 2020	800,000,000	8,000

* 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) 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.
- (d) 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. The net proceeds were proposed to be used to finance the implementation plan as set forth in the section headed "Future plans and use of proceeds" in the Prospectus.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

29. OPERATING LEASE COMMITMENTS

The Group as lessee

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

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

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

The Group is the lease which were previously classified as operating lease under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this paragraph, the Group adjusted the opening balances as at 1 April 2019 to recognise lease liabilities relating to these leases. From 1 April 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position.

30. RETIREMENT BENEFIT SCHEME

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

31. NON-CASH TRANSACTION

During the year ended 31 March 2020, the Group acquired treatment devices through finance lease at an aggregate consideration of HK\$4,540,000 (2019: HK\$2,100,000).

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

32. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt balance and equity balance, which includes bank borrowings (note 23), lease liabilities (note 24) and obligations under finance leases (note 25). Equity balance consists of equity attributable to owners of the Company, comprising issued share capital and reserves.

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

33. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 31 March	
	2020	2019
	HK\$'000	HK\$'000
Financial assets		
Amortised cost	75,845	94,657
Financial liabilities		
Amortised cost	21,806	23,118

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

33. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies

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

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to the Group's variable-rate bank balances (note 20) and bank borrowings (note 23). The Group is also exposed to fair value interest rate risk in relation to the Group's payments for life insurance contracts (note 17), lease liabilities (note 24) and obligations under finance leases (note 25). The management of the Group considers that the Group's exposures of the bank balances are not significant as interest bearing bank balances are within short maturity period and thus they are not included in sensitivity analysis. The Group currently does not have a policy on cash flow hedges of interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

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

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

Sensitivity analysis

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

A 50 basis points (2019: 50 basis points) increase or decrease is used for the year, which represents management's assessment of the reasonably possible change in interest rates. A positive number below indicates an increase in post-tax loss (2019: decrease in post-tax loss) for the year where the interest rate had been 50 basis points (2019: 50 basis points) higher and all other variables were held constant. For 50 basis points lower on interest rate, there would be an equal and opposite impact on the result for the year.

If interest rates have been 50 basis points (2019: 50 basis points) higher/lower for variable-rate bank borrowings and all other variables were held constant, the Group's post-tax loss for the year ended 31 March 2020 would increase/decrease by HK\$60,000 (2019: post-tax loss would decrease/increase by HK\$65,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment

As at 31 March 2020 and 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

Trade receivables

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 thus no impairment loss was recognised.

Rental, utilities and other deposits

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

Payments for life insurance contracts and bank balances

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

33. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Payments for life insurance contracts and bank balances (Continued)

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

33. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets (trade receivables, rental, utilities and other deposits, payments for life insurance contracts and bank balances) as at 31 March 2020 and 2019, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amounts	
					2020 HK\$'000	2019 HK\$'000
Financial assets at amortised cost						
Trade receivables	17	Aa1 to A3	N/A	Lifetime ECL – not credit impaired	8,230	6,049
		N/A	Low risk (note 1)	Lifetime ECL – not credit impaired	1,875	3,616
Rental, utilities and other deposits	17	N/A	Low risk (note 2)	12m ECL	872	1,526
Payments for life insurance contracts	17	A1 (note 3)	N/A	12m ECL	19,790	19,091
Bank balances	20	Aa3 to A2 (note 3)	N/A	12m ECL	39,126	64,311

Notes:

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

During the year ended 31 March 2020 and 2019, no impairment loss was provided for trade receivables as the amount is insignificant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

33. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

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

	No fixed repayment terms	
	2020 HK\$'000	2019 HK\$'000
Rental, utilities and other deposits	872	1,526

During the years ended 31 March 2020 and 2019, no impairment loss was provided for utilities and other deposits as the amount is insignificant.

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

During the year ended 31 March 2020 and 2019, no impairment loss was provided for payments for life insurance contracts and bank balances as the amount is insignificant.

Liquidity risk

As of 31 March 2020, the Group recorded net current liabilities of HK\$37,891,000 (2019: HK\$5,544,000). The net current liabilities arose mainly from deferred revenue of HK\$92,181,000 (2019: HK\$66,007,000), which represented services to be performed and shall not result in any cash outflow of the Group eventually.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

33. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

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

	Weighted average effective interest rate %	On demand HK\$'000	Less than 1 year HK\$'000	1 – 2 years HK\$'000	2 – 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
As at 31 March 2020							
Non-derivative financial liabilities							
Trade and other payables and accruals	N/A	-	7,402	-	-	7,402	7,402
Bank borrowings							
– variable-rate	2.52	14,404	-	-	-	14,404	14,404
Lease liabilities	2.70	-	12,918	9,330	23,262	45,510	42,316
		14,404	20,320	9,330	23,262	67,316	64,122
As at 31 March 2019							
Non-derivative financial liabilities							
Trade and other payables and accruals	N/A	-	7,447	-	-	7,447	7,447
Bank borrowings							
– variable-rate	2.49	15,671	-	-	-	15,671	15,671
Obligations under finance leases	3.68	-	1,166	789	212	2,167	2,068
		15,671	8,613	789	212	25,285	25,186

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

33. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Bank borrowings with a repayment on demand clause are included in the “On demand” time band in the above maturity analysis. As at 31 March 2020, the aggregate carrying amounts of these bank borrowings were approximately HK\$14,404,000 (2019: HK\$15,671,000). Taking into account the Group’s financial position, management of the Group does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. Management of the Group believes that such bank borrowings of the Group will be repaid after the end of reporting period in accordance with the scheduled repayment dates set out in the loan agreements.

