# 澳至尊
# AUSupreme

## 澳至尊國際控股有限公司
## AUSUPREME INTERNATIONAL HOLDINGS LIMITED

( Incorporated in the Cayman Islands with limited liability )

HKEx Stock Code : 2031.HK


# ANNUAL REPORT
## 2016-2017

# Contents

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Choy Chi Fai *(Chairman and Managing Director)*
Ms. Ho Ka Man
Mr. Ho Chun Kit, Saxony
Mr. Au Chun Kit

### Independent Non-executive Directors

Dr. Luk Ting Kwong
Mr. Ko Ming Kin
Mr. Wan Cho Yee

## AUDIT COMMITTEE

Mr. Ko Ming Kin *(Chairman)*
Mr. Wan Cho Yee
Dr. Luk Ting Kwong

## NOMINATION COMMITTEE

Dr. Luk Ting Kwong *(Chairman)*
Mr. Wan Cho Yee
Mr. Choy Chi Fai

## REMUNERATION COMMITTEE

Mr. Wan Cho Yee *(Chairman)*
Mr. Ko Ming Kin
Mr. Choy Chi Fai

## COMPANY SECRETARY

Ms. Tang Wing Shan

## AUTHORISED REPRESENTATIVES

Mr. Choy Chi Fai
Ms. Tang Wing Shan

## COMPLIANCE ADVISER

Ample Capital Limited

## INDEPENDENT AUDITOR

Wellink CPA Limited
*Certified Public Accountants*

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Wing Lung Bank Limited

## REGISTERED OFFICE

Clifton House
75 Fort Street
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Office E, 28/F., EGL Tower
83 Hung To Road
Kwun Tong, Kowloon
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
Clifton House
75 Fort Street
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

## LISTING INFORMATION

| | |
|---|---|
| Place: | The Main Board of The Stock Exchange of Hong Kong Limited |
| Stock Code: | 2031 |
| Board Lot: | 5,000 shares |

## COMPANY WEBSITE

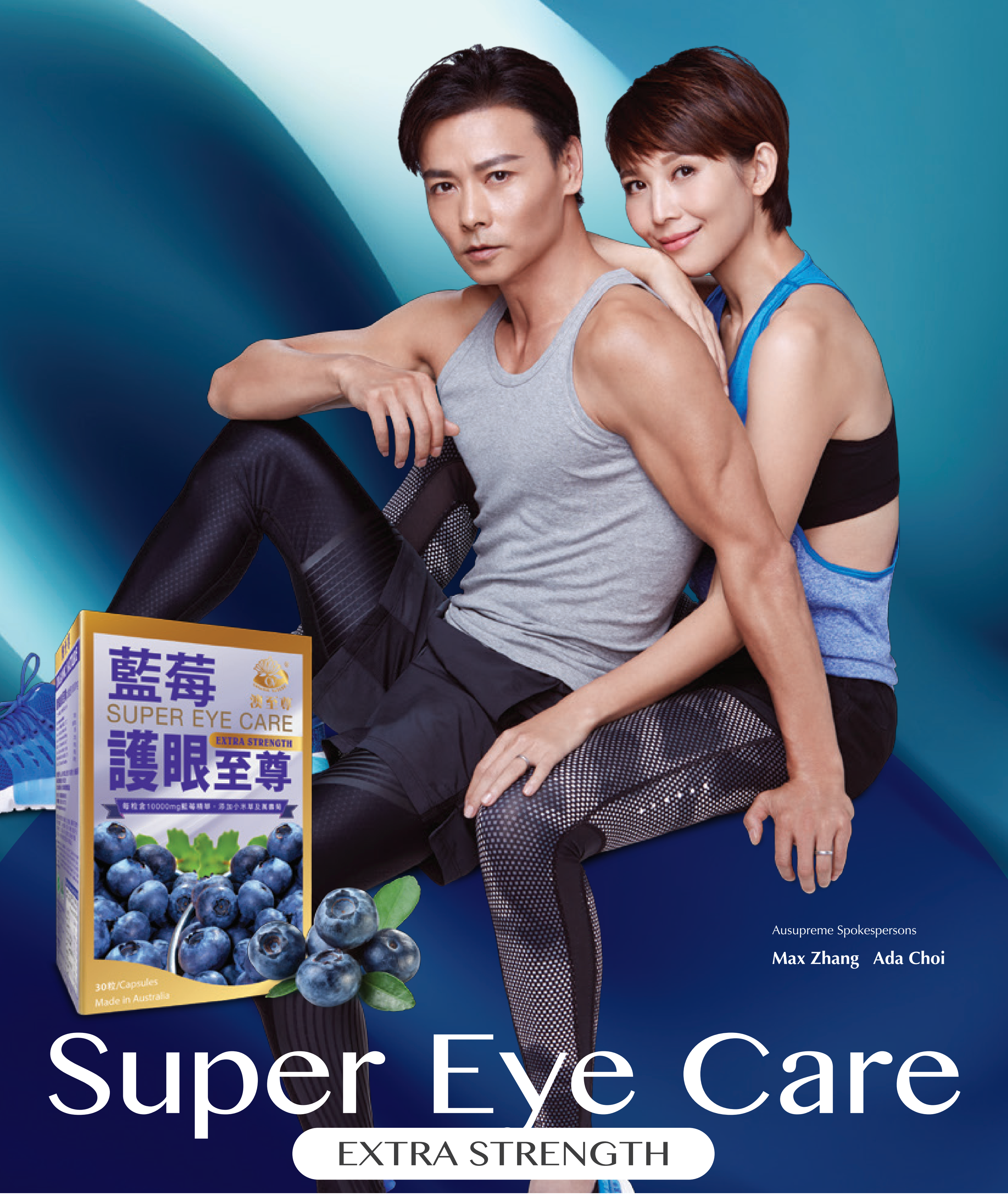
www.ausupreme.com

In the sections headed “Chairman’s Statement”, “Management Discussion and Analysis”, “Directors and Senior Management”, “Corporate Governance Report”, “Report of the Directors” and “Environmental, Social and Governance Report”, unless the context requires otherwise, the following expressions shall have the following respective meanings:

| | |
|---|---|
| “AGM” | the annual general meeting of the Company |
| “Articles of Association” | the articles of association of the Company, as amended, supplemented or otherwise modified from time to time |
| “associate” | has the meaning ascribed to it under the Listing Rules |
| “Audit Committee” | the audit committee of the Board |
| “Ausupreme” or “Company” | Ausupreme International Holdings Limited, a company incorporated in the Cayman Islands as an exempted company with limited liability, the issued Shares of which are listed and traded on the Stock Exchange (stock code: 2031) |
| “Beatitudes” | Beatitudes International Limited, a company incorporated in the British Virgin Islands with limited liability |
| “Board” | the board of Directors |
| “CG Code” | the Corporate Governance Code as set out in Appendix 14 to the Listing Rules |
| “Chairman” | the chairman of the Board |
| “close associate(s)” | has the meaning ascribed to it under the Listing Rules |
| “Company Secretary” | the company secretary of the Company |
| “controlling shareholder” | has the meaning ascribed to it under the Listing Rules |
| “Director(s)” | the director(s) of the Company |
| “EGM” | the extraordinary general meeting of the Company |
| “Group” | the Company and its subsidiaries |
| “HK$” | Hong Kong dollar(s), the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “INED(s)” | the independent non-executive Director(s) |
| “Listing” | the listing of the Shares on the Main Board of the Stock Exchange |
| “Listing Date” | 12 September 2016, the date on which the issued Shares were initially listed on the Main Board of the Stock Exchange |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Macau” | the Macau Special Administrative Region of the PRC |
| “Model Code” | the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules |
| “Mr. Choy” | Mr. Choy Chi Fai, an executive Director, the managing Director and the Chairman |
| “Ms. Ho” or “Mrs. Choy” | Ms. Ho Ka Man, an executive Director |

| | |
|---|---|
| "M&A" | the memorandum of association of the Company and the Articles of Association |
| "Nomination Committee" | the nomination committee of the Board |
| "Period" | the period from the Listing Date to 31 March 2017 |
| "PRC" | the People's Republic of China |
| "Prospectus" | the prospectus of the Company dated 30 August 2016 |
| "Remuneration Committee" | the remuneration committee of the Board |
| "Reorganization" | the corporate reorganization of the Group undergone for the purpose of the Listing |
| "SFO" | the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time |
| "Share(s)" | ordinary share(s) of nominal value of HK$0.01 each in the share capital of the Company |
| "Shareholder(s)" | the holder(s) of Share(s) |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "subsidiary(ies)" | has the meaning ascribed to it under the Listing Rules |
| "Truth & Faith" | Truth & Faith International Limited, a principal wholly-owned subsidiary of the Company engaged in the retail and wholesale of health and personal care products |
| "Year" or "year under review" | the year ended 31 March 2017 |
| "%" | per cent |

*This annual report is prepared in both English and Chinese. In the event of any inconsistency, the English text of this annual report will prevail.*



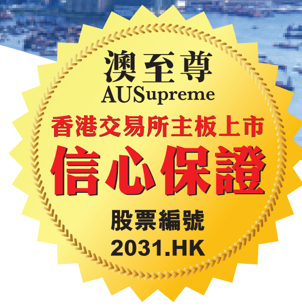

AUSTRALIAN MADE AND OWNED

GMP GOOD MANUFACTURING PRACTICE

AUSTRALIAN MADE


◀ Listing and gong-hit ceremony hosted by Mr. Choy Chi Fai and Ms. Choy Ho Ka Man, the founders of Ausupreme


◀ Board of Directors of Ausupreme




The Group is principally a Hong Kong-based brand builder and retailer of health and personal care products. All of our products are made in Australia, guaranteed for compliance with legislations and supreme quality; the production processes have passed the Australia TGA's strict audit in accordance with the international standards Good Manufacturing Practice (GMP) and through strict safety tests of heavy metals. We have obtained numerous prizes during the years, including but not limited to "Hong Kong Top Brand Awards", "Hong Kong Health Care Professional's Most Trusted Natural Food Brand Award" etc. Over the decade, our products have been the best sellers in Hong Kong, China, Macau and Singapore.

## Vision

With adherence to truth, justice and care, Ausupreme has created a vibrant and elite team, striving to provide excellent health and personal care products and superior services, to be a leading health supplement company in Asia.

## Mission

**Truth:** With integrity as our business principle, Ausupreme works to establish a good business model.

**Justice:** Under the business environment with justice and fairness, our team monitors each other in order to create a fair and rational system.

**Care:** With a caring and loving corporate culture, colleagues support each other and strive for a caring society culture.

AUSTRALIAN MADE AND OWNED

### Australian Made and Owned Logo

**Issued by Australia AMCL, the Australian Made and Owned Logo is an absolute guarantee for compliance with legislations and supreme quality.**

GOOD MANUFACTURING PRACTICE GMP

### International Good Manufacturing Practice (GMP)

**With the guarantee of Therapentic Goods Administration (TGA), all products are produced in international GMP manufacturing plants and fulfilled the production standards of WHO, which ensure the safety, effectiveness and quality of our products.**

TESTED FOR MAIN HEAVY METALS

### Strict safety tests of main heavy metals

**Through strict safety tests of main heavy metals, all products pass the tests on mercury or ciguatera. Complying with international standards, the quality and safety of the products are guaranteed.**

### Quality Tourism Services

Passing the strict annual audit by Hong Kong Tourism Board, we are proudly awarded the certificate and logo of Quality Tourism Services for the high level of service, which consolidates Hong Kong's image as a quality tourism city.

### No Fakes Logo

Approved by Intellectual Property Department, the No Fakes logo ensures that the merchants adhere to the law, establish and maintain legitimate business practices, and do not sell the counterfeits.

### Hong Kong Health Care Professional's Most Trusted Natural Health Food Brand Award

Selected by the professional judging panels from the numerous health products, the Hong Kong Health Care Professional's Most Trusted Natural Health Food Brand Award represents the recognition and appreciation of the high quality products.

### Hong Kong Top Brand Awards

Issued by Hong Kong Brand Development Council and the Chinese Manufacturers' Association of Hong Kong. It is a recognition of our continued efforts in the development of original brand, which is a symbol of honor for excellent brand and high quality products.

### Consumers' Most Favorable Hong Kong Brands

Awarded by China Enterprise Reputation and Credibility Association (Overseas), so as to reward its commitment to quality products, professional services and the development of the local market.

### Hong Kong Brand Conscience Award

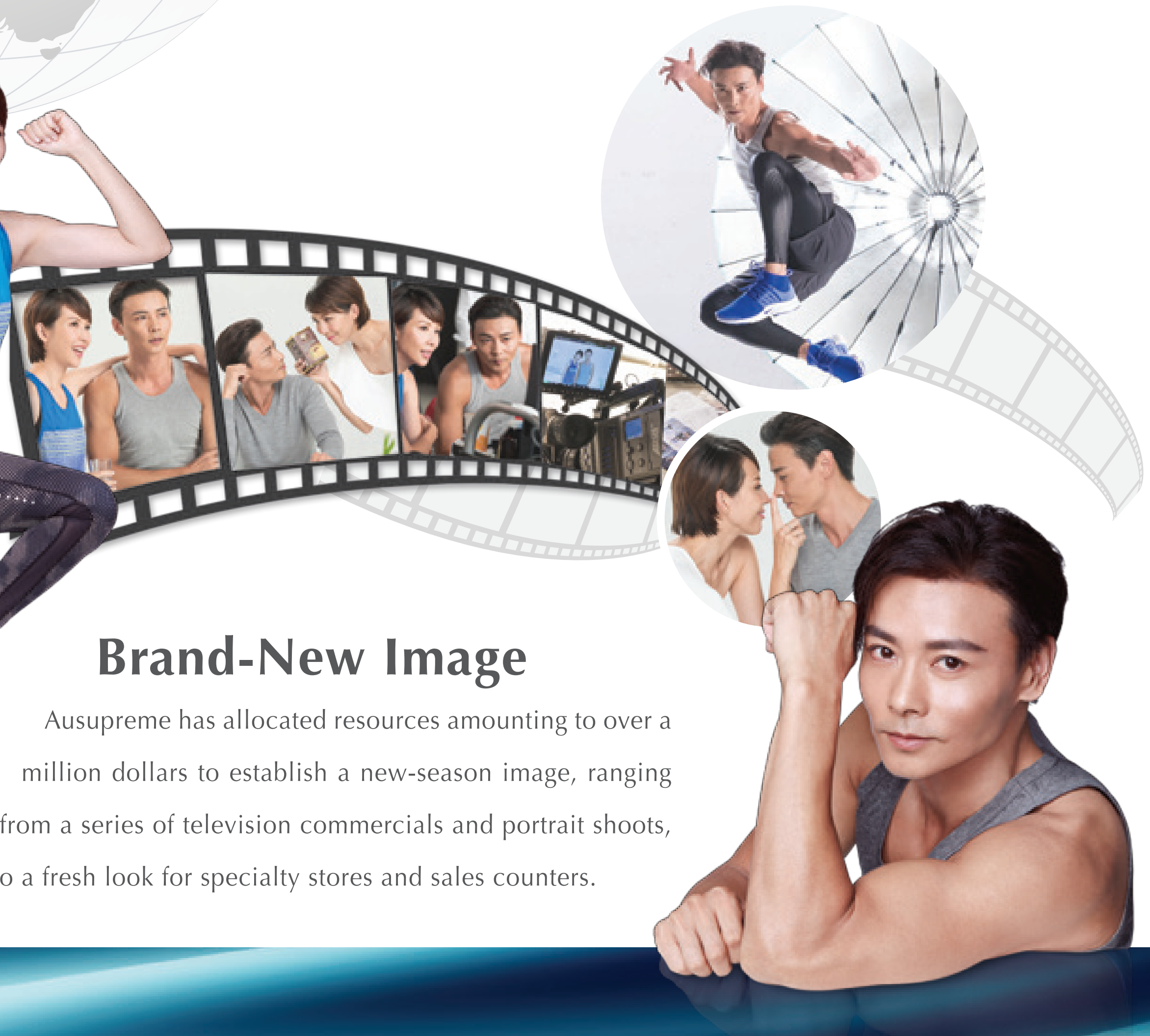
Issued by Hong Kong Institute of Marketing, the Hong Kong Brand Conscience Award is a commendation to recognize and honor those corporate brands for their contribution in social responsibility in the practices of seven conscience business rules.

### Best Loved Brands Awards

Organized by RoadShow and supported by professional organizations, including Hong Kong Brand Development Council, Hong Kong Association for Customer Service Excellence and Hong Kong Brand Development Council, winners are recognized as the outstanding corporate with excellence branding strategy and high public recognition among different brands in the market.


## Sales Channels – Specialty and Retail Stores

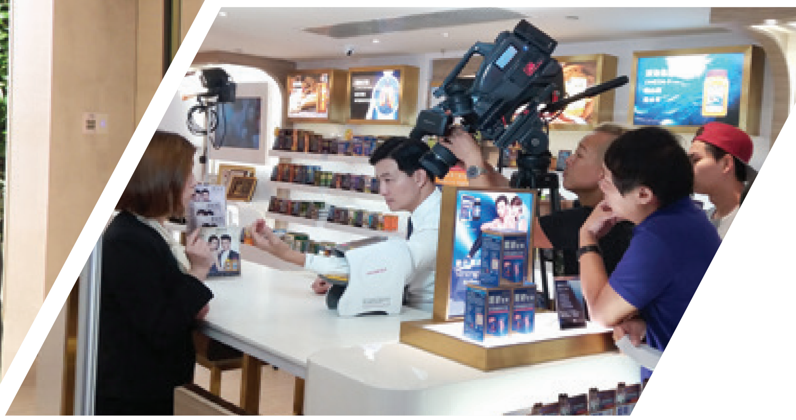
Ausupreme has expanded rapidly and built a solid foundation in Hong Kong, Macau, China and Singapore. As at 31 March 2017, the Group had 14 specialty stores and 70 sales counters in Hong Kong and Macau. In the future, Ausupreme will actively develop overseas markets for further expansion. We will also dedicate ourselves to promoting the brand to be one of the most well-known health supplement brands in Asia.



## Brand-New Image

Ausupreme has allocated resources amounting to over a million dollars to establish a new-season image, ranging from a series of television commercials and portrait shoots, to a fresh look for specialty stores and sales counters.


◀ An interview in a TVB financial program

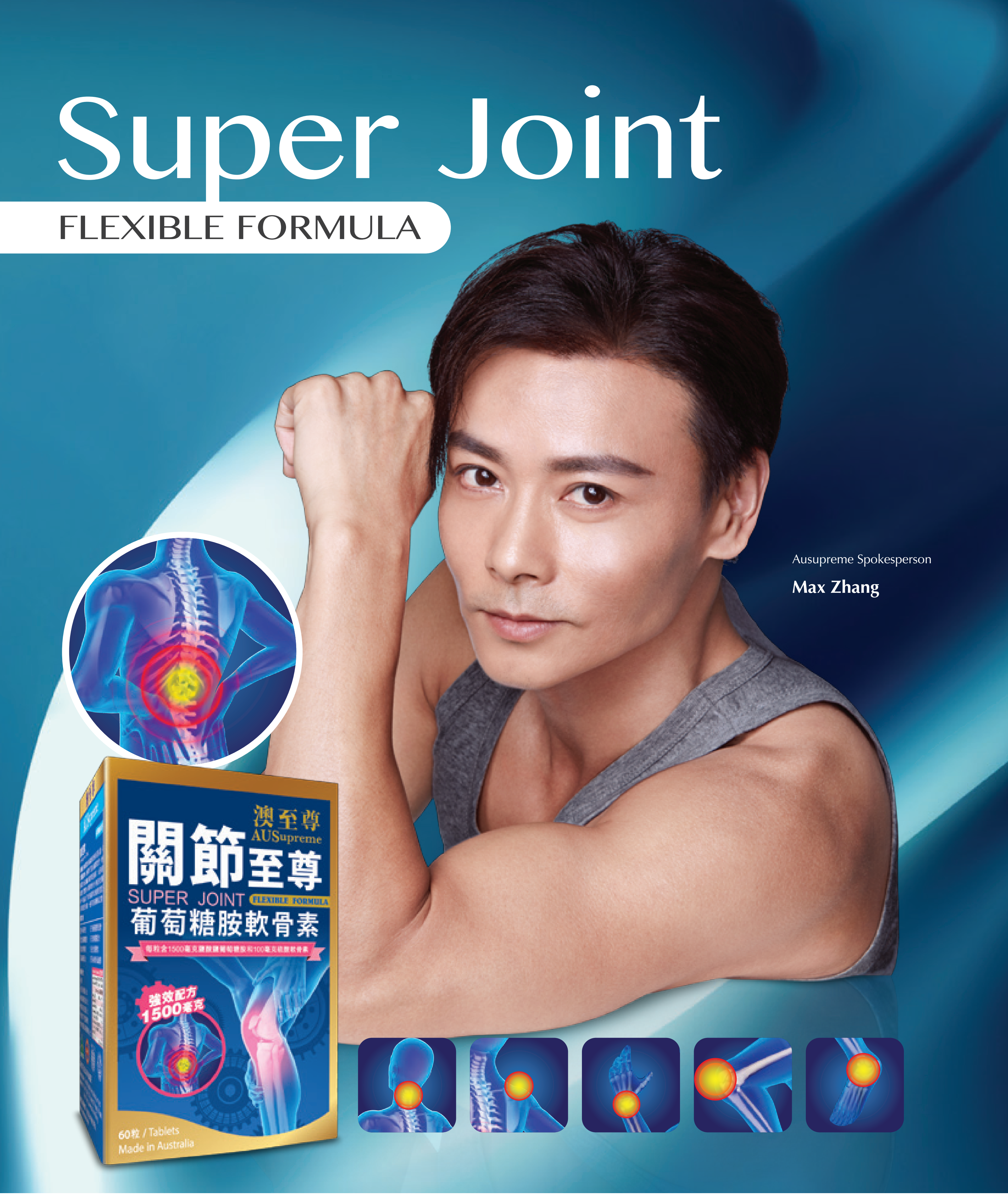


▲ An interview from i-CABLE at our brand-new specialty store

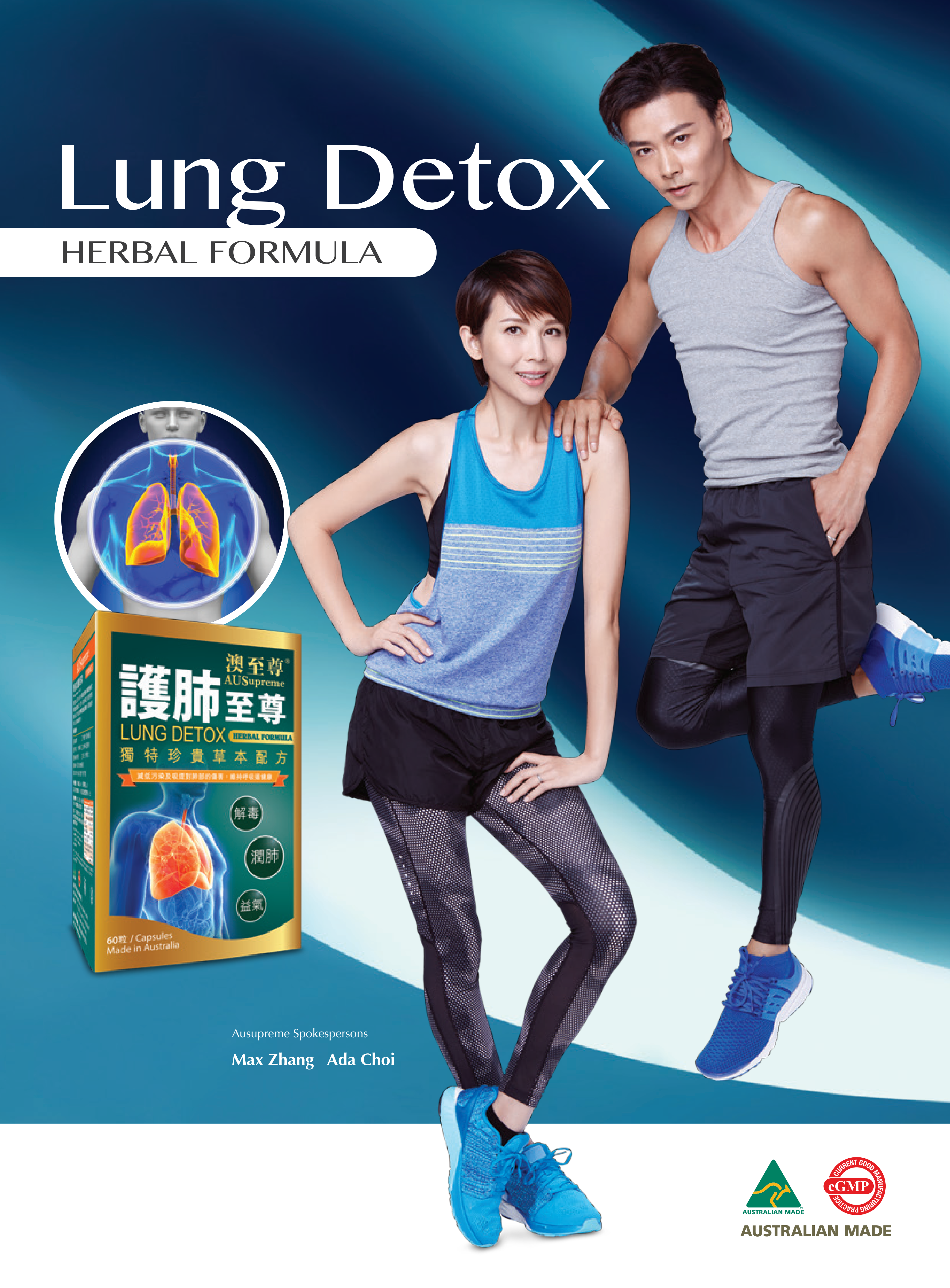
▶ An interview in a TVB financial program

# Advertising Strategy

In line with the brand development, Ausupreme launched a branch of promotions in late 2016. During the interview with Mr. Chan Wing-luk, a renowned investment expert and stock analyst, Mr. Leslie Choy Chi-fai, the founder and Chairman and Mrs. Choy Ho Ka-man, the founder and executive Director of Ausupreme shared the story and challenges behind Ausupreme's establishment. Mr. Choy also attended an interview in a TVB financial program, sharing the road from a beginner to a successful entrepreneur. Both interviews were rewarded with a significant public recognition.




AUSTRALIAN MADE



Lung Detox
HERBAL FORMULA
澳至尊
AUSupreme
護肺至尊
LUNG DETOX
HERBAL FORMULA
獨特珍貴草本配方
解毒
潤肺
益氣
60粒 / Capsules
Made in Australia
Ausupreme Spokespersons
Max Zhang Ada Choi
AUSTRALIAN MADE
cGMP
CURRENT GOOD MANUFACTURING PRACTICE
AUSTRALIAN MADE

# Chairman's Statement

Dear Shareholders,


## ANNUAL REVIEW

On behalf of the Board, I would like to present the first annual report on the results of Ausupreme International Holdings Limited and its subsidiaries for the financial year ended 31 March 2017.

The past year marked a significant milestone for the Company, as the issued Shares were successfully listed on the Main Board of the Stock Exchange on 12 September 2016. This remarkable achievement of the Group was attributable to invaluable support from business partners and Shareholders and the important dedication of the staff members of the Group. The Group expects the successful Listing will enhance the corporate profile of the Group, support the Group's future business development and growth in the long term.

Though the Group had achieved the above-mentioned accomplishment, 2016 was not a year without challenges. Overall retail sales in Hong Kong had declined by 5.2% during the period from April 2016 to March 2017 as compared to the corresponding period in the previous year according to the data from the Census and Statistics Department of Hong Kong. The Group's total revenue for the year ended 31 March 2017 amounted to approximately HK$205,250,000, representing a decrease of approximately 2.7% as compared to approximately HK$210,840,000 of last year. For the year ended 31 March 2017, the Group recorded a profit attributable to equity owners of the Company of approximately HK$3,082,000, whereas approximately HK$12,293,000 was recorded for the year ended 31 March 2016.

In response to the slackening retail environment, the Group had strived to maintain our development by offering products with high quality and providing excellent customers service. During the year under review, our efforts had been recognized by obtaining awards including CAPITAL WEEKLY PRO Choice Awards 2016 (智選品牌大獎2016) and 2016 Asia Excellence Brand Award (2016亞洲卓越品牌). These prestigious awards had granted solid recognition to the Group to continue to excel in the industry while greatly increased the confidence of the valuable customers to our brand and our high-quality products.

## PROSPECTS

Looking forward, the overall retail sales in Hong Kong began to show signs of recovery which edged up by 3.0% and 0.1% in March and April 2017 over the same months in 2016 respectively according to the statistics from the Census and Statistics Department of Hong Kong released on 1 June 2017.

The Group is determined to focus its principal business goals of developing the business and achieving sustainable growth. The Group will continue to strive to increase our sales. Specialty stores and sales counters in prime locations with high pedestrian flow and high purchasing power will strategically be opened, similar to the elegantly-decorated stores that were opened recently in Sheung Shui, Tuen Mun and Tseung Kwan O.

Meanwhile, the Group will continuously strive to enhance our product portfolio and product mix to reach a wider customer base. The Group will carefully analyze the evolving preference of customers, thoroughly monitor each step of the product development process to ensure that only supreme quality of products are provided to our customers to promote their well-being and health.

The growth of online shopping has increased expeditiously, especially in the Mainland China. For the past year, the Group has placed strategic emphasis in this growing sales channel with aggressive marketing campaigns such as live video streaming of KOLs (Key Opinion Leaders) and sponsored posts in various online platforms to promote the brand's awareness to the vast customer base in the PRC. With stronger brand image of our supreme products' quality, the Group expects the growth of this sale segment is very prospering in the near future.

At the beginning of calendar year of 2017, the corporate direction of "Conquer the East and West, Win over the South and North" (東征西討，南攻北伐) has been clearly launched. This marked a significant foundation for our Group to strategically expand our business into various countries and regions in all directions. With business collaboration and detailed marketing plans, the development of our business will continue to grow and flourish. The Group believes the above strategies will serve the mission for us to guard the health of the public and to enhance long-term growth to reward the investors' support.

## APPRECIATION

On behalf of the Board, I would like to express our gratitude to our Shareholders and business partners for their continuing support, and extend our sincere appreciation to all management and staff for their ongoing dedication, commitments and contributions.

**Choy Chi Fai**
*Chairman*

Hong Kong, 29 June 2017

# Management Discussion and Analysis

## BUSINESS REVIEW

The Year has marked a significant milestone for the Group as the issued Shares were successfully listed on the Main Board of the Stock Exchange on 12 September 2016. This remarkable achievement of the Group was attributable to invaluable support from business partners and Shareholders and the important dedication of the staff members of the Group. The Group expects that the successful Listing will enhance the corporate profile of the Group and support the Group's future business development and growth in the long term.

The Group is principally a Hong Kong-based brand builder and retailer of health and personal care products focusing on the development, marketing, sales and distribution of the branded products. The major brands developed and managed by the Group include "Organic Nature", "Top Life", "Superbee", "Ausupreme" and "Golden Hive", which are sold under our well-established multi-channel "澳至尊" sales and distribution network.

During the year under review, our turnover performance was influenced by the weak sentiment in the retail market. The overall retail sales in Hong Kong had recorded a decline of 5.2% during the period from April 2016 to March 2017 as compared to the corresponding period in the previous year according to the statistics from the Census and Statistics Department of Hong Kong. In response to the adversities of the market, the Group actively strived to maintain high quality of products and services to customers, broaden product portfolio to cope with market demand and expand our business via e-commerce channels and seeking for overseas market opportunities. For the year ended 31 March 2017, the Group had endeavored to expand product portfolio and 11 new products were introduced to meet the market demand in Hong Kong and the Mainland China which contributed revenue of approximately HK$3,581,000. Among the 11 new products, 4 products were developed and launched under our own brand "Ausupreme". Furthermore, the Group expanded its market in the PRC via e-commerce channels. For the year ended 31 March 2017, revenue of approximately HK$1,744,000 (2016: Nil) was derived from e-commerce business. With the support of data analysis, the Group will continue to refine the operation of e-commerce business such as launching targeted online marketing promotions.

During the year under review, our revenue was derived mainly from the sales of our Group's health and personal care products, which were broadly classified by nature into three major types of products, namely (i) health supplement products; (ii) honey and pollen products; and (iii) personal care products. Among the three types of products that the Group offered, health supplement products continued to be the major category, which constituted approximately 91.9% of the total revenue and amounted to approximately HK$188,655,000. Personal care products which contributed to approximately 4.7% of the total revenue was the second main category with revenue of approximately HK$9,672,000. Honey and pollen products made up of approximately 3.4% of the total revenue, which amounted to approximately HK$6,923,000.

As at 31 March 2017, the Group had 14 specialty stores and 70 sales counters in Hong Kong and Macau, the respective total numbers of which were approximately the same of those as compared to 31 March 2016. The Group reviewed carefully the performance of each specialty store and closed two non-performing specialty stores during the year under review. The Group will also continue to carefully identify suitable locations for the specialty stores after considering factors such as premises size, estimated pedestrian flow, accessibility of the location to the target customers and cost of set-up.

## FINANCIAL REVIEW

The Group recorded a revenue of approximately HK$205,250,000 for the year ended 31 March 2017, representing a decrease of approximately 2.7% as compared to approximately HK$210,840,000 for the year ended 31 March 2016. This was mainly attributable to a decrease in wholesale revenue and the sluggish retail environment during the year under review.

The following table sets forth the breakdown of the Group's revenue by types of product for the years ended 31 March 2017 and 2016:

| | For the year ended 31 March | | | |
|---|---|---|---|---|
| | **2017** | | 2016 | |
| | **HK$'000** | **% of total revenue** | HK$'000 | % of total revenue |
| Health supplement products | **188,655** | **91.9%** | 197,373 | 93.6% |
| Honey and pollen products | **6,923** | **3.4%** | 7,203 | 3.4% |
| Personal care products | **9,672** | **4.7%** | 6,264 | 3.0% |
| Total | **205,250** | **100%** | 210,840 | 100% |

The Group's revenue attributable to health supplement products decreased by approximately HK$8,718,000 or 4.4% to approximately HK$188,655,000 for the year ended 31 March 2017 (2016: HK$197,373,000), while its revenue attributable to honey and pollen products decreased by approximately HK$280,000 or 3.9% to approximately HK$6,923,000 for the year ended 31 March 2017 (2016: HK$7,203,000). Revenue attributable to personal care products increased by approximately HK$3,408,000 or 54.4% to approximately HK$9,672,000 for the year ended 31 March 2017 (2016: HK$6,264,000), mainly attributable to the expansion of sales network of personal care products.

The table below sets forth the breakdown of the Group's revenue by sales channel for the years ended 31 March 2017 and 2016:

| | For the year ended 31 March | | | |
|---|---|---|---|---|
| | **2017** | | 2016 | |
| | **HK$'000** | **% of total revenue** | HK$'000 | % of total revenue |
| Specialty stores | **31,690** | **15.4%** | 33,806 | 16.0% |
| Consignment stores | **164,426** | **80.1%** | 159,110 | 75.5% |
| Other sales channel | **9,134** | **4.5%** | 17,924 | 8.5% |
| Total | **205,250** | **100%** | 210,840 | 100% |

When considering revenue by sales channels, a majority of the sales was derived from consignment stores, which accounted for approximately 80.1% of the total revenue for the year ended 31 March 2017. The revenue derived from consignment stores increased by approximately HK$5,316,000 or 3.3% to approximately HK$164,426,000 for the year ended 31 March 2017 (2016: HK$159,110,000) while its revenue made through specialty stores decreased by approximately HK$2,116,000 or 6.3% to approximately HK$31,690,000 for the year ended 31 March 2017 (2016: HK$33,806,000). The remaining sales was generated from other sales channels which included wholesale, online sales, distribution in Singapore by an exclusive distributor and sales at trade fairs and exhibitions. The revenue derived from other sales channels decreased by approximately HK$8,790,000 or 49% to approximately HK$9,134,000 for the year ended 31 March 2017 (2016: HK$17,924,000).

The cost of sales decreased by approximately HK$447,000 or 1.5% to approximately HK$30,051,000 for the year ended 31 March 2017 compared to the same period of last year. The decrease was mainly attributable to the decrease in turnover.

The selling and distribution expenses of the Group increased by approximately HK$3,925,000 or 2.9% to approximately HK$138,160,000 for the year ended 31 March 2017 (2016: HK$134,235,000). The increase was mainly attributable to expenses related to expansion of some business operations including the setting up of e-commerce channels and brand building.

The general and administrative expenses of the Group remained stable at approximately HK$31,209,000 and HK$30,429,000 for the years ended 31 March 2017 and 2016, respectively.

For the year ended 31 March 2017, finance costs decreased by approximately HK$139,000 or 31.5% to approximately HK$302,000 (2016: HK$441,000). The decrease was primarily due to a reduction of bank borrowings after the Listing. Bank borrowings which were released during the year under review were obtained by the Group for general working capital and financing the opening of new specialty stores.

The Group's revenue was mainly derived in Hong Kong and Macau during the year under review. For the year ended 31 March 2017, income tax expenses decreased by approximately HK$2,103,000 or 48.2%, from approximately HK$4,364,000 to approximately HK$2,261,000, mainly due to a decrease in our profit before taxation. The provision of Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

As a result of the above factors, there was a profit for the year attributable to equity owners of the Company for the year ended 31 March 2017 of approximately HK$3,082,000 as compared to a profit of approximately HK$12,293,000 for the same period of last year. The decrease in profit for the year attributable to equity owners of the Company was mainly due to a decrease in wholesale revenue along with an increase in expenses resulting from the expansion of some business operations including the setting up of e-commerce channels.