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

	Weighted average effective interest rate %	Less than 1 year HK\$'000	1 – 2 years HK\$'000	2 – 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
Bank borrowings with a repayment on demand clause						
As at 31 March 2020	2.52	14,670	–	–	14,670	14,404
As at 31 March 2019	2.49	1,640	14,685	–	16,325	15,671

Fair value measurement

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Lease liabilities HK\$'000	Accrued share issued costs HK\$'000	Obligations under finance leases HK\$'000	Bank borrowings HK\$'000	Total HK\$'000
As at 1 April 2018	-	-	1,650	21,644	23,294
Financing cash flows	-	(5,965)	(1,820)	(6,683)	(14,468)
Issued cost accrued	-	5,965	-	-	5,965
Purchase of property, plant and equipment through finance leases (Note 31)	-	-	2,100	-	2,100
Finance costs (Note 8)	-	-	138	710	848
As at 31 March 2019	-	-	2,068	15,671	17,739
Adjustment upon application of HKFRS 16	37,672	-	(2,068)	-	35,604
As at 1 April 2019	37,672	-	-	15,671	53,343
Financing cash flows	(15,382)	-	-	(1,851)	(17,233)
New leases entered	19,311	-	-	-	19,311
Lease modified	(744)	-	-	-	(744)
Finance costs (Note 8)	1,459	-	-	584	2,043
As at 31 March 2020	42,316	-	-	14,404	56,720

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

35. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the years ended 31 March 2020 and 2019:

Compensation of key management personnel

The remuneration of key management personnel during the years ended 31 March 2020 and 2019, respectively were as follows:

	Year ended 31 March	
	2020 HK\$'000	2019 HK\$'000
Short-term benefits	5,767	5,488
Post-employment benefits	68	72
	5,835	5,560

36. SHARE OPTION SCHEME

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

36. SHARE OPTION SCHEME (Continued)

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

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

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

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

During the years ended 31 March 2020 and 2019, the Group did not grant any share option under the Share Option Scheme of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	As at 31 March	
	2020 HK\$'000	2019 HK\$'000
Non-current assets		
Investment in a subsidiary	–	23,026
Amounts due from subsidiaries	–	1,222
	–	24,248
Current assets		
Prepayments	133	134
Bank balances	24,911	32,814
	25,044	32,948
Current liabilities		
Accruals	521	3,549
	521	3,549
Net current assets	24,523	29,399
Net assets	24,523	53,647
Capital and reserves		
Share capital	8,000	8,000
Reserves	16,523	45,647
	24,523	53,647

Movement of reserves of the Company:

	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
As at 1 April 2018	–	(1,150)	(1,150)
Loss and total comprehensive expenses for the year	–	(17,310)	(17,310)
Effect of reorganisation	23,026	–	23,026
Issue of shares	54,000	–	54,000
Capitalisation issue	(6,000)	–	(6,000)
Transaction costs attributable to issue of shares	(6,919)	–	(6,919)
As at 31 March 2019 and 1 April 2019	64,107	(18,460)	45,647
Loss and total comprehensive expense for the year	–	(29,124)	(29,124)
As at 31 March 2020	64,107	(47,584)	16,523

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

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

Name of subsidiary	Place and date of incorporation	Place of operation	Issued and full paid share capital	Attributable equity interest of the Group as at 31 March		Principal activities
				2020	2019	
Directly held by the Company						
Flourish Capital	BVI 30 November 2017	Hong Kong	US\$8	100%	100%	Investment holdings
Indirectly held by the Company						
Dermaglow	Hong Kong 28 May 2008	Hong Kong	HK\$2	100%	100%	Provision of treatment services and sale of skincare products
Worldwide Beauty	Hong Kong 3 January 2011	Hong Kong	HK\$2,000,000	100%	100%	Provision of treatment services and sale of skincare products
Per Face Institute	Hong Kong 3 November 2017	Hong Kong	HK\$2	100%	100%	Provision of training services to its fellow subsidiaries
Fortune Marvel	Hong Kong 19 July 2017	Hong Kong	HK\$1	100%	100%	Property investment
Trillion Sino Limited	Hong Kong 29 June 2018	Hong Kong	HK\$1	100%	100%	Provision of treatment services and sales of skincare products
Sino Faithful Limited	Hong Kong 1 June 2018	Hong Kong	HK\$1	100%	100%	Provision of treatment services and sales of skincare products

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

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

39. EVENT AFTER REPORTING PERIOD

Since January 2020, the outbreak of COVID-19 has impact on the global business environment. Pending the development and spread of COVID-19 subsequent to the date of these consolidated financial statements, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of these consolidated financial statements. The Group will keep continuous attention on the situation of the COVID-19 and react actively to its impact to the financial position and operating results of the Group.

FINANCIAL SUMMARY

	For the year ended 31 March			
	2020 HK\$'000	2019* HK\$'000	2018 HK\$'000	2017 HK\$'000
RESULTS				
Revenue	90,425	101,433	88,659	63,276
(Loss)/profit before taxation	(30,805)	3,068	19,395	15,953
Taxation	(1,053)	(3,290)	(3,546)	(2,354)
(Loss) profit and total comprehensive (expense) income for the year attributable to owners of the Company	(31,858)	(222)	15,849	13,599
ASSETS AND LIABILITIES				
	As at 31 March			
	2020 HK\$'000	2019* HK\$'000	2018 HK\$'000	2017 HK\$'000
Total assets	199,176	164,831	115,237	110,687
Total liabilities	160,307	(94,104)	(93,369)	(91,668)
Total equity	38,869	70,727	21,868	19,019

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

Note: No consolidated financial statement of the Group for the year ended 31 March 2016 have been published.