For the year ended 31 March 2017, the basic earnings per share was HK0.46 cents, the calculation is based on the profit for the year attributable to equity owners of the Company of approximately HK$3,082,000 and the weighted average number of 665,753,425 ordinary shares in issue during the year under review. For the year ended 31 March 2016, the basic earnings per share was HK2.19 cents, the calculation is based on the profit for the year attributable to equity owners of the Company of approximately HK$12,293,000 and the number of 562,500,000 ordinary shares of the Company. Diluted earnings per share is the same as the basic earnings per share because the Group had no dilutive potential ordinary shares during the years ended 31 March 2017 and 2016.

## LIQUIDITY, FINANCIAL RESOURCES, FOREIGN EXCHANGE RISK EXPOSURE AND CAPITAL COMMITMENTS

The Group's financing and treasury activities are centrally managed and controlled at the corporate level. The main objective is to utilize the funding efficiently and to manage the financial risks effectively. The Group generally meets its working capital requirements from its internally generated funds, and maintains a healthy financial position.

As at 31 March 2017, the Group had net current assets and net assets of approximately HK$141,942,000 (2016: HK$54,430,000) and HK$151,986,000 (2016: HK$61,955,000), respectively. As at 31 March 2017, the current ratio calculated based on current assets divided by current liabilities of the Group was 12.3 (2016: 3.4).

### Cash and Cash Equivalents

Cash and cash equivalents held by the Group amounted to approximately HK$112,303,000 as at 31 March 2017 (2016: HK$31,655,000) and were mainly denominated in Hong Kong dollars, Japanese yen, Australian dollars and Renminbi. The increase in cash and cash equivalents was mainly contributed from the unutilized net proceeds from the public offering.

### Other Financial Resources and Gearing

As at 31 March 2017, the Group did not have any bank borrowing (2016: HK$12,850,000) and therefore no gearing ratio applicable as at 31 March 2017 (2016: 20.8%). Gearing ratio is calculated based on the interest-bearing liabilities divided by the total equity as at the respective end of period and multiplied by 100%.

### Foreign Exchange Exposure

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Japanese yen, Australian dollars and Renminbi. The Group currently does not have any foreign currency hedging policy. However, the Group maintains a conservative approach in treasury management by constantly monitoring foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. Therefore, the Group considers that the impact of foreign exchange risks is not significant.

### Capital Commitments

As at 31 March 2017, the Group did not have any capital commitment (2016: Nil).

## USE OF PROCEEDS

The net proceeds from the Hong Kong public offering was approximately HK$71,676,000 (after deducting underwriting fees and related listing expenses), out of which approximately HK$17,787,000 has been utilized as at 31 March 2017.

| Intended applications | Net actual proceeds HK$'000 | Amount utilized as at 31 March 2017 HK$'000 | Balance as at 31 March 2017 HK$'000 |
|---|---|---|---|
| Developing and strengthening our brand | **25,086** | **9,214** | **15,872** |
| Maintaining, expanding and improving sales network | **17,919** | **3,452** | **14,467** |
| Exploring business collaboration and expanding customer base | **12,185** | **3,006** | **9,179** |
| Diversifying and expanding product portfolio | **9,318** | **2,115** | **7,203** |
| General working capital | **7,168** | **—** | **7,168** |
| | **71,676** | **17,787** | **53,889** |

The balance of net proceeds has been securely placed in licensed banks in Hong Kong.

## MAJOR INVESTMENTS, ACQUISITIONS AND DISPOSALS

The Group had no material investments, acquisitions or disposals during the year under review.

## CONTINGENT LIABILITIES

As at 31 March 2017, the Group had no material contingent liabilities.

## EMPLOYEE INFORMATION

As at 31 March 2017, the Group had 198 (2016: 181) employees, including part-time staff. The Group remunerates employees based on their performance and experience as well as prevailing market condition. In addition to salary and commission payment to staff, other staff benefits include a share option scheme, discretionary bonus, staff discount on purchases and internal training.

## DIVIDEND

During the year under review and prior to the Listing Date, a subsidiary of the Company declared an interim dividend of HK$7,100,000 (2016: HK$10,700,000). The dividend declared was paid in cash out of the internally generated resources to its then Shareholders prior to the Reorganization.

The Board has resolved not to recommend a final dividend for the year ended 31 March 2017 (2016: Nil).

## FUTURE OUTLOOK AND PROSPECTS

Overall retail sales in Hong Kong began to show signs of recovery which edged up by 3.0% and 0.1% in March and April 2017 over the same months in 2016 respectively according to the statistics from the Census and Statistics Department of Hong Kong released on 1 June 2017.

Moreover, it is an important milestone for the Group that the Shares were successfully listed on the Main Board of the Stock Exchange in September 2016 and the listing status has enhanced its profile and brand image, especially in the retail industry. The net proceeds from the Listing have allowed the Group to implement and execute its business plan. The Group is determined to focus on its principal business objectives of developing the business and achieving sustainable growth by implementing the following strategies:

### Further develop and strengthen the brand

The Group continues to build a prestigious and healthy brand image through, on the one hand, a series of television commercials and other marketing campaigns which are starred by spokespersons Mr. Zhang Jin and Ms. Ada Choi Siu Fun in Hong Kong, and on the other hand, online marketing advertisements which focus on our targeted customer segments in e-commerce markets.

Consumption upgrade is the new trend in the market. Consumers of health and personal care products have been evolving their consumption behaviour towards pursuing more medium- to high-end brands. Therefore, the Group has always focused on product quality and service, which coincides with the concept of the consumption upgrade.

### Maintain, expand and improve the sales network

Strategic expansion of self-operated specialty stores' network and extension of the consignment sales coverage will be implemented and continue to be refined so as to improve the sales network. Moreover, the Group will continue to review the performance of each specialty store and consignment store and actively explore opportunities in extending the business to other areas in Asia.

### Explore business collaboration and expand the customer base

The management of the Group is of the view that e-commerce will become one of the important shopping channels in the future. E-commerce market in the PRC has made a great stride in the past few years. According to the statistics released by the PRC Ministry of Commerce in June 2017, there were 467 million online shoppers as of December 2016, which increased by 12.9% as compared to the same month of last year. In the meantime, market demand for high quality health supplement products is continuously increasing in the PRC, which coincides our brand image — endeavouring to offer high quality products. Therefore, the Group will utterly utilize online shopping platforms and cross-border e-commerce to drive revenue growth and co-operate with more online shopping platforms in Hong Kong, Mainland China and other regions.

### Diversify and expand the product portfolio

The Group will continue to enrich its product portfolio to meet the evolving consumer preference based on customers' feedback and market research. On the one hand, the Group will discuss with its existing brand proprietors on the potential and practicality of developing new products, and on the other hand, the Group will explore opportunities with other brand proprietors to diversify the types of products offered such as health food and beverages in order to reach a wider customer base.

# Directors and Senior Management

## EXECUTIVE DIRECTORS

**Mr. Choy Chi Fai (蔡志輝)**, aged 43, one of the founders of the Group, was appointed as a Director on 17 April 2015 and is currently an executive Director, managing director and the Chairman. He is also a member of each of the Remuneration Committee and the Nomination Committee. Mr. Choy is also a director of all of the subsidiaries of the Company and Beatitudes, the controlling Shareholder. Mr. Choy is responsible for the overall direction and management of the Group. Before founding the Group, Mr. Choy (together with Mrs. Choy) had been engaged in the business of trading and distribution in Hong Kong. Mr. Choy has more than 15 years' experience in marketing, distribution, wholesale and retail of health supplement products in Hong Kong, the experience of which was gained from the operation of the Group.

Mr. Choy obtained a Bachelor of Arts degree from the Hong Kong Baptist University in December 2000. He received a Diploma of Food and Nutritional Sciences from the Chinese University of Hong Kong in May 2010. He was awarded a Master of Arts degree in Comparative and Public History by the Chinese University of Hong Kong in December 2010. Mr. Choy has also received the "Outstanding Entrepreneur Awards" by Capital Entrepreneur in February 2017.

Mr. Choy has been active in Hong Kong's health food industry. He has been appointed as a council member of Hong Kong Health Food Association and patron president of the Cosmetic & Perfumery Association of Hong Kong Ltd. since 2010 and 2014 respectively. He has served as a programme adviser for Health & Applied Sciences Division of the School of Continuing and Professional Studies of the Chinese University of Hong Kong since September 2013. Mr. Choy is also a member of the Customer Liaison Group for Small and Medium-sized Enterprises of the Trade and Industry Department of the Hong Kong Government and a mentor of Small and Medium-sized Enterprises Mentorship Program of the Trade and Industry Department of Hong Kong Government, Small and Medium-sized Enterprises Mentorship Program of the Employees Retraining Board and Hong Kong Baptist University Career Mentorship Program.

In addition to his business achievement, Mr. Choy is dedicated to Hong Kong's education and social development. Mr. Choy is currently the chairperson of the executive committee of the Ning Po College Alumni Association Education Fund and honorable president of Federation of Parent Teacher Associations in Kwun Tong District. He has served as an alumni manager of the Ning Po College Incorporated Management Committee since June 2013, a member of Kwun Tong Healthy City Steering Committee since April 2016 and a director of the Chinese Christian Herald Crusades Limited (Hong Kong Branch) since April 2011.

Mr. Choy is the spouse of Ms. Ho Ka Man (executive Director and marketing director of the Group) and the brother-in-law of Mr. Ho Chun Kit, Saxony (executive Director and business development director of the Group).

**Ms. Ho Ka Man (何家敏)**, aged 42, one of the founders of the Group, was appointed as a Director on 17 April 2015 and is currently an executive Director and the marketing director of the Group. She is also a director of Truth & Faith and certain other subsidiaries of the Company and a director of Beatitudes, the controlling Shareholder. Mrs. Choy is responsible for overseeing the operation of marketing team of the Group and formulating marketing strategies and promotion plans. Before founding the Group, Mrs. Choy (together with Mr. Choy) had been engaged in the business of trading and distribution in Hong Kong. She has more than 15 years of experience in marketing of health supplement products in Hong Kong, the experience of which was gained from the operation of the Group. Under Mrs. Choy's leadership and supervision, the Group has successfully promoted the brand image and a comprehensive range of health products, which has been awarded and recognized by different organizations in recent years.

Mrs. Choy received a Higher Diploma of Fashion and Textile Merchandizing from the Hong Kong Polytechnic University in November 1997 and has been appointed as a mentor of the SME Mentorship Programme of the Employees Retraining Board.

Ms. Ho is the spouse of Mr. Choy Chi Fai (executive Director, managing director and Chairman) and the younger sister of Mr. Ho Chun Kit, Saxony (executive Director and business development director of the Group).

**Mr. Ho Chun Kit, Saxony (何俊傑)**, aged 47, was appointed as an executive Director on 15 May 2015 and is also the business development director of the Group. Mr. Ho joined the Group on 4 March 2013 and is currently responsible for sales and marketing development and expansion of the Group's business.

Mr. Ho obtained a Postgraduate Diploma in Marketing from the Chartered Institute of Marketing in December 2003. He joined the Treasury Markets Association in January 2006 and is now a Full Member. Prior to joining the Group, Mr. Ho has gained more than 20 years' experience in the financial market. He served as a senior manager of Nittan Capital Asia Limited between August 2005 and December 2012.

Mr. Ho is the brother-in-law of Mr. Choy Chi Fai (executive Director, managing director and Chairman) and the elder brother of Ms. Ho Ka Man (executive Director and marketing director of the Group).

**Mr. Au Chun Kit (區俊傑)**, aged 41, was appointed as an executive Director on 15 May 2015 and is also the operation director of the Group. Mr. Au joined the Group on 16 September 2013 and is currently responsible for information technology system and infrastructure of the Group, including development of the online sales channels and maintenance of the Enterprise Resource Planning (ERP) system. He is also in charge of the administrative support of the specialty stores and sales counters at consignee retail stores.

Mr. Au received a Bachelor of Engineering degree in Computer Sciences from the Hong Kong University of Science and Technology in November 1998. Mr. Au possesses more than 15 years' experience working in information technology in a wide range of industries. Prior to joining the Group, Mr. Au worked as senior system analyst (later promoted to information technology manager) at Hong Yip Service Company Limited (a subsidiary of Sun Hung Kai Properties Limited, stock code: 00016, a company listed on the Main Board of the Stock Exchange) between September 2006 and August 2013.

Mr. Au is the cousin-in-law of Ms. Tang Wing Shan (Company Secretary and financial controller).

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Dr. Luk Ting Kwong (陸定光)**, aged 62, was appointed as an INED with effect from 20 July 2016. He is the chairman of the Nomination Committee and a member of the Audit Committee. Dr. Luk is responsible for providing independent advice to the Board. Dr. Luk received the degrees of Master of Business Administration and Doctor of Philosophy from the University of New South Wales in October 1985 and May 2001 respectively.

Dr. Luk has become a professor at the School of Marketing and Logistics Management of Nanjing University of Finance & Economics since May 2015. Dr. Luk is a brand guru and has extensive brand and marketing management experience in Hong Kong and Mainland China. He is the founder of the Asian Centre for Brand Management (currently known as Asian Centre for Branding & Marketing) at Hong Kong Polytechnic University. He has been appointed as a member of the Technical Advice Committee of the Hong Kong Brand Development Council and a consultant at the Hong Kong Federation of Brands since April 2008 and also a member of the SMEs Customers Liaison Committee of the Trade and Industry Department of Hong Kong Government since January 2013. Dr. Luk is currently a director of Lacelletta and Sherriff & Associates Management Consultancy Co. Ltd.

**Mr. Ko Ming Kin (高銘堅)**, aged 54, was appointed as an INED with effect from 20 July 2016. He is the chairman of the Audit Committee and a member of the Remuneration Committee. Mr. Ko is responsible for providing independent advice to the Board. He was awarded a Professional Diploma in Accountancy by the Hong Kong Polytechnic (now the Hong Kong Polytechnic University) in November 1986. Mr. Ko became an associate member of Hong Kong Institute of Certified Public Accountants in April 1990. He was recognized as a fellow member of the Association of Chartered Certified Accountants in April 1995. Mr. Ko was admitted as a Member of Hong Kong Securities Institute in December 1998. He was admitted as an associate of the Institute of Chartered Accountants in England and Wales in August 2007.

Mr. Ko has worked for a major accountant firm and various listed companies in Hong Kong, gaining more than 25 years' experience in accounting services and corporate financial management. Mr. Ko now serves as the chief financial officer and company secretary of Crocodile Garments Limited, stock code: 00122, a company listed on the Main Board of the Stock Exchange and is responsible for the company's management, financial functions, legal, inventory logistics and shipping affair.

**Mr. Wan Cho Yee (尹祖伊)**, aged 48, was appointed as an INED with effect from 20 July 2016. He is the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee. Mr. Wan is responsible for providing independent advice to the Board. He received the degrees of Bachelor of Science in Business Administration (International Business) and Master of Business Administration from the San Francisco State University in January 1994 and May 1995 respectively.

Mr. Wan has become a Certified Drucker Educator of Peter F. Drucker Academy since November 2011 and provides training courses on management, leadership and entrepreneurship. As a Certified Drucker Educator, Mr. Wan has been a trainer for listed companies, public corporations, non-profit organizations and government department in Hong Kong, which cover aspects on sales and marketing planning, international market and new product development.

## SENIOR MANAGEMENT

**Ms. Tang Wing Shan (鄧穎珊)**, aged 42, was appointed as the Company Secretary and the financial controller of the Group in May 2015 and June 2013, respectively. She joined the Group in June 2013. Ms. Tang is responsible for management of the Group's financial team and supervising secretarial, corporate finance, treasury, financial reporting, tax and other related financial matters.

Ms. Tang obtained a Bachelor of Commerce from the University of Toronto in June 1997 and a Bachelor of Administrative Studies from York University in November 1999. She was awarded a Master of Business Administration by Laurentian University in October 2006. Ms. Tang was admitted as a Certified General Accountant by the Certified General Accountants Association of Ontario in September 2001. She was admitted as a Fellow of the Association of Chartered Certified Accountants in March 2008. Ms. Tang possesses about 16 years' experience in accounting services.

Ms. Tang is the cousin-in-law of Mr. Au Chun Kit (executive Director and operation director of the Group).

**Ms. Leung Fung Ching (梁鳳貞)**, aged 50, is the senior financial manager of the Group. She joined the Group in January 2014. Ms. Leung is responsible for management of accounting system and monthly review of accounts.

Ms. Leung received a Bachelor of Arts in Accountancy from the Hong Kong Polytechnic University in June 2002. She was qualified as a Hong Kong Certified Public Accountant in July 2004. In November 2008, Ms. Leung was admitted as a Fellow of the Association of Chartered Certified Accountants. Ms. Leung has gained more than 20 years' experience in accounting services.

**Ms. Yam Sau Man (甄秀雯)**, aged 35, is the senior marketing manager of the Group. She first joined the Group as a marketing executive in October 2003 and she rejoined in October 2004. Ms. Yam is responsible for the management of designated sales counters in consignee stores and specialty stores and training for the frontline sales staff. Ms. Yam was promoted to the senior management in February 2013 based on her contribution in expanding the sales and distribution network in the past 10 years' service.

Ms. Yam graduated from the Hong Kong Institute of Vocational Education with a Higher Diploma in Food Science and Technology in July 2003. Upon her graduation, Ms. Yam joined the Group in October 2003.

**Ms. Mo Suet Lin (巫雪蓮)**, aged 40, is the senior marketing manager of the Group. She joined the Group in August 2013. Ms. Mo is responsible for promotion activities, publicity materials and brand image of the Group.

Ms. Mo obtained a Bachelor of Arts degree in Chinese Language and Literature from the Hong Kong Baptist University in December 2000. Ms. Mo completed the course held by Beauty Tech and was awarded the certificate of Diploma in Beauty Therapy. She was also awarded a Diploma in Beauty Therapy (China) by the City and Guilds of London Institute in July 2005. She completed the Postgraduate Diploma in Education from the Chinese University of Hong Kong in December 2010. Before joining the Group, Ms. Mo joined Intelligent Beauty Tech Trading Ltd as a beauty purchaser between October 2012 and March 2013.

**Ms. Lai Ka Wai (黎家蕙)**, aged 31, is the senior human resources manager & administrative manager of the Group. She joined the Group in November 2005. On the one hand, Ms. Lai oversees human resources and general administration matters. On the other hand, she is also responsible for supervising stock management and the warehouse team.

Ms. Lai obtained a Diploma in Accounting Studies from YMCA College of Careers in June 2004. She was awarded the Certificate of Business Calculations certified by the London Chamber of Commerce and Industry. Ms. Lai joined the Group as an accounting clerk in November 2005 and was promoted to the senior management in February 2015 based on her experience in administration and dedication to the Group in the past 10 years.

**Ms. Chan Ho Yi (陳好宜)**, aged 27, is the financial manager of the Group. She joined the Group as financial officer in June 2012 and was promoted to the senior management in May 2015. Ms. Chan is responsible for the consolidation of the financial statements, account analysis and inventory control of our Group during the year under review.

Ms. Chan obtained a Bachelor of Business Administration degree in Management of Organizations and Finance from the Hong Kong University of Science and Technology in June 2012. Upon her graduation, she joined the Group in June 2012. During her service of employment, Ms. Chan has contributed in implementation of ERP's accounting and inventory control system.

**Ms. Lai Sze Yiu (黎思瑤)**, aged 30, is the operation manager of the Group. She joined the Group as senior operation officer in January 2016 and was promoted to the senior management in October 2016. Ms. Lai is primarily responsible for product development, quality control and regulatory affairs of the Group.

Ms. Lai obtained a Bachelor of Science degree in Food Quality and Safety from Guangdong Pharmaceutical University in June 2010, and certificate of BRC Global Standard for Agents & Brokers in July 2015. Ms. Lai possesses about 6 years' relevant experience in food industry. Prior to joining the Group, Ms. Lai served as technical service executive of SGS Hong Kong Limited between October 2011 and January 2016.

# Corporate Governance Report

The Company is committed to fulfilling its responsibilities to the Shareholders and protecting and enhancing Shareholders' value through good corporate governance.

The Directors recognize the importance of incorporating elements of good corporate governance in the management structures, internal control and risk management procedures of the Group so as to achieve effective accountability.

## CORPORATE GOVERNANCE PRACTICES

As the Shares were initially listed on the Stock Exchange on 12 September 2016, the CG Code was not applicable to the Company for the period from 1 April 2016 to 11 September 2016, being the date immediately before the Listing Date. The Company has adopted and, save for the deviation from code provision A.2.1 of the CG Code as disclosed in this report, has complied with all applicable code provisions as set out in the CG Code during the Period.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Having been made specific enquiries by the Company, all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the Period.

## BOARD OF DIRECTORS

### Responsibilities

The Board is primarily responsible for overseeing and supervising the management of the business affairs and the overall performance of the Group. The Board sets the Group's values and standards and ensures that the requisite financial and human resources support is in place for the Group to achieve its objectives. The functions performed by the Board include but are not limited to formulating the Group's business plans and strategies, deciding all significant financial (including major capital expenditure) and operational issues, developing, monitoring and reviewing the Group's corporate governance practices and all other functions reserved to the Board under the Articles of Association. The Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference. The Board may from time to time delegate certain functions to the management of the Group if and when considered appropriate. The management is mainly responsible for the execution of the business plans, strategies and policies adopted by the Board and assigned to it from time to time.

The Directors have full access to information of the Group and the management has an obligation to supply the Directors with adequate information in a timely manner to enable the Directors to perform their responsibilities. The Directors are entitled to seek independent professional advice in appropriate circumstances at the Company's expense.

### Composition

The Company is committed to holding the view that the Board should include a balanced composition of executive Directors, non-executive Directors and INEDs so that there is a strong independent element on the Board which can effectively exercise independent judgement.

As at the date of this annual report, the Board comprises the following seven Directors, of which the INEDs in aggregate represent over 40% of the Board members:

### Executive Directors

Mr. Choy Chi Fai *(Chairman and Managing Director)*
Ms. Ho Ka Man
Mr. Ho Chun Kit, Saxony
Mr. Au Chun Kit

### INEDs

Dr. Luk Ting Kwong
Mr. Ko Ming Kin
Mr. Wan Cho Yee

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

The family relationship among certain executive Directors is as follows:

| | Relationship with | | |
|---|---|---|---|
| **Name of Executive Directors** | Mr. Choy Chi Fai | Ms. Ho Ka Man | Mr. Ho Chun Kit, Saxony |
| Mr. Choy Chi Fai | — | Husband | Brother-in-law |
| Ms. Ho Ka Man | Wife | — | Younger sister |
| Mr. Ho Chun Kit, Saxony | Brother-in-law | Elder brother | — |

Save as disclosed aforesaid, there was no financial, business, family or other material relationship among the Directors.

The INEDs have brought in a wide range of business and financial expertise, experience and independent judgement to the Board. Through active participation in the Board meetings and serving on various Board committees, all INEDs will continue to make various contributions to the Company.

Throughout the Period, the Company had three INEDs, meeting the requirements of the Listing Rules that the number of INEDs must represent at least one-third of the Board members, and that at least one of the INEDs has appropriate professional qualifications or accounting or related financial management expertise.

The Company has received an annual confirmation of independence in writing from each of the INEDs pursuant to Rule 3.13 of the Listing Rules. Based on such confirmation, the Company considers that all the INEDs are independent and have met the independence guidelines as set out in Rule 3.13 of the Listing Rules from the Listing Date to the date of this annual report.

From the Company's financial year commencing on 1 April 2017, the Chairman will at least annually hold one meeting with the non-executive Directors (including the INEDs) without the presence of other executive Directors.

Proper insurance coverage in respect of legal actions against the Directors has been arranged by the Company.

## Directors' Induction and Continuing Professional Development

Each of the Directors has received a formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of the Company's operations and business and is fully aware of the director's responsibilities under statutes and common law, the Listing Rules, other legal and regulatory requirements and the Company's business and governance policies.

The Company will from time to time provide briefings to all Directors to develop and refresh their duties and responsibilities. All Directors are also encouraged to attend relevant training courses at the Company's expense and they have been requested to provide the Company with their training records.

During the Period, all Directors had participated in continuing professional development by either reading updates provided by the Company Secretary to refresh their knowledge in corporate governance and directors' duties and responsibilities or attending relevant seminars organised by professional bodies in Hong Kong.

## Meetings of the Board and Directors' Attendance Records

From the financial year commencing on 1 April 2017 onwards, the Board is scheduled to meet four times a year at approximately quarterly intervals with notice given to the Directors at least 14 days in advance. For all other Board meetings, notice will be given in a reasonable time in advance. The Directors are allowed to include any matter in the agenda that is required for discussion and resolution at the meeting. To enable the Directors to be properly briefed on issues arising at each of the Board meetings and to make informed decisions, an agenda and the accompanying Board papers will be sent to all Directors at least three days before the intended date of the regular Board meeting, or such other period as agreed for other Board meetings. The Company Secretary is responsible for keeping all Board meetings' minutes. Draft and final versions of the minutes will be circulated to the Directors for comments and record respectively within a reasonable time after each meeting and the final version is open for the Directors' inspection.

The Board held 2 meetings during the Period and, amongst other matters, considered and approved the unaudited consolidated financial statements of the Group for the six months ended 30 September 2016.

The attendance of each Director at the Board meetings during the Period is as follows:

| Name of Directors | No. of Attendance/ No. of Meetings |
|---|---|
| Mr. Choy Chi Fai | 2/2 |
| Ms. Ho Ka Man | 2/2 |
| Mr. Ho Chun Kit, Saxony | 2/2 |
| Mr. Au Chun Kit | 2/2 |
| Dr. Luk Ting Kwong | 2/2 |
| Mr. Ko Ming Kin | 2/2 |
| Mr. Wan Cho Yee | 2/2 |

During the Period, the Company did not hold any general meeting.

### Board Diversity Policy

The Board has adopted a policy of the Board diversity and discussed all measurable objectives set for implementing the same.

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

## CHAIRMAN AND CHIEF EXECUTIVE

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. In view of the present composition of the Board, the in-depth knowledge of the Chairman (who is also the managing Director) of the operations of the Group and the health and personal care industry in general, his extensive business network and connections, and the scope of operations of the Group, the Board believes that it is in the best interest of the Group for Mr. Choy Chi Fai to assume the roles of both the Chairman and the managing Director.

## BOARD COMMITTEES

The Board has established three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, to oversee particular aspects of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties.

### Audit Committee

The Audit Committee was established on 20 July 2016 with written terms of reference in compliance with the CG Code. The written terms of reference of the Audit Committee are published on the respective websites of the Stock Exchange and the Company. It comprises three INEDs, namely Mr. Ko Ming Kin, Dr. Luk Ting Kwong and Mr. Wan Cho Yee. Mr. Ko Ming Kin is the chairman of the Audit Committee.

The principal roles and functions of the Audit Committee include but are not limited to:

- making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and considering any questions regarding its resignation or dismissal;
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- discussing with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- developing and implementing a policy on engaging an external auditor to supply non-audit services;
- reporting to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- monitoring the integrity of the Company's financial statements, annual report and accounts, half-year report, and reviewing significant financial reporting judgements contained in them;
- reviewing the Company's financial controls, and risk management and internal control systems;
- discussing the risk management and internal control systems with the management to ensure that the management has performed its duty to have such effective systems;
- considering major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- where an internal audit function exists, ensuring co-ordination between the internal and external auditors, ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company, and reviewing and monitoring its effectiveness;
- reviewing the Group's financial and accounting policies and practices;
- reviewing the external auditor's management letter, any material queries raised by the auditor to senior management about the accounting records, financial accounts or systems of control and senior management's response;
- ensuring that the Board will provide a timely response to the issues raised in the external auditor's management letter; and
- considering other topics as defined by the Board.

During the Period, 2 Audit Committee meetings were held and, amongst other matters, considered and approved (i) for presentation to the Board for consideration and approval the draft unaudited consolidated financial statements of the Group for the six months ended 30 September 2016 and (ii) discussion with independent auditor about the audit plan for the audit for the year ended 31 March 2017.

The attendance of each INED at the Audit Committee meetings during the Period is as follows:

| Name of Directors | No. of Attendance/ No. of Meetings |
|---|---|
| Mr. Ko Ming Kin | 2/2 |
| Dr. Luk Ting Kwong | 1/2 |
| Mr. Wan Cho Yee | 2/2 |

## Remuneration Committee

The Remuneration Committee was established on 20 July 2016 with written terms of reference in compliance with the CG Code. The written terms of reference of the Remuneration Committee are published on the respective websites of the Stock Exchange and the Company. The Remuneration Committee comprises two INEDs, namely Mr. Wan Cho Yee and Mr. Ko Ming Kin, and an executive Director, Mr. Choy Chi Fai. Mr. Wan Cho Yee is the chairman of the Remuneration Committee.

The principal roles and functions of the Remuneration Committee include but are not limited to:

- making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing the remuneration policy;
- reviewing and approving the management's remuneration proposals by reference to the Board's corporate goals and objectives;
- making recommendations to the Board on the remuneration packages of individual executive Directors and senior management including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- making recommendations to the Board on the remuneration of the non-executive Directors;
- considering the salaries paid by comparable companies, time commitment, responsibilities and employment conditions elsewhere in the Group;
- reviewing and approving the compensation payable to the executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with the contractual terms and is otherwise fair and not excessive;
- reviewing and approving the compensation arrangements relating to the dismissal or removal of Directors for misconduct to ensure that they are consistent with the contractual terms and are otherwise reasonable and appropriate; and
- ensuring that no Director or any of his associates is involved in deciding his own remuneration.

During the Period, 4 Remuneration Committee meetings were held and, amongst other matters, considered and approved for presentation to the Board for consideration and approval the remuneration of the Directors and senior management.

The attendance of each Director in the capacity of a member of the Remuneration Committee at its meetings during the Period is as follows:

| Name of Directors | No. of Attendance/ No. of Meetings |
|---|---|
| Mr. Wan Cho Yee | 4/4 |
| Mr. Ko Ming Kin | 4/4 |
| Mr. Choy Chi Fai | 4/4 |

## Nomination Committee

The Nomination Committee was established on 20 July 2016 with written terms of reference in compliance with the CG Code. The written terms of reference of the Nomination Committee are published on the respective websites of the Stock Exchange and the Company. It comprises two INEDs, namely Dr. Luk Ting Kwong and Mr. Wan Cho Yee, and an executive Director, Mr. Choy Chi Fai. Dr. Luk Ting Kwong is the chairman of the Nomination Committee.

The principal roles and functions of the Nomination Committee include but are not limited to:

- reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships;

- assessing the independence of the INEDs; and

- making recommendations to the Board on the appointment or re-appointment of Directors and the succession planning for the Directors, in particular, the Chairman and the chief executives.

During the Period, no Nomination Committee meeting was held.

## Corporate Governance Functions

The Board recognizes that corporate governance should be the collective responsibility of the Directors, which includes but is not limited to:

- developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board;

- reviewing and monitoring the training and continuous professional development of the Directors and senior management;

- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

- developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors; and

- reviewing the Company's compliance with the CG Code and disclosure in this report.

## APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing on the Listing Date.

Each of the INEDs has entered into a service contract with the Company for a period of three years commencing on the Listing Date.

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

All the Directors, including INEDs, are subject to retirement by rotation and eligible for re-election in accordance with the Articles of Association. At each AGM, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at the AGM at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and does not offer himself for re-election. Any further Directors so to retire shall be those who have been the longest in office since their last re-election or appointment and so that as between the persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Shareholders after his appointment and shall 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 AGM and shall then be eligible for re-election.

## REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Particulars of the Directors' remuneration for the year ended 31 March 2017 are set out in note 11 to the consolidated financial statements.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors) whose particulars are contained in the section headed "Directors and Senior Management" in this annual report for the year ended 31 March 2017 by band is set out below:

| Remuneration band (in HK$) | Number of individuals |
|---|---|
| Nil to 1,000,000 | 7 |

## INDEPENDENT AUDITOR'S REMUNERATION

For the year ended 31 March 2017, Wellink CPA Limited ("**Wellink**") was engaged as the Group's independent auditor. Apart from the provision of annual audit services, Wellink provided the audit and non-audit services in connection with the listing of the Shares on the Stock Exchange on the Listing Date.

The remuneration paid/payable to Wellink for the year ended 31 March 2017 is set out below:

| Services | Fee paid/payable HK$ |
|---|---|
| Audit services — Annual audit | 600,000 |
| Non-audit services — Listing | 730,000 |
| Total | 1,330,000 |

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Group for the year ended 31 March 2017.

The Directors were 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.

In addition, Wellink has stated in the independent auditor's report its reporting responsibilities on the Group's consolidated financial statements for the year ended 31 March 2017.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for evaluating and determining the nature and extent of the risks the Company is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The Board oversees management in the design, implementation and monitoring of the risk management and internal control systems. The Board acknowledges that such risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. The Company has reviewed the need for an internal audit function since the Listing Date and considered it appropriate to outsource the internal audit functions. Accordingly, the Company has engaged an external professional company to provide internal audit services to the Group on an annual basis.

Since the Listing Date and up to the date of this annual report, the Board, through the Audit Committee, has conducted a review of the effectiveness of the risk management and internal control systems of the Group for the Year covering all material controls, including financial, operational and compliance as well as risk management. The Board considers that the Group's risk management and internal control are adequate and effective. The Board expects that a review of the risk management and internal control systems will be performed annually.

## DISCLOSURE OF INSIDE INFORMATION

The Group acknowledges its responsibilities under the SFO and the Listing Rules and the overriding principle that inside information should be announced immediately when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of inside information are as follows:

- the Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012;

- the Group has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and the Company's website; and

- the Group has strictly prohibited unauthorised use of confidential or inside information.

## COMPANY SECRETARY

Since May 2015, the Company has appointed Ms. Tang Wing Shan as the Company Secretary who has sound understanding of the operations of the Board and the Group. She was closely involved in the preparation of the Listing. During the year ended 31 March 2017, Ms. Tang has received no less than 15 hours of professional training in compliance with Rule 3.29 of the Listing Rules.

As the Company Secretary, Ms. Tang has been reporting to the Chairman who is also the managing Director. All members of the Board can have access to her advice and services. The appointment and removal of the Company Secretary will be subject to the Board's approval.

## DEED OF NON-COMPETITION

The Company has received an annual written confirmation from each of the controlling shareholders of the Company, namely Mr. Choy, Ms. Ho and Beatitudes in respect of him/her/it and his/her/its associates in compliance with the undertakings given under the deed of non-competition dated 20 July 2016 and signed by Mr. Choy, Ms. Ho and Beatitudes in favour of the Company (the "**Deed of Non-competition**"). Details of the Deed of Non-competition are set out in the section headed "Deed of Non-competition" of "Relationship with Controlling Shareholder" in the Prospectus. The INEDs had reviewed the confirmations and did not notice any incident of non-compliance with the Deed of Non-competition.

## SHAREHOLDERS' RIGHTS

### Procedures for Putting Forward Proposals at Shareholders' Meetings

There are no provisions allowing Shareholders to make proposals or move resolutions at the AGMs under the M&A or the laws of the Cayman Islands. Shareholders who wish to make proposals or move a resolution may, however, convene an EGM in accordance with the "Procedures for Shareholders to Convene an EGM" set out below.

### Procedures for Shareholders to Convene an EGM

Any one or more Shareholders holding at the date of deposit of the requisition not less than 10% of the paid-up capital of the Company carrying the right of voting at general meetings of the Company (the "**Eligible Shareholder(s)**") shall at all times have the right, by written requisition to require an EGM to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the EGM.

Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned at the principal place of business of the Company in Hong Kong (presently at Office E, 28/F., EGL Tower, 83 Hung To Road, Kwun Tong, Kowloon, Hong Kong) for the attention of the Company Secretary.

The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM and the proposed agenda.

The Company will check the Requisition and the identity and shareholding of the Eligible Shareholder(s) will be verified with the Company's branch share registrar in Hong Kong. If the Requisition is found to be proper and in order, the Company Secretary will ask the Board to convene an EGM and/or include the proposal(s) made or the resolution(s) proposed by the Eligible Shareholder(s) at the EGM within 2 months after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of the outcome and accordingly, the Board will not call for an EGM nor include the proposal(s) made or the resolution(s) proposed by the Eligible Shareholder(s) at the EGM.

If within 21 days of the deposit of the Requisition 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 Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) by the Company.

### Procedures for Shareholders to Send Enquires to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong, presently at Office E, 28/F., EGL Tower, 83 Hung To Road, Kwun Tong, Kowloon, Hong Kong, by post or by email to info@ausupreme.com, for the attention of the Company Secretary.

Upon receipt of the enquiries, the Company Secretary will forward the communications relating to:

1. the matters within the Board's purview to the executive Directors;

2. the matters within a Board committee's area of responsibility to the chairman of the appropriate committee; and

3. ordinary business matters, such as suggestions, enquiries and client complaints to the appropriate management of the Company.

## COMMUNICATION WITH THE SHAREHOLDERS

The Company has adopted a Shareholders' communication policy with the objective of ensuring that the Shareholders will have equal and timely access to information about the Company in order to enable the Shareholders to exercise their rights in an informed manner and allow them to engage actively with the Company.

Information will be communicated to the Shareholders through the Company's financial reports, AGMs and other EGMs that may be convened as well as all the published disclosures submitted to the Stock Exchange.

## CONSTITUTIONAL DOCUMENTS

Except for the adoption of new M&A by the Company to comply with the applicable legal and regulatory requirements (including the Listing Rules) on 20 July 2016 and with effect from the Listing Date, there were no changes in the constitutional documents of the Company during the year ended 31 March 2017.

The M&A is available on the respective websites of the Stock Exchange and the Company.

# Report of the Directors

The Directors present to the Shareholders their report together with the audited consolidated financial statements of the Group for the Year.

## HONG KONG PUBLIC OFFERING AND GROUP REORGANIZATION

On 17 April 2015, the Company was incorporated in the Cayman Islands as an exempted company with limited liability and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) on 12 June 2015. As a result of the Reorganization which took place for the purpose of the Listing, the Company became the holding company of the subsidiaries now comprising the Group. Details of the Reorganization are set out in the Prospectus. The Shares were listed on the Main Board of the Stock Exchange on 12 September 2016.

## PRINCIPAL ACTIVITIES

During the Year and up to the date of this report, the principal business activities of the Group are retail and wholesale of health and personal care products mainly in Hong Kong and Macau. The Group is a Hong Kong-based brand builder and retailer of health and personal care products focusing on the developing, marketing, selling and distributing of the branded products managed by the Group through "澳至尊" sales and distribution network.

An analysis of the Group's segment information for the Year by category and geographical areas is set out in note 7 to the consolidated financial statements.

## USE OF NET PROCEEDS FROM LISTING

The issued Shares were listed on the Main Board of the Stock Exchange on 12 September 2016. The net proceeds from Listing amounted to approximately HK$71,676,000, out of which approximately HK$17,787,000 had been utilized as at 31 March 2017. The details are set out in the section headed "Use of Proceeds" of "Management Discussion and Analysis" on page 18 of this annual report.

## RESULTS AND DIVIDENDS

Details of the consolidated profit of the Group for the Year and the Group's financial position as at 31 March 2017 are set out in the consolidated financial statements and their accompanying notes on pages 57 to 111 of this annual report.

During the year ended 31 March 2017 and prior to the Listing Date, a subsidiary of the Company declared an interim dividend of HK$7,100,000 (2016: HK$10,700,000). The dividend declared was paid in cash out of the internally generated resources to its then Shareholders prior to the Reorganization.

The Board has resolved not to recommend a final dividend for the year ended 31 March 2017 (2016: Nil).

## BUSINESS REVIEW

A fair review of the businesses of the Company as well as a discussion and analysis of the Group's performance during the Year and the material factors underlying its financial performance and financial position as required by Section 388(2) and Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) can be found in the section headed "Management Discussion and Analysis" set out on pages 14 to 19 of this annual report. The financial risk management objectives and policies of the Group are set out in note 6 to the consolidated financial statements. These discussions form part of this annual report.

## PRINCIPAL RISKS AND UNCERTAINTIES

The following list, although not exhaustive, highlights the principal risks and uncertainties facing the Group.

### Impact of Local and International Regulations

Our business is principally regulated by various laws and regulations in the place where we operate our business as well as the relevant sub-legislations and regulations. Various registrations, certificates and/or licenses for the conduct of our business are required under the relevant laws, which also contain provisions for requirements on the storage, labelling, advertising and importation of some of our products. Failure to comply with the rules and requirements may lead to penalties, amendments or suspension of the business operation by the authorities. The Group closely monitors changes in government policies, regulations and markets as well as conducting studies to assess the impact of such changes.

### Third-Party Risks

The Group's sales and supply of products have been relying on third parties. While gaining the benefits from external parties, the management realizes that such operational dependency may pose a threat of vulnerability to unexpected poor or lapses in service including reputation damage, business disruption and monetary losses. To address such uncertainties, the Group engages only reputed suppliers and consignees as well as closely monitors their performance.

### Financial Risks and Estimation Uncertainty

The risks of the Group include market risks (i.e. currency risk and interest rate risk), credit risk and liquidity risk. The key sources of estimation uncertainty and financial risk are set out in note 5 and note 6 to the consolidated financial statements in this annual report.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Detailed information on the environmental, social and governance practices adopted by the Group is set out in the "Environmental, Social and Governance Report" on pages 48 to 52 of this annual report.

## COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. Our Audit Committee is delegated by the Board to monitor the Group's policies and practices on compliance with legal and regulatory requirements and such policies are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

The Group's operations are mainly carried out by the Company's subsidiaries in Hong Kong while the Company itself was incorporated in the Cayman Islands and listed on the Main Board of the Stock Exchange in Hong Kong. Our establishment and operations accordingly have complied with relevant laws and regulations in Hong Kong and the Cayman Islands during the Year.

## RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group ensures all staff are reasonably remunerated and we regularly review and improve our policies on remuneration and benefits, training, occupational health and safety.

The Group maintains a good relationship with its customers. A customer complaint handling mechanism is in place to receive, analyze and study complaints and make recommendations on remedies with the aim of improving service quality.

The Group is in good relationship with its suppliers and conducts a fair and strict appraisal of its suppliers.

## SHARE CAPITAL

Details of movements in the Company's share capital during the Year are set out in note 25 to the consolidated financial statements in this annual report.

## FINANCIAL STATEMENTS

The results of the Group for the year ended 31 March 2017 are set out in the Consolidated Statement of Profit or Loss on page 57. The financial position of the Group as at 31 March 2017 is set out in the Consolidated Statement of Financial Position on pages 59 to 60. The financial position of the Company as at 31 March 2017 is set out in note 31 to the consolidated financial statements on pages 110 to 111. The cash flows of the Group for the year ended 31 March 2017 are set out in the Consolidated Statement of Cash Flows on pages 62 to 63.

## PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group during the Year are set out in note 15 to the consolidated financial statements in this annual report.

## RESERVES

Details of the movement in the reserves of the Group and the Company during the Year are set out in notes 25 and 31 to the consolidated financial statements in this annual report, respectively.

## DISTRIBUTABLE RESERVES

The Company's reserves available for distribution represent the aggregate of share premium less accumulated losses. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the reserves of the Company are available for paying distributions or dividends to Shareholders subject to the provisions of its M&A. As at 31 March 2017, the reserves available for distribution to Shareholders were approximately HK$82,799,000 which represented the aggregate of share premium of HK$86,580,000 net of accumulated losses of HK$3,781,000.

## DONATIONS

During the year ended 31 March 2017, the Group's charitable and other donations amounted to HK$1,196,000 (2016: HK$96,000).

## DIRECTORS

The Directors during the Year and up to the date of this report are:

### Executive Directors

Mr. Choy Chi Fai (Chairman and Managing Director) (appointed on 17 April 2015)
Ms. Ho Ka Man (appointed on 17 April 2015)
Mr. Ho Chun Kit, Saxony (appointed on 15 May 2015)
Mr. Au Chun Kit (appointed on 15 May 2015)

### Independent Non-executive Directors

Dr. Luk Ting Kwong (appointed on 20 July 2016)
Mr. Ko Ming Kin (appointed on 20 July 2016)
Mr. Wan Cho Yee (appointed on 20 July 2016)

Pursuant to Article 112 of the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the Shareholders in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election. Therefore, Mr. Ho Chun Kit, Saxony and Mr. Au Chun Kit shall retire from the office at the forthcoming AGM and, being eligible, have offered themselves for re-election.

Pursuant to Article 108 of the Articles of Association, at each AGM one-third of the Directors shall retire from office by rotation and shall be eligible for re-election. Therefore, Mr. Choy Chi Fai and Ms. Ho Ka Man shall retire from office by rotation at the forthcoming AGM and, being eligible, have offered themselves for re-election.

All Directors are subject to retirement by rotation and re-election at the AGM at least once every three years pursuant to the Articles of Association.

The biographical details of Directors and senior management of the Group are set out in the section headed "Directors and Senior Management" on pages 20 to 23 of this annual report.

## INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the INEDs, an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the INEDs are independent.

## DIRECTORS' SERVICE CONTRACTS

All Directors (including executive Directors and INEDs) were appointed for an initial term of three years and are subject to retirement by rotation at least once every three years in accordance with the Articles of Association. No other Director (including any Director proposed for re-election at the forthcoming AGM) has a service contract with the Company or any of its subsidiaries which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

## EQUITY-LINKED AGREEMENTS

No equity-linked agreements entered into by the Company subsisted at the end of the Year or at any time during the Year.

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

As at 31 March 2017, the interests and short positions of the Directors and the chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO), which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

### (i) Long positions in the Shares

| Name of Directors | Capacity | Number of Shares held | Percentage of the total issued Shares |
|---|---|---|---|
| Mr. Choy Chi Fai | interest in a controlled corporation *(Note)* | 562,500,000 | 75% |
| Ms. Ho Ka Man | interest in a controlled corporation *(Note)* | 562,500,000 | 75% |

*Note:* Each of Mr. Choy Chi Fai and Ms. Ho Ka Man (together as a group of the controlling shareholders) owns 50% of the issued share capital of Beatitudes, a company incorporated in the British Virgin Islands and is considered as the parent and ultimate parent company of the Company, respectively. As at 31 March 2017, Beatitudes was the beneficial owner holding a 75% shareholding interest in the Company and thus, each of Mr. Choy Chi Fai and Ms. Ho Ka Man was deemed or taken to be interested in all the Shares which were beneficially owned by Beatitudes for the purpose of the SFO.

### (ii) Long positions in the ordinary shares of Beatitudes — an associated corporation of the Company

| Name of Directors | Capacity | Number of ordinary shares held | Percentage of the total issued ordinary shares of Beatitudes |
|---|---|---|---|
| Mr. Choy Chi Fai | Beneficial owner | 50 | 50% |
| Ms. Ho Ka Man | Beneficial owner | 50 | 50% |

Save as disclosed above, as at 31 March 2017, none of the Directors or chief executive of the Company nor their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations, which had to be notified to the Company and the Stock Exchange under the SFO or pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

## SHARE OPTION SCHEME

Pursuant to the written resolution of the sole Shareholder on 20 July 2016, the Company adopted a share option scheme conditional upon the Listing (the "**Share Option Scheme**"). No share options have been granted since the Listing Date and there were no outstanding share options as at 31 March 2017.

The principal terms of the Share Option Scheme are set out as follows:

### (1) Purpose

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to eligible participants (as stated below) and to promote the success of the business of the Group.

### (2) Eligible participants

The Board may, at its absolute discretion and on such terms as it may think fit, offer to grant an option to subscribe for such number of Shares as it may determine to any employee (full-time or part-time), director, consultant or adviser of our Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group who, in the opinion of the Board, has contributed or will contribute to the development and growth of the Group.

### (3) Maximum number of Shares available for issue

The maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme must not in aggregate exceed 75,000,000 Shares, representing 10% of all the Shares in issue as at the date of this annual report.

### (4) Maximum entitlement of each participant

Unless approved by the Shareholders in general meeting, the total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

Where any grant of options to a substantial Shareholder or an INED (or any of their respective associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of the Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant: (i) representing in aggregate over 0.1% of the Shares in issue; and (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million, such further grant of options is required to be approved by Shareholders at a general meeting of the Company.

### (5) Period within which the securities must be exercised under an option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

### (6) Minimum period for which an option must be held before it can be exercised

There is no minimum period for which an option granted must be held before it can be exercised unless otherwise imposed by the Board in the relevant offer of options.

### (7) Period for and consideration payable on acceptance of an option

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1.

### (8) 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 a price solely determined by the Board and notified to a participant and shall be at least the highest 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.

### (9) Remaining life

The Share Option Scheme will remain in force for a period of ten years commencing on the date of adoption of the Share Option Scheme and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' and Chief Executive's Interests and Short Positions in shares, underlying shares and debentures of the Company or Its Associated Corporation" and in the section headed "Share Option Scheme" above:

(a) at no time during the Year was the Company, any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate; and

(b) none of the Directors, or their spouses or children had any right to subscribe for the securities of the Company or had exercised any such right during the Year.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2017, so far as it is known by or otherwise notified by any Director or the chief executive of the Company, the corporation named below (other than a Director or the chief executive of the Company) had a long position in the following Shares, which were required to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, were as follows:

| Name of Shareholder | Capacity | Number of Shares held | Percentage of the total issued Shares |
|---|---|---|---|
| Beatitudes | Beneficial owner *(Note)* | 562,500,000 | 75% |

*Note:* Beatitudes is a company incorporated in the British Virgin Islands and owned a 75% shareholding interest in the Company as at 31 March 2017

Save as disclosed above, as at 31 March 2017, the Directors were not aware of any corporation which/person (other than a Director or the chief executive of the Company) who had interest or short position in the Shares or underlying Shares, which would be required to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under Section 336 of the SFO.

## REMUNERATION OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' remuneration and the five individuals with the highest emoluments are set out in note 11 and note 12 to the consolidated financial statements in this annual report, respectively.

## UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in Directors' information for the following Directors under their respective service contracts since the disclosure made in the Prospectus are set out below:

| Name of Directors | Previous monthly basic salaries and allowances HK$ | Monthly basic salaries and allowances (with effect from 1 October 2016) HK$ |
|---|---|---|
| Mr. Choy Chi Fai | 25,000 | 100,000 |
| Ms. Ho Ka Man | 25,000 | 100,000 |
| Mr. Ho Chun Kit, Saxony | 65,000 | 75,000 |
| Mr. Au Chun Kit | 56,000 | 66,000 |

*Note:* For information in relation to the emoluments of the Directors for the years ended 31 March 2017 and 2016, please refer to note 11 to the consolidated financial statements in this annual report.

## DIRECTORS' INTEREST IN COMPETING BUSINESS

During the Period, none of the Directors had any interest in a business apart from the Group's business that competed or was likely to compete, whether directly or indirectly, with the business of the Group. All of them declared that they did not engage in business apart from the Group's business that competed or was likely to compete, whether directly or indirectly, with the business of the Group during the Period.

## DEED OF NON-COMPETITION

The Company has received an annual written confirmation from each of the controlling shareholders of the Company, namely Mr. Choy, Ms. Ho and Beatitudes in respect of him/her/it and his/her/its associates in compliance with the undertakings given under the Deed of Non-competition. Details of the Deed of Non-competition are set out in the section headed "Deed of Non-competition" of "Relationship with Controlling Shareholder" in the Prospectus. The INEDs had reviewed the confirmation and did not notice any incident of non-compliance with the Deed of Non-competition.

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed in note 26 to the consolidated financial statements headed "Material Related Party Transactions" in this annual report and the section headed "Continuing Connected Transaction" of this report below, no Director nor a connected entity of a Director had a material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party subsisted at any time during the year under review or at the end of the Year.

## CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed in note 26 to the consolidated financial statements in this annual report and the section headed "Continuing Connected Transaction" of this report below, there was no contract of significance (whether for the provision of services to the Group or not) in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any controlling shareholder of the Company or any of its subsidiaries had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

## PERMITTED INDEMNITY PROVISION AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Pursuant to the Articles of Association and subject to the provisions of the Companies Ordinance, every Director or other officer of the Company shall be indemnified out of assets of the Company against all loss and liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto, provided that such Articles shall only have effect in so far as its provisions are not avoided by the Companies Ordinance. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during the year under review.

## MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group accounted for less than 30% of the Group's total revenue for the Year. In addition, the five largest distributors of the Group accounted for approximately 76.5% (2016: 74.1%) of the Group's total revenue and the largest distributor of the Group accounted for 45.9% (2016: 43.1%) of the Group's total revenue for the Year.

We purchased finished products from three major suppliers in Australia, the purchase from these major suppliers in Australia accounted for 100% (2016: 100%) and the largest supplier of the Group accounted for 76.4% (2016: 75.6%) of the Group's total purchases.

None of the Directors or any of their close associates or any Shareholders (whom to the best knowledge and belief of Directors, own more than 5% of the total issued Shares) had any beneficial interest in the Group's five largest distributors and suppliers for the year under review.

## FIVE YEARS FINANCIAL SUMMARY

The five years financial summary of the results, assets and liabilities of the Group is set out in the section headed "Five Years Financial Summary" on page 112 of this annual report.

## MANAGEMENT CONTRACTS

No contract of significance concerning the management and administration of the whole or any substantial part of business of the Group was entered into or existed during the year under review.

## RELATED PARTY TRANSACTIONS

Details of material related party transactions undertaken in the normal commercial terms and in the ordinary course of business of the Group are provided under note 26 to the consolidated financial statements. Upon the Listing, the related party transactions disclosed in note 26(b)(i) to the consolidated financial statements in this annual report constitute de minimis continuing connected transactions of the Company and are fully exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Save as disclosed herein and in the paragraph headed "Continuing Connected Transaction" below, none of them constituted a one-off connected transaction or continuing connected transaction as defined under Chapter 14A of the Listing Rules.

## CONTINUING CONNECTED TRANSACTION

For the Year, the Group has entered into the following continuing connected transaction as stated in note 26 to the consolidated financial statements in this annual report.

Prof Kiu International Limited ("**Prof Kiu**"), a company wholly owned by Mr. Choy Chi Fai and Ms. Ho Ka Man, the executive Directors, as landlord entered into a tenancy agreement with Truth & Faith, as tenant, pursuant to which Prof Kiu agreed to lease premises of unit C, 3/F., King Win Factory Building, Nos. 65–67 King Yip Street, Kowloon, Hong Kong to Truth & Faith for a term of 2 years commencing on 1 July 2016 and expiring on 30 June 2018 (both days inclusive) at a monthly rental fee of HK$50,000 (the "**Tenancy Agreement**").

Given that each of Mr. Choy Chi Fai and Ms. Ho Ka Man is an executive Director, and that the Tenancy Agreement was entered into by the Group on the one hand, and a company ultimately and beneficially owned as to 100% by Mr. Choy Chi Fai and Ms. Ho Ka Man on the other hand, upon the Listing, the Tenancy Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

The rental fee for the Tenancy Agreement during the year under review were HK$540,000 and were paid to Prof Kiu in accordance with the terms of the Tenancy Agreement. The Directors (including the INEDs) are of the opinion that the above transaction was entered into during our ordinary and normal course of business on normal commercial terms, and the terms of the Tenancy Agreement are fair and reasonable.

As disclosed in the Prospectus, upon the Listing, the transaction contemplated under the Tenancy Agreement constitute de minimis continuing connected transaction of the Company and are fully exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## SUBSIDIARIES

The particulars regarding the subsidiaries of the Company are set out in note 28 to the consolidated financial statements in this annual report.

## BANK BORROWINGS

The particulars of bank borrowings of the Group as at 31 March 2017 are set out in note 21 to the consolidated financial statements in this annual report.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the Period.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or under the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated.

## SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Directors, the percentage of the Shares which are in the hands of the public is not less than 25% of the Company's total number of issued Shares from the Listing Date up to the date of this annual report.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Having been made specific enquiries of all Directors by the Company, all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the Period.

## CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practises are set out in the Corporate Governance Report on pages 24 to 35 of this annual report.

## EMOLUMENT POLICY OF THE GROUP

The emolument policy of the senior employees of the Group is set and recommended by the Remuneration Committee on the basis of the employees' merit, qualifications and competence.

The emoluments of the Directors are formulated and recommended by the Remuneration Committee, having regard to the Company's operating results, individual performance of the Directors and comparable market statistics.

The Company has adopted the Share Option Scheme as an incentive to eligible participants.

## TAX RELIEF

The Company is not aware of any relief on taxation available to the Shareholders by reason of their holdings of the Shares. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in or exercising of any rights in relation to the Shares, they are advised to consult their professional advisers.

## INDEPENDENT AUDITOR

The consolidated financial statements for the Year have been audited by Wellink CPA Limited, which would retire at the conclusion of the forthcoming AGM, and, being eligible, offer themselves for re-appointment. A resolution will be proposed to the Shareholders at the forthcoming AGM to re-appoint Wellink CPA Limited as the auditor of the Company.

## REVIEW BY AUDIT COMMITTEE

The Audit Committee comprises three INEDs, namely Mr. Ko Ming Kin (chairman), Mr. Wan Cho Yee and Dr. Luk Ting Kwong.

The Audit Committee had reviewed the audited consolidated financial statements of the Group for the year ended 31 March 2017, including the accounting principles and accounting practices adopted by the Group, and discussed matters relating to auditing, internal controls and risk management system, financial reporting and internal audit function.

## EVENT AFTER THE REPORTING PERIOD

On 23 May 2017, the Group entered into a provisional agreement with an independent party for the acquisition of an industrial property unit for warehouse and ancillary purpose and two car-parking spaces in Hong Kong at a cash consideration of HK$26,500,000 to cope with the expected expansion in the Group's business. The transaction was completed on 28 June 2017. Details of the transaction are contained in the announcement of the Company dated 23 May 2017.

On behalf of the Board

**Choy Chi Fai**
*Chairman, Executive Director and Managing Director*

Hong Kong, 29 June 2017

# Environmental, Social and Governance Report

It is the Group's focus and core value to provide quality health and personal care products which vastly sourced from Australia with active ingredients from extracts of natural resources to our consumers. To achieve this, the Group has implemented the principles of sustainable development at operational levels such as day-to-day operations, strategic planning and investment, in order to create long-term value for Shareholders, stakeholders and communities.

This report contains information for the Group's environmental, social and governance's practices and performance in its daily operations. For the financial year ended 31 March 2017, the Group used selected local and industrial standards and the best practices including the "Environmental, Social and Governance Report Guide" issued by the Stock Exchange to prepare this report and applicable accounting and financial reporting standards in Hong Kong as guidelines.

## ENVIRONMENTAL

### Overview

Sustainable business is one of the fundamental principles in our business ethics. The Group aims to drive its business growth in a sustainable manner and address future plans for improvement on our environmental performance. The focus areas are energy and water usage, waste management, gas emission and packaging material management.

### Energy and water usage efficiency

In active alignment with the Hong Kong governmental policy of reducing our "carbon footprint", we are committed to efficient use of resources and reducing waste relating to energy and water. The Group has implemented the following practices to remind its staff to treasure our resources and aim to reduce the carbon footprint:

i) Turn off the electricity appliances during non-working hours;

ii) LED lighting system and energy-saving appliances will be adopted at the coming new store's decoration and existing store's renovation;

iii) In order to maximize the duration of equipment in stores and office, remind our staff regularly to be self-disciplined and enforce a good practice in maintenance of all equipment in the workplace;

iv) Office and all stores where water supply and discharge are controlled by the building management so that water usage was not included within our scope of emission.

### Use of Resources and Solid Waste

Ausupreme makes every effort to save the use of resources, recycle materials, as well as to reduce the generation of waste by implementing different practices internally.

i) Promoting the concept of "paperless" with the use of electronic copies of documents;

ii) Double-side printing is recommended;

iii) Employees are reminded to photocopy wisely;

iv) Recycling used paper;

v) Reusing and recycling carton boxes;

vi) Reusing furniture, decoration and display material of stores and exhibitions.

### Hazardous Material

In view of the Group's business nature, Ausupreme is not aware of any significant generation of hazardous waste.

### Gas Emission

The gas emission of the Group is indirect and is mainly from the power station generating electricity. Based on an average carbon dioxide emission of 0.54kg per unit of electricity as provided by an electricity company, the projected carbon dioxide emission by running our specialty stores and office of the Group was approximately 81 tonnes.

### Packaging

During the Year, the majority of packing materials for Ausupreme's products were provided by suppliers so the retrieval of the relevant data is not feasible.

To reduce the carbon footprint and endeavour to save the planet, Ausupreme encourage our customers to minimize the usage of the plastic shopping bags and bring their own bags although the Hong Kong government has imposed the plastic shopping bag charging scheme.

## EMPLOYMENT AND LABOUR PRACTICES

Employees are the most important asset of our Group. Ausupreme believes that its long-term success depends on the contribution of each and every individual in the organization. We have provided our employees with a variety of benefits and trainings for long term career development. As at 31 March 2017, the Group had 198 employees in Hong Kong, Macau and the Mainland China.

### Employment Policy

The Group strictly complies with the relevant labour laws and regulations of the region or country in which the subsidiaries of the Group are located.

During recruitment and staff promotion, we provide equal opportunity to all people regardless of sex, marital status, family status or disability. Our judgement is based on qualifications, experience, skills, potential and performance. We strive to retain employees as they are our most valuable assets; however, in case of voluntary resignation or dismissal, we follow the termination of employment requirement as stipulated in the relevant labour laws and regulations.

It is the Group's policy not to employ child and forced labour and to strictly adhere to relevant laws and regulations relating to preventing child and forced labour.

### Training

The Group provides internal trainings for our staff regularly and external training programmes from time to time. Sufficient internal trainings such as product information, store operation and procedures, sales and marketing techniques, customer interaction and service skills are available for our employees to build up a wealth of idea. Case-by-case external training is subject to management discussion to determine the need and suitability of training to employees. External training such as first aid training, training for food safety and trade consultation were assessed by the management and provided to staff on a need basis.

### Occupational Health and Safety

Providing a safe and healthy working environment is one of our top priorities because we strive to protect all employees and prevent them from occupational injuries. The Group has implemented all necessary measures to comply with Occupational Safety and Health legislations.

The Group has adopted the principal health and safety measures as follows:

i) Conducted regular and thorough inspections to identify occupational hazards and eliminate the risks;

ii) Raised employees' awareness of importance of occupational safety and health;

iii) Provided occupational health and safety training.

### Employees' Salaries and Benefits

Pay rates of the employees are largely based on industry practice and the performance of individual employee. In addition to salary and commissions payment to staff, the Group also provides its employees with a range of benefits, including share option scheme, discretionary bonus, provident fund benefits, employee insurance, staff discount on purchases and special leave types such as birthday leave.

### Staff Activities

To reinforce our staff's sense of belonging to Ausupreme and promote work-life balance for our staffs, the Group arranges various kinds of activities every year. This year, we organized a range of activities for our staff, including movie enjoy activity, handmade bread making class, annual dinner, etc.

## OPERATING PRACTICES

### Supply Chain Management

During the Year, we select and source health supplement products, honey and pollen products and personal care products as finished products from our suppliers in Australia.

We understand that both the quality of our products and the stable business relationship with our high quality Australian brand proprietors (who are mainly manufacturers) are essential to our long-term success in forming the core value and focus of our "Ausupreme" brand image. Hence, we have adopted a stringent approach in the selection and sourcing of potential brand proprietors, brands and products as follows:

i) Conducting a preliminary assessment on the brand proprietors' credentials to ascertain their background, production facilities and goodwill and estimate the projected sales of a particular product manufactured and/or supplied by them. The selection criterion for potential brand proprietors are based on factors such as: (a) the extent of brand recognition and awareness of the brand proprietor; (b) quality and market potential of the products; and (c) whether the potential brand proprietors' products fit into Group's brand image as presented to the sales network target retailers and customers;

ii) Obtaining ingredient information and product specifications on the products which the brand proprietors intend our Group to distribute to ensure the products are of industry standards and the ingredients meet the requirements under the relevant laws and regulations; and

iii) Conducting market survey and researches, in order to gather more updated information on, inter alia, consumer preferences on the kind of products, and the quality and safety of the products manufactured and distributed by the potential brand proprietors.

After preliminarily assessing the potential brand proprietors' credentials, reviewing the ingredient information and product specifications as well as conducting the market survey and researches, the Directors would select the brand proprietor, the relevant brand and the product(s) to be managed and developed by the Group after balancing and considering all the factors. We would then enter into exclusive distribution agreements with the brand proprietors.

## Product Responsibility

We require all of our packaging and products suppliers and manufacturers to comply with our Group's policy. We keep our sourcing protocols regularly reviewed and updated in order to maintain a high quality standard and safety of our products and maintain our customer's satisfaction.

### *Product Health and Safety*

The executive Directors and sales and marketing department generally select and procure products based on sales performance and information from our suppliers about their products.

For products from our existing suppliers, our quality control team will obtain the ingredient information and product specifications from the suppliers to ensure the products are of industry standards and the ingredients meet the requirements under the relevant laws and regulations, before we place purchase orders for the products.

The packaging and design of the products will be reviewed internally by our compliance team. The Group will also make modifications and specifications to the design of the packaging and communicate with the brand proprietor to ensure they comply with the rules and regulations of the regions in which the products are sold.

Once the design and packaging of the products have been agreed on, our suppliers will produce and package the products. Quality control team will take product samples from our suppliers for ingredients examination through an external laboratory in Hong Kong to ensure the quality and safety of the products comply with all the relevant rules and regulations in Hong Kong and other relevant jurisdictions. Routine checking on all the products purchased and delivered to us will also be performed, Our suppliers also conduct quality control to ensure the products meet the relevant standards.

We have principally been building our "Ausupreme" brand by identifying, managing, marketing, selling and distributing a wide variety of quality health and personal care products under various brands managed by us. The active ingredients in these health supplement products are primarily extracts from natural resources including plants and animals, which are aimed to enhance the general physical health or specific body functions of the consumers. We regard ourselves as a brand builder and management company focusing on health and personal care products, most of which are sourced from our well-established brand proprietors, produced and packaged either in GMP-certified factories with licences to manufacture therapeutic goods issued by TGA or factory with HACCP certificate granted by SGS Systems and Services Certification Pty Ltd for liquid honey products.

All products of the Group are attached with a clear ingredient declaration and user manual to ensure the customers understand the caution warnings and how to use the products safely. The Group also employs two professional nutritionists to implement direction on technical and regulatory requirements for all products and perform technical review on leaflets, posters and advertisement with reference to local legislations.

We also make sure that no pirated goods, counterfeit goods and knockoff are sold in retail or online stores. We regularly review the internal policies and systems to ensure the related product safety rules and regulations are observed and customers' health is protected.

*Complaint Channel*

We also consider customer feedback as a valuable tool for improving our service. We take customer suggestions seriously and have established a set of procedures for handling customer complaints. The sales and marketing department is responsible for handling customer complaints and enquiries in relation to our products and services in a time manner.

*Privacy*

It is the Group's code of conduct that employees should protect the Group's assets and maintain the privacy of confidential information, including personal information of employees and customers, intellectual property such as copyrights and trademarks and proprietary information, at any time. All employees are required to sign a non-disclosure undertaking when they are employed. Management is responsible for ensuring their subordinates understand and comply the code of conduct. We also provide a reporting channel for staff to report any potential breach of the code.

In the financial year, we had not received any significant cases of unauthorized use or access of intellectual property, personal information of employees and customers' privacy information.

*Anti-corruption*

The Group prohibits any bribery, extortion, fraud and money laundering in our business. For the Group's policies, staff are not allowed to receive or offer any advantage such as money, gift, loan, reward, contract and service from or to any business associates. Investigation will be carried out promptly for any suspected incident of fraud and staff will be dismissed if found to have committed fraud. We also have a whistle-blowing policy and encourage the reporting of any suspected corruption issues. The Group is planning to invite the Hong Kong Independent Commission against Corruption to provide an anti-corruption training to our employees to reinforce their knowledge regarding the importance of anti-corruption.

All employees are required to confirm or declare whether there is a conflict of interest when they sign the employment agreement. In cases when conflict of interest arises afterwards, the relevant staff is required to update and notify the management.

In the financial year, we did not receive any confirmed corruption-related incidents in our operations.

## COMMUNITY INVOLVEMENT

"Contribute to community" is a very important part of Ausupreme's ethos. As a conscientious and responsible company of health supplement products, we care about people's health and well-being, which is why the Group commit to search and provide excellent quality, pure natural health products to customers. Ausupreme also actively participates in community services and supports various kinds charitable organizations.

Ausupreme has participated the Caring Company Scheme over 5 years and is committed to care for the community, employees and environment. We have obtained "5 years+ Caring company" logo successfully.

During the Year, we made donation and sponsorship to some charitable organisations such as The Community Chest of Hong Kong, Love Foundation Limited and Hong Kong Dandelion Hope Foundation, etc.

We had engaged a number of community services or activities and encouraged our staff to participate those activities from time to time, such as visited Xian Yang Herald Children's Home at the Mainland China which was led by the Group's Chairman.

**Wellink CPA Limited**
**匯聯會計師事務所有限公司**

**TO THE SHAREHOLDERS OF AUSUPREME INTERNATIONAL HOLDINGS LIMITED**
*(Incorporated in Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of Ausupreme International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 57 to 111, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

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

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Group's consolidated financial statements of the current period. These matters were addressed in the context of our audit of the Group's consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| ***Revenue recognition*** | |
| **Refer to note 7(a) and note 7(b) to the consolidated financial statements.** | |
| As described in the accounting policies in note 4(n) to the consolidated financial statements, the Group's revenue arises from sale of goods. The revenue recognition for sale of goods is based on the point of time when the risks and rewards attached to the underlying goods are transferred to the customer. Revenue is one of the key indicators of the Group's performance and its recognition has inherent risks of manipulation to meet certain financial targets. | Our audit procedures on revenue recognition included but not limited to the following:<br>— Assessing the appropriateness of the Group's accounting policies for revenue recognition and assessing the compliance of those policies with HKFRSs;<br>— Testing on a sample basis the effectiveness of the Group's monitoring controls and the correct timing of the Group's recognition of revenue; and<br>— Performing the cut-off for sales transactions taking place before and after the year-end to ensure that revenue was recognized in the correct period and assessing the accuracy of the recorded sales transactions.<br>Based on the procedures performed, we found the estimations of management in relation to the timing of recognition of revenue to be supportable by available evidence. |
| **Valuation and impairment of inventories** | |
| **Refer to note 16 to the consolidated financial statements.** | |
| At 31 March 2017, inventories of the Group amounted approximately to HK$14.2 million. As described in the accounting policies in note 4(f) to the consolidated financial statements, inventories are carried at the lower of cost and net realisable value.<br>The Group is engaged in the retail and wholesale of health and personal care products. Management judgement is required for assessing the appropriate level of inventory provision in light of the current challenging business environment.<br>Management identified the slow moving inventory items and determined the net realisable value of the inventories based upon the ageing analysis of the inventories focusing on seasonality and current market conditions. | Our audit procedures on valuation and impairment of inventories included but not limited to the following:<br>— Understanding and evaluating the appropriateness of the basis for management used in estimating the level of provision for inventories by considering the level of inventory write-offs in the prior years, stock aging as at 31 March 2017 and the subsequent sales after year ended 31 March 2017;<br>— Performing analytics on stock holding and inventory movement data to identify products with indication of slow moving or obsolescence; and<br>— Comparing the carrying amount of the inventories, on a sample basis, to their net realisable value through review of sales of the inventories subsequent to the year end to check the completeness and accuracy of the associated provision. Where there are no subsequent sales of the respective inventories after the year end, we challenged management as to the realisable value of the inventories, corroborating explanations with the aging and marketability of the respective inventories, as appropriate.<br>Based on the procedures performed, we found the estimations of management in relation to the impairment assessment of inventories to be supportable by available evidence. |

## OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

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 identified above when it becomes available 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.

## RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The audit committee ("Audit Committee") are responsible for overseeing the Group's financial reporting process on behalf of the Board of Directors.

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

**WELLINK CPA Limited**
*Certified Public Accountants*

**CHAN YAN TING**

Practising Certificate Number P06380
Hong Kong, 29 June 2017

# Consolidated Statement of Profit or Loss

For the year ended 31 March 2017

| | Note | Year ended 31 March 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| Revenue | 7(a) | **205,250** | 210,840 |
| Cost of sales | | **(30,051)** | (30,498) |
| Gross profit | | **175,199** | 180,342 |
| Other revenue | 8(a) | **317** | 627 |
| Other net losses | 8(b) | **(502)** | — |
| Gain on disposal of a subsidiary | | **—** | 783 |
| Gain on dissolution of a subsidiary | | **—** | 10 |
| Selling and distribution expenses | | **(138,160)** | (134,235) |
| General and administrative expenses | | **(31,209)** | (30,429) |
| Profit from operations | | **5,645** | 17,098 |
| Finance costs | 9(a) | **(302)** | (441) |
| Profit before taxation | 9 | **5,343** | 16,657 |
| Income tax expense | 10 | **(2,261)** | (4,364) |
| Profit for the year attributable to equity owners of the Company | | **3,082** | 12,293 |
| Earnings per share attributable to equity owners of the Company — basic and diluted | 13 | **HK0.46 cents** | HK2.19 cents |
| Dividend | 14 | **7,100** | 10,700 |

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2017

| | Year ended 31 March | |
|---|---|---|
| | **2017** | 2016 |
| | **HK$'000** | HK$'000 |
| Profit for the year | **3,082** | 12,293 |
| Other comprehensive income/(loss) for the year | | |
| Items that may be reclassified subsequently to profit or loss or have been reclassified: | | |
| — Exchange differences on translation of financial statements of overseas subsidiaries | **–** | 199 |
| — Reclassification of exchange reserve upon disposal and dissolution of subsidiaries | **–** | (70) |
| | **–** | 129 |
| Total comprehensive income for the year attributable to equity owners of the Company | **3,082** | 12,422 |

# Consolidated Statement of Financial Position

As at 31 March 2017

| | Note | As at 31 March 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 15 | **3,213** | 3,396 |
| Rental deposits | | **5,821** | 2,902 |
| Deferred tax assets | 24(b) | **1,419** | 1,420 |
| | | **10,453** | 7,718 |
| **Current assets** | | | |
| Inventories | 16 | **14,230** | 9,825 |
| Trade and other receivables | 17 | **26,104** | 33,815 |
| Tax recoverable | 24(a) | **1,826** | 617 |
| Pledged bank deposits | 18 | **–** | 794 |
| Cash and cash equivalents | 19 | **112,303** | 31,655 |
| | | **154,463** | 76,706 |
| **Current liabilities** | | | |
| Trade and other payables | 20 | **12,376** | 9,047 |
| Bank borrowings | 21 | **–** | 12,850 |
| Obligations under finance leases | 22 | **–** | 62 |
| Provisions | 23 | **145** | 317 |
| | | **12,521** | 22,276 |
| **Net current assets** | | **141,942** | 54,430 |
| **Total assets less current liabilities** | | **152,395** | 62,148 |

# Consolidated Statement of Financial Position

As at 31 March 2017

| | Note | As at 31 March 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Provisions | 23 | **409** | 193 |
| | | **409** | 193 |
| **NET ASSETS** | | **151,986** | 61,955 |
| **CAPITAL AND RESERVES** | 25 | | |
| Share capital | | **7,500** | 59 |
| Reserves | | **144,486** | 61,896 |
| **Total equity attributable to equity owners of the Company** | | **151,986** | 61,955 |

The consolidated financial statements on pages 57 to 111 were approved by the board of Directors on 29 June 2017 and were signed on its behalf.

**CHOY CHI FAI**
*Director*

**HO KA MAN**
*Director*

# Consolidated Statement of Changes in Equity

For the year ended 31 March 2017

| | Attributable to equity owners of the Company | | | | | |
|---|---|---|---|---|---|---|
| | Share Capital | Share Premium | Capital reserve | Exchange reserve | Retained earnings | Total |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Balance at 1 April 2015 | 59 | — | — | (129) | 58,757 | 58,687 |
| Changes in equity for 2015/16: | | | | | | |
| Profit for the year | — | — | — | — | 12,293 | 12,293 |
| Other comprehensive income/(loss) for the year | | | | | | |
| — Exchange differences on translation of financial statements of overseas subsidiaries | — | — | — | 199 | — | 199 |
| — Reclassification of exchange reserve upon disposal and dissolution of subsidiaries | — | — | — | (70) | — | (70) |
| Total comprehensive income for the year | — | — | — | 129 | 12,293 | 12,422 |
| Deemed contribution | — | — | 1,546 | — | — | 1,546 |
| Interim dividend | — | — | — | — | (10,700) | (10,700) |
| Balance at 31 March 2016 | 59 | — | 1,546 | — | 60,350 | 61,955 |
| Balance at 1 April 2016 | **59** | **—** | **1,546** | **—** | **60,350** | **61,955** |
| Changes in equity for 2016/17: | | | | | | |
| Total comprehensive income for the year | **—** | **—** | **—** | **—** | **3,082** | **3,082** |
| Arising from reorganization (note 25) | **(59)** | **59** | **—** | **—** | **—** | **—** |
| Issue of shares (note 25) | **1,875** | **101,250** | **—** | **—** | **—** | **103,125** |
| Capitalization issue (note 25) | **5,625** | **(5,625)** | **—** | **—** | **—** | **—** |
| Expenses incurred in connection in the issue of shares | **—** | **(9,076)** | **—** | **—** | **—** | **(9,076)** |
| Interim dividend | **—** | **—** | **—** | **—** | **(7,100)** | **(7,100)** |
| Balance at 31 March 2017 | **7,500** | **86,608** | **1,546** | **—** | **56,332** | **151,986** |

# Consolidated Statement of Cash Flows

For the year ended 31 March 2017

| | Note | Year ended 31 March 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit before taxation | | **5,343** | 16,657 |
| Adjustments for: | | | |
| Depreciation | | **1,208** | 1,412 |
| Interest income | | **(93)** | (282) |
| Finance costs | | **302** | 441 |
| Loss on write-off of property, plant and equipment | | **285** | 176 |
| Gain on disposal of a subsidiary | | **–** | (783) |
| Gain on dissolution of a subsidiary | | **–** | (10) |
| Net foreign exchange difference | | **–** | 151 |
| | | **7,045** | 17,762 |
| Changes in working capital: | | | |
| (Increase)/decrease in inventories | | **(4,405)** | 1,308 |
| Decrease/(increase) in trade and other receivables | | **4,792** | (3,183) |
| Increase in trade and other payables | | **3,329** | 1,553 |
| Increase/(decrease) in provisions | | **44** | (55) |
| Changes in amount due to/from a related company | | **–** | 38 |
| **Cash generated from operations** | | **10,805** | 17,423 |
| Hong Kong profits tax paid | | **(3,143)** | (8,099) |
| Overseas profits tax paid | | **(326)** | (361) |
| **Net cash generated from operating activities** | | **7,336** | 8,963 |

| | Note | Year ended 31 March 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| **Investing activities** | | | |
| Payment for purchase of property, plant and equipment | | **(1,310)** | (688) |
| Proceeds from disposal of property, plant and equipment | | **—** | 4,300 |
| Decrease/(increase) in pledged bank deposits | | **794** | (285) |
| Net cash outflow arising from disposal of a subsidiary | | **—** | (254) |
| Decrease in amounts due from controlling shareholders | | **—** | 801 |
| Interest received | | **93** | 282 |
| **Net cash (used in)/generated from investing activities** | | **(423)** | 4,156 |
| **Financing activities** | | | |
| Net proceed from issue of shares | | **94,049** | — |
| Repayment of bank loans | | **(12,850)** | (2,180) |
| Capital element of finance lease rentals paid | | **(62)** | (65) |
| Interest element of finance lease rentals paid | | **(2)** | (5) |
| Other borrowing costs paid | | **(300)** | (436) |
| Increase in amounts due to controlling shareholders | | **—** | 639 |
| Dividend paid to the controlling shareholders | | **(7,100)** | (20,700) |
| **Net cash generated from/(used in) financing activities** | | **73,735** | (22,747) |
| Net increase/(decrease) in cash and cash equivalents | | **80,648** | (9,628) |
| Cash and cash equivalents at the beginning of the year | | **31,655** | 41,287 |
| Effect of changes in foreign exchange rate | | **—** | (4) |
| **Cash and cash equivalents at the end of the year** | 19 | **112,303** | 31,655 |

# Notes to the Consolidated Financial Statements

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 17 April 2015 with limited liability. The address of its registered office is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business is Office E, 28/F, EGL Tower, 83 Hung To Road, Kwun Tong, Kowloon, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 September 2016.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 28 to the consolidated financial statements.

These consolidated financial statements are presented in Hong Kong dollars ("HK$") which is same as the functional currency of the Company and all values are rounded to the nearest thousand except when otherwise indicated.

## 2. GROUP REORGANIZATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Pursuant to the reorganization of the Company and its subsidiaries now comprising the Group on 30 June 2016 to rationalise the Group structure (the "Reorganization") in preparation for the listing of the shares on the Main Board of the Stock Exchange, the Company became the holding company of the Group. Details of the Reorganization are fully explained in the paragraphs headed the "Reorganization" of the section headed the "History, Reorganization and Corporate Structure" in the prospectus of the Company dated 30 August 2016 (the "Prospectus") in connection with the listing.

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 included the results and cash flows of the companies now comprising the Group are prepared as if the current group structure had been in existence throughout the years ended 31 March 2016 and 2017 or since their respective dates of incorporation or establishment to 31 March 2017, whichever is the shorter period. The consolidated statement of financial position of the Group as at 31 March 2016 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at 31 March 2016.

## 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2016. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years. The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

## 4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

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

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 5 to the consolidated financial statements.

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

### (a) Consolidation

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (a) Consolidation (Continued)

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

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

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

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

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and equity owners of the Company.

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

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the equity owners of the Company.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (b) Business combination and goodwill

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

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

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

If the changes in the value of the previously held equity interest in the subsidiary were recognized in other comprehensive income (for example, available-for-sale investment), the amount that was recognized in other comprehensive income is recognized on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy note 4(s) below. Impairment losses of goodwill are recognized in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at their acquisition-date fair value the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (b) Business combination and goodwill (Continued)

*(i) Business combinations involving entities under common control*

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets and liabilities obtained are measured at the carrying amounts as recorded by the entity being combined at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of consideration paid for the combination (or the total face value of shares issued) is adjusted to equity. The combination date is the date on which one combining entity effectively obtains control of the other combining entities.

*(ii) Business combinations involving entities not under common control*

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination. The acquirer, at the acquisition date, allocates the cost of the business combination by recognising the acquiree's identifiable assets, liabilities and contingent liabilities at their fair value at that date.

### (c) Foreign currency translation

*(i) Functional and presentation currency*

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

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

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

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Foreign currency translation (Continued)

#### *(iii) Translation on consolidation*

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

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

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

— All resulting exchange differences are recognized in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognized in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognized in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

### (d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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

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

— Leasehold land classified as held under finance leases is depreciated over the unexpired term of lease.

— Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years.

| | |
|---|---|
| — Leasehold improvements | The shorter of lease term and 5 years |
| — Furniture and fixtures | 5 years |
| — Motor vehicles | 3 years |

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (d) Property, plant and equipment (Continued)

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

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

### (e) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

#### *(i) Classification of assets leased to the Group*

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

#### *(ii) Assets acquired under finance leases*

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 4(d). Impairment losses are accounted for in accordance with the accounting policy as set out in note 4(s). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

#### *(iii) Operating lease charges*

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognized in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in, first-out basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

### (g) Recognition and derecognition of financial instruments

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

Financial assets are derecognized when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid is recognized in profit or loss.

### (h) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognized in profit or loss.

Impairment losses are reversed in subsequent periods and recognized in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognized, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortized cost would have been had the impairment not been recognized.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (i) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

### (j) Financial liabilities and equity instruments

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

### (k) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred, and subsequently measured at amortized cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

### (l) Trade and other payables

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

### (m) Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between the amount initially recognized and redemption value being recognized in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

### (n) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss as follows:

#### *(i) Sale of goods*

Revenue is recognized when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

#### (ii) Interest income

Interest income is recognized as it accrues using the effective interest method.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (o) Employee benefits

#### *(i) Short term employee benefits*

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the reporting period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

#### *(ii) Retirement benefits*

Contributions to defined contribution retirement plans are recognized as an expense in profit or loss as incurred.

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

The entity within the Group in the PRC participates in PRC local retirement schemes organised by relevant government authorities for its employees in the PRC and contributes to these schemes based on certain percentage of the salaries of the employees on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities. The government authorities undertake to assume the retirement contribution obligations payable to all existing and future retired employees under these schemes. Contributions to these schemes vest immediately.

The entity within the Group in Macau also participates in a central social security scheme operated by the Macao Special Administrative Region Government. The subsidiary operating in Macau is required to make contributions for its employees who are registered as residents to the central social security scheme. Contributions to this scheme vest immediately.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization is determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

### (q) Taxation

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

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

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (q) Taxation (Continued)

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

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

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (r) Related parties

A related party is a person or entity that is related to the Group.

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

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

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (s) Impairment of assets

#### *(i) Impairment of trade and other receivables*

Trade and other receivables that are stated at cost or amortized cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganization; and

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognized in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognized in respect of trade receivables included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognized in profit or loss.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (s) Impairment of assets (Continued)

*(ii) Impairment of other assets*

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that property, plant and equipment may be impaired or, an impairment loss previously recognized no longer exists or may have decreased:

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the reporting period in which the reversals are recognized.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (t) Provisions and contingent liabilities

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

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

### (u) Events after the reporting period

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

### (v) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified collectively as the top management that makes strategic decisions. The executive directors are the top management of the Group.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

## 5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

### Key sources of estimation uncertainty

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

*(a) Impairment for property, plant and equipment*

If circumstances indicate that the carrying amounts of property, plant and equipment may not be recoverable, the assets may be considered "impaired", and an impairment loss may be recognized to reduce the carrying amounts to the recoverable amount in accordance with the accounting policy for impairment of these assets as described in note 4(s)(ii). The recoverable amount is the greater of the fair value less costs of disposal and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of revenue and amount of operating costs. Management uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and amount of operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

*(b) Assessment of economic useful lives of property, plant and equipment*

Management estimates the useful lives of property, plant and equipment based on the periods over which the assets are expected to be available for use. Management reviews annually their estimated useful lives, based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property, plant and equipment would increase depreciation charges and decrease the carrying amount of property, plant and equipment.

## 5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

### Key sources of estimation uncertainty (Continued)

*(c) Impairment for trade receivables*

Management estimates impairment losses for trade receivables (which are recorded in an allowance account for doubtful debts) resulting from the inability of the customers to make the required payments. Management bases its estimates on the ageing of the trade receivables balance, customer credit-worthiness and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than expected and could significantly affect the results in future periods.

*(d) Net realisable value of inventories*

As described in note 4(f), net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market conditions and the historical experience of selling the products with similar nature. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down made in prior periods and affect the Group's net assets value. Management reassesses these estimates at the end of each reporting period to ensure inventories are shown at the lower of cost and net realisable value.

*(e) Recognition of income taxes and deferred tax assets*

Determining income tax provision involves judgement on the future tax treatment of certain transactions. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognized in respect of deductible temporary differences, unused tax losses and unused tax credits. As those deferred tax assets can only be recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax loses and unused tax credits can be utilized, management's judgement is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognized if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

## 6. FINANCIAL RISK MANAGEMENT

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

### (a) Credit risk

The Group's credit risk mainly arise from cash and cash equivalent, trade and other receivables and pledged bank deposits.

In respect of trade and other receivables, individual credit evaluations are performed on all customers and debtors requiring credit over a certain amount. These evaluations focus on the past history of making payments of the customers/debtors when due and current ability to pay, and take into account information specific to the customers/debtors as well as pertaining to the economic environment in which the customers/debtors operate.

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Given their high credit ratings, management does not expect any of these financial institutions will fail to meet their obligations.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer/debtor rather than the industry or country in which the customers/debtors operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers/debtors. As at 31 March 2017, 44% (2016: 29%) of the trade debtors, respectively, were due from the Group's largest customers and consignees; and 94% (2016: 91%) of the trade debtors, respectively, were due from the Group's five largest customers and consignees.

The Group does not provide any guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 17.

## 6. FINANCIAL RISK MANAGEMENT (Continued)

### (b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

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

| | As at 31 March 2017 | | | | | |
|---|---|---|---|---|---|---|
| | On demand or within 1 year | More than 1 year but less than 2 years | More than 2 years but less than 5 years | More than 5 years | Total | Carrying Amount |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Trade and other payables | **12,376** | **—** | **—** | **—** | **12,376** | **12,376** |

| | As at 31 March 2016 | | | | | |
|---|---|---|---|---|---|---|
| | On demand or within 1 year | More than 1 year but less than 2 years | More than 2 years but less than 5 years | More than 5 years | Total | Carrying Amount |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Trade and other payables | 9,047 | — | — | — | 9,047 | 9,047 |
| Bank borrowings | 12,850 | — | — | — | 12,850 | 12,850 |
| Obligations under finance leases | 64 | — | — | — | 64 | 62 |
| | 21,961 | — | — | — | 21,961 | 21,959 |

## 6. FINANCIAL RISK MANAGEMENT (Continued)

### (c) Interest rate risk

The Group's interest rate risk arises primarily from bank borrowings. Bank borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The interest rate profile of the Group's bank borrowings were:

| | | As at 31 March | |
|---|---|---|---|
| | | **2017** | 2016 |
| | Note | **HK$'000** | HK$'000 |
| Variable rate instruments | | | |
| Financial liabilities — bank borrowings | 21 | **–** | (12,850) |

As at 31 March 2017, it is estimated that a general increase/decrease of 100 basis points in interest rates for bank borrowings, with all other variables held constant, would increase/decrease the Group's profit for the year and retained earnings by approximately HK$Nil (2016: HK$107,000).

The sensitivity analysis above indicates annualised impact on the Group's profit after taxation (and retained earnings) that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to floating rate instruments which expose the Group to cash flow interest rate risk at that date. The analysis has been performed on the same basis for the year ended.

## 6. FINANCIAL RISK MANAGEMENT (Continued)

### (d) Currency risk

#### *(i) Exposure to currency risk*

For presentation purposes, the Group's financial information is shown in HK$. The companies within the Group, whose functional currencies are different from HK$, have translated their financial information into HK$ for combination purpose.

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Japanese yen, Australian dollars and Renminbi.

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in HK$, translated using the spot rate at the reporting dates.

| | **Exposure to foreign currencies (expressed in HK$) As at 31 March** | | | | | |
|---|---|---|---|---|---|---|
| | **2017** | | | 2016 | | |
| | **Japanese yen HK$'000** | **Australian dollars HK$'000** | **Renminbi HK$'000** | Japanese yen HK$'000 | Australian dollars HK$'000 | Renminbi HK$'000 |
| Trade and other receivables | **—** | **616** | **571** | — | — | — |
| Cash and cash equivalents | **349** | **5,706** | **57** | 345 | 5,665 | 41 |
| Trade and other payables | **—** | **(3,307)** | **(222)** | — | (3,045) | — |
| Gross exposure arising from recognized assets and liabilities | **349** | **3,015** | **406** | 345 | 2,620 | 41 |

## 6. FINANCIAL RISK MANAGEMENT (Continued)

### (d) Currency risk (Continued)

*(ii) Sensitivity analysis*

The following table indicates the instantaneous change in the Group's profit after taxation and retained earnings that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

| | As at 31 March | | | |
|---|---|---|---|---|
| | **2017** | | 2016 | |
| | **Increase/ (decrease) in foreign exchange rates** | **Effect on profit after taxation and retained earnings HK$'000** | Increase/ (decrease) in foreign exchange rates | Effect on profit after taxation and retained earnings HK$'000 |
| Australian dollars | **5%** | **126** | 5% | 109 |
| | **(5)%** | **(126)** | (5)% | (109) |
| Renminbi | **5%** | **17** | 5% | 2 |
| | **(5)%** | **(17)** | (5)% | (2) |
| Japanese yen | **5%** | **14** | 5% | 14 |
| | **(5)%** | **(14)** | (5)% | (14) |

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after taxation and equity measured in the respective functional currency, translated to HK$ at the exchange rate ruling at the end of the reporting periods for presentation purposes. The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting periods, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currency of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency.

## 6. FINANCIAL RISK MANAGEMENT (Continued)

### (e) Financial instruments by category

The table below is an analysis of the carrying amounts of financial instruments by category as at the end of each of the year ended:

| | As at 31 March | |
|---|---|---|
| | **2017** | 2016 |
| | **HK$'000** | HK$'000 |
| *Financial assets* | | |
| **Loans and receivables** | | |
| Trade receivables | **19,730** | 25,196 |
| Refundable deposits | **8,579** | 7,470 |
| Other receivables | **483** | — |
| Pledged bank deposits | **—** | 794 |
| Cash and cash equivalents | **112,303** | 31,655 |
| | **141,095** | 65,115 |
| *Financial liabilities* | | |
| **Financial liabilities measured at amortized cost** | | |
| Trade payables | **3,972** | 3,134 |
| Accrued staff costs | **6,230** | 4,625 |
| Other accruals and payables | **2,174** | 1,288 |
| Bank borrowings | **—** | 12,850 |
| | **12,376** | 21,897 |

### (f) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values carried at cost or amortized cost are not materially different from their fair values as at 31 March 2017 and 2016.

## 7. REVENUE AND SEGMENT REPORTING

### (a) Revenue

The principal activities of the Group are retail and wholesale of health and personal care products during the year.

Revenue represents the sales value of goods supplied to customers. The amount of each significant category of revenue during the year is as follows:

| | Year ended 31 March | |
|---|---|---|
| | **2017** | 2016 |
| | **HK$'000** | HK$'000 |
| Health supplement products | **188,655** | 197,373 |
| Honey and pollen products | **6,923** | 7,203 |
| Personal care products | **9,672** | 6,264 |
| | **205,250** | 210,840 |

### (b) Segment reporting

HKFRS 8 "Operating Segments" requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the Group's chief operating decision maker (i.e., the board of directors of the Company) for the purpose of resources allocation and performance assessment. On this basis, the Group has determined that it only has one operating segment which is the retail and wholesale of health and personal care products.

#### *(i) Information about geographical area*

The following table sets out information about the geographical location of the Group's revenue from external customers and the Group's property, plant and equipment ("specified non-current assets"). The geographical location of customers is based on the location at which the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset.

The geographical information of the Group's revenue from external customers for the years ended 31 March 2017 and 2016 and specified non-current assets as at 31 March 2017 and 2016 is set out below:

| | Revenue from external customers<br>Year ended 31 March | |
|---|---|---|
| | **2017** | 2016 |
| | **HK$'000** | HK$'000 |
| Hong Kong (place of domicile) | **179,554** | 185,944 |
| Mainland China | **1,772** | 45 |
| Singapore | **653** | 1,021 |
| Macau | **23,271** | 23,830 |
| | **205,250** | 210,840 |

## 7. REVENUE AND SEGMENT REPORTING (Continued)

### (b) Segment reporting (Continued)

*(i) Information about geographical area (Continued)*

| | Specified non-current assets As at 31 March | |
|---|---|---|
| | **2017** | 2016 |
| | **HK$'000** | HK$'000 |
| Hong Kong (place of domicile) | **3,074** | 3,361 |
| Mainland China | **116** | — |
| Macau | **23** | 35 |
| | **3,213** | 3,396 |

*(ii) Information about major customers and consignees*

No revenue from the single customer contributed more than 10% of the Group's revenue for the year. In addition, revenue from the Group's consignees of the corresponding years contributing over 10% of the Group's revenue is as follows:

| | Year ended 31 March | |
|---|---|---|
| | **2017** | 2016 |
| | **HK$'000** | HK$'000 |
| Consignee A | **94,284** | 90,899 |
| Consignee B | **40,764** | 42,833 |

## 8. OTHER REVENUE AND OTHER NET LOSSES

### (a) Other revenue

| | Year ended 31 March | |
|---|---|---|
| | **2017** | 2016 |
| | **HK$'000** | HK$'000 |
| Bank interest income on bank deposits | **93** | 282 |
| Others | **224** | 345 |
| | **317** | 627 |

### (b) Other net losses

| | Year ended 31 March | |
|---|---|---|
| | **2017** | 2016 |
| | **HK$'000** | HK$'000 |
| Loss on write-off of property, plant and equipment | **(285)** | — |
| Net foreign exchange losses | **(217)** | — |
| | **(502)** | — |

## 9. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

### (a) Finance costs

| | Year ended 31 March | |
|---|---|---|
| | **2017** | 2016 |
| | **HK$'000** | HK$'000 |
| Total interest expense on financial liabilities not at fair value through profit or loss: | | |
| Interest on bank borrowings wholly repayable within five years | **300** | 436 |
| Finance charges on obligations under finance leases | **2** | 5 |
| | **302** | 441 |

## 9. PROFIT BEFORE TAXATION (Continued)

### (b) Staff costs (including directors' remuneration)

| | Year ended 31 March | |
|---|---|---|
| | **2017** | 2016 |
| | **HK$'000** | HK$'000 |
| Contributions to defined contribution retirement plans | **1,656** | 1,590 |
| Salaries, wages and other benefits | **42,282** | 36,936 |
| | **43,938** | 38,526 |

### (c) Other items

| | Year ended 31 March | |
|---|---|---|
| | **2017** | 2016 |
| | **HK$'000** | HK$'000 |
| Depreciation for property, plant and equipment | **1,208** | 1,412 |
| Operating lease charges in respect of properties | | |
| — minimum lease payments | **16,788** | 17,403 |
| — contingent rent | **—** | 1 |
| Net foreign exchange losses | **217** | 1,164 |
| Loss on write-off of property, plant and equipment | **285** | 176 |
| Auditors' remuneration | **600** | 624 |
| Cost of inventories (Note 16) | **30,051** | 30,498 |
| Donations | **1,196** | 96 |
| Listing expenses | **7,477** | 13,049 |

## 10. INCOME TAX EXPENSE

(a) Income tax in the consolidated statement of profit or loss represents:

| | Year ended 31 March | |
|---|---|---|
| | **2017** | 2016 |
| | **HK$'000** | HK$'000 |
| Current tax — Hong Kong Profits Tax | | |
| Provision for the year | **1,772** | 4,229 |
| Over-provision in respect of prior years | **(40)** | (50) |
| | **1,732** | 4,179 |
| Current tax — Overseas | | |
| Provision for the year | **528** | 368 |
| Deferred tax | | |
| Origination and reversal of temporary differences | **1** | (183) |
| Total | **2,261** | 4,364 |

The provision for Hong Kong Profits Tax for each of the year ended is calculated at 16.5% of the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

| | Year ended 31 March | |
|---|---|---|
| | **2017** | 2016 |
| | **HK$'000** | HK$'000 |
| Profit before taxation | **5,343** | 16,657 |
| Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned | **1,283** | 2,606 |
| Tax effect of non-deductible expenses | **1,113** | 2,212 |
| Tax effect of non-taxable income | **(43)** | (177) |
| Over-provision in prior years | **(40)** | (50) |
| Others | **(52)** | (227) |
| Actual tax expense | **2,261** | 4,364 |

## 11. DIRECTORS' REMUNERATION

The remuneration of the directors for the year is set out below:

### For the year ended 31 March 2017

| | Directors' fees HK$'000 | Salaries, allowances and benefits in kind HK$'000 | Contribution to defined contribution plan HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **Executive directors** | | | | |
| Mr. Choy Chi Fai | — | 615 | 8 | 623 |
| Ms. Ho Ka Man | — | 615 | 8 | 623 |
| Mr. Ho Chun Kit, Saxony | — | 1,015 | 18 | 1,033 |
| Mr. Au Chun Kit | — | 835 | 18 | 853 |
| **Independent non-executive directors** | | | | |
| Dr. Luk Ting Kwong | 100 | — | — | 100 |
| Mr. Ko Ming Kin | 200 | — | — | 200 |
| Mr. Wan Cho Yee | 100 | — | — | 100 |
| | 400 | 3,080 | 52 | 3,532 |

### For the year ended 31 March 2016

| | Directors' fees HK$'000 | Salaries, allowances and benefits in kind HK$'000 | Contribution to defined contribution plan HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **Executive directors** | | | | |
| Mr. Choy Chi Fai | — | — | — | — |
| Ms. Ho Ka Man | — | — | — | — |
| Mr. Ho Chun Kit, Saxony | — | 868 | 18 | 886 |
| Mr. Au Chun Kit | — | 695 | 18 | 713 |
| | — | 1,563 | 36 | 1,599 |

Note: No director received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the year. No director waived or agreed to waive any emoluments during the year.

## 12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, 2 (2016: 2) are directors of the Company for the year, whose emoluments are disclosed in note 11. The aggregate of the emoluments in respect of the remaining individuals are as follows:

| | Year ended 31 March | |
|---|---|---|
| | **2017** | 2016 |
| | **HK$'000** | HK$'000 |
| Salaries and other emoluments | **2,205** | 2,028 |
| Contributions to retirement benefits schemes | **54** | 54 |
| | **2,259** | 2,082 |

The emoluments of the above individuals with the highest emoluments are within the following bands:

| | Year ended 31 March | |
|---|---|---|
| | **2017** | 2016 |
| | **Number of individuals** | Number of individuals |
| HK$Nil–HK$1,000,000 | **3** | 3 |

No emoluments were paid or payable by the Group to these employees as an inducement to join or upon joining the Group or as compensation for loss of office during the year.

## 13. EARNINGS PER SHARE

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

| | **2017** | 2016 |
|---|---|---|
| Profit attributable to equity owners of the Company (HK$'000) | **3,082** | 12,293 |
| Weighted average number of ordinary shares issue ('000 Number of shares) | **665,753** | 562,500 |
| Basic and diluted earnings per shares (HK cents) | **0.46** | 2.19 |

The Group did not have any dilutive potential ordinary shares during the years ended 31 March 2017 and 2016.

## 14. DIVIDEND

| | Year ended 31 March 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| Interim, paid of HK$ | **7,100** | 10,700 |

## 15. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold land and buildings held for own use carried at cost HK$'000 | Leasehold improvements HK$'000 | Furniture and fixtures HK$'000 | Motor vehicles HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| Cost | | | | | |
| At 1 April 2015 | 5,587 | 5,447 | 1,374 | 1,004 | 13,412 |
| Additions | — | 548 | 140 | — | 688 |
| Disposals | (4,933) | (250) | (37) | — | (5,220) |
| Write-off | — | (527) | (27) | — | (554) |
| Disposal of a subsidiary | — | (516) | (113) | — | (629) |
| Exchange adjustments | — | (14) | (3) | — | (17) |
| At 31 March 2016 | 654 | 4,688 | 1,334 | 1,004 | 7,680 |
| At 1 April 2016 | **654** | **4,688** | **1,334** | **1,004** | **7,680** |
| Additions | **—** | **1,121** | **189** | **—** | **1,310** |
| Write-off | **—** | **(798)** | **(23)** | **—** | **(821)** |
| At 31 March 2017 | **654** | **5,011** | **1,500** | **1,004** | **8,169** |

## 15. PROPERTY, PLANT AND EQUIPMENT (Continued)

| | Leasehold land and buildings held for own use carried at cost HK$'000 | Leasehold improvements HK$'000 | Furniture and fixtures HK$'000 | Motor vehicles HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| Accumulated depreciation | | | | | |
| At 1 April 2015 | 753 | 2,294 | 635 | 974 | 4,656 |
| Charge for the year | 46 | 1,068 | 268 | 30 | 1,412 |
| Written back on disposals | (704) | (250) | (26) | — | (980) |
| Written back on write-off | — | (364) | (13) | — | (377) |
| Disposal of a subsidiary | — | (365) | (50) | — | (415) |
| Exchange adjustments | — | (11) | (1) | — | (12) |
| At 31 March 2016 | 95 | 2,372 | 813 | 1,004 | 4,284 |
| At 1 April 2016 | **95** | **2,372** | **813** | **1,004** | **4,284** |
| Charge for the year | **16** | **932** | **260** | **—** | **1,208** |
| Written back on write-off | **—** | **(523)** | **(13)** | **—** | **(536)** |
| At 31 March 2017 | **111** | **2,781** | **1,060** | **1,004** | **4,956** |
| Carrying amount: | | | | | |
| At 31 March 2017 | **543** | **2,230** | **440** | **—** | **3,213** |
| At 31 March 2016 | 559 | 2,316 | 521 | — | 3,396 |

## 16. INVENTORIES

| | As at 31 March | |
|---|---|---|
| | **2017** | 2016 |
| | **HK$'000** | HK$'000 |
| Goods for resale | **14,230** | 9,825 |

The analysis of the amount of inventories recognized as an expense and included in profit or loss is as follows:

| | Year ended 31 March | |
|---|---|---|
| | **2017** | 2016 |
| | **HK$'000** | HK$'000 |
| Carrying amount of inventories sold | **30,051** | 30,498 |
| Write down of inventories | **—** | — |
| | **30,051** | 30,498 |

## 17. TRADE AND OTHER RECEIVABLES

| | As at 31 March | |
|---|---|---|
| | **2017** | 2016 |
| | **HK$'000** | HK$'000 |
| Trade receivables | **19,730** | 25,196 |
| Other receivables | **483** | — |
| Deposits and prepayments | **5,891** | 8,619 |
| | **26,104** | 33,815 |

## 17. TRADE AND OTHER RECEIVABLES (Continued)

### (a) Ageing analysis of trade receivables

The ageing analysis of trade receivables (which are included in trade and other receivables), based on the invoice date, is as follows:

| | As at 31 March | |
|---|---|---|
| | **2017** | 2016 |
| | **HK$'000** | HK$'000 |
| Within 30 days | **8,578** | 8,215 |
| 31–60 days | **6,310** | 5,885 |
| 61–90 days | **2,483** | 5,819 |
| Over 90 days | **2,359** | 5,277 |
| | **19,730** | 25,196 |

Trade receivables are normally due within 30 days to 120 days. Further details on the Group's credit policy are set out in note 6(a).

### (b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (see note 4(s)(i)). At 31 March 2017, none of trade receivables was individually determined to be impaired.

### (c) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

| | As at 31 March | |
|---|---|---|
| | **2017** | 2016 |
| | **HK$'000** | HK$'000 |
| Neither past due nor impaired | **12,632** | 13,435 |
| Less than 30 days past due | **6,977** | 8,861 |
| 31–90 days past due | **121** | 2,888 |
| Over 90 days past due | **–** | 12 |
| | **7,098** | 11,761 |
| | **19,730** | 25,196 |

Receivables that were neither past due nor impaired relate to a range of customers for whom there was no recent history of default.

## 17. TRADE AND OTHER RECEIVABLES (Continued)

### (c) Trade receivables that are not impaired (Continued)

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

## 18. PLEDGED BANK DEPOSITS

Pledged bank deposits represent cash maintained at banks as security for issuance of letters of guarantee to the landlords for certain tenancy agreements entered into by the Group.

## 19. CASH AND CASH EQUIVALENTS

| | As at 31 March | |
|---|---|---|
| | **2017** | 2016 |
| | **HK$'000** | HK$'000 |
| Cash and cash equivalents in the consolidated statement of financial position and consolidated statement of cash flows: | | |
| — Cash at bank and on hand | **112,303** | 31,655 |

## 20. TRADE AND OTHER PAYABLES

| | As at 31 March | |
|---|---|---|
| | **2017** | 2016 |
| | **HK$'000** | HK$'000 |
| Trade payables | **3,972** | 3,134 |
| Accrued staff costs | **6,230** | 4,625 |
| Other accruals and payables | **2,174** | 1,288 |
| | **12,376** | 9,047 |

## 20. TRADE AND OTHER PAYABLES (Continued)

### Ageing analysis of trade payables

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

| | As at 31 March | |
|---|---|---|
| | **2017** | 2016 |
| | **HK$'000** | HK$'000 |
| Within 30 days | **2,969** | 1,085 |
| 31–90 days | **981** | 2,049 |
| Over 90 days | **22** | — |
| | **3,972** | 3,134 |

## 21. BANK BORROWINGS

The bank borrowings are repayable within 1 year or on demand and can be analyzed as follows:

| | As at 31 March | |
|---|---|---|
| | **2017** | 2016 |
| | **HK$'000** | HK$'000 |
| Bank loans (secured and guaranteed) (note) | **–** | 12,850 |
| | **–** | 12,850 |

## 21. BANK BORROWINGS (Continued)

| | As at 31 March 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| Portion of bank loans due for repayment within 1 year* | – | 12,850 |
| Bank loans due for repayment after 1 year* | | |
| After 1 year but within 2 years | – | – |
| After 2 years but within 5 years | – | – |
| Over 5 years | – | – |
| | – | – |
| | – | 12,850 |

* The amounts due are based on the scheduled repayment dates as stipulated in the respective loan agreements.

At 31 March 2016, all the bank loans were classified as current bank borrowings due to the fact that the corresponding loan agreements included a clause that the banks have an unconditional right to call the loans at any time notwithstanding any other terms and maturity as set out in the loan agreements.

Note: As at 31 March 2016, a revolving bank loan of approximately HK$12,850,000 was secured by (1) the property owned by a related company, which is beneficially owned and controlled by the controlling shareholders, and (2) personal guarantees provided by the controlling shareholders. During the year, all the banks borrowings was repaid and charges over the related company's property and personal guarantees was released as at 31 March 2017.

Interest on the bank loan is charged on the outstanding amount at a range of 2.4% to 3.5% per annum over HIBOR.

## 22. OBLIGATIONS UNDER FINANCE LEASES

| | As at 31 March | | | |
|---|---|---|---|---|
| | **2017** | | 2016 | |
| | **Present value of the minimum lease payments HK$'000** | **Total minimum lease payments HK$'000** | Present value of the minimum lease payments HK$'000 | Total minimum lease payments HK$'000 |
| Within 1 year | **–** | **–** | 62 | 64 |
| After 1 year but within 2 years | **–** | **–** | — | — |
| After 2 years but within 5 years | **–** | **–** | — | — |
| Over 5 years | **–** | **–** | — | — |
| | **–** | **–** | 62 | 64 |
| Less: total future interest expenses | | **–** | | (2) |
| Present value of lease obligations | | **–** | | 62 |

## 23. PROVISIONS

The movements in the provision for reinstatement costs are as follows:

| | Year ended 31 March | |
|---|---|---|
| | **2017 HK$'000** | 2016 HK$'000 |
| At the beginning of the year | **510** | 565 |
| Provisions made during the year | **147** | — |
| Amounts utilized during the year | **(103)** | (55) |
| At the end of year | **554** | 510 |
| Less: Non-current portion | **(409)** | (193) |
| Portion classified as current liabilities | **145** | 317 |

Under the terms of the tenancy agreements signed with landlords, the Group shall remove and re-instate the rental premises at the Group's cost upon expiry of the relevant tenancy agreements. Provision is therefore made for the best estimate of the expected reinstatement costs to be incurred.

## 24. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

| | As at 31 March | |
|---|---|---|
| | **2017** | 2016 |
| | **HK$'000** | HK$'000 |
| Provision for Hong Kong Profits Tax for the year | **1,772** | 4,229 |
| Provisional Profits Tax paid | **(4,231)** | (5,275) |
| | **(2,459)** | (1,046) |
| Provision for Overseas tax | **528** | 368 |
| Balance of Overseas tax provision relating to prior year | **105** | 61 |
| Tax recoverable | **(1,826)** | (617) |

(b) Deferred tax assets and liabilities recognized

The components of deferred tax (assets)/liabilities recognized in the consolidated statement of financial position and the movements during the year are as follows:

| **Deferred tax arising from:** | **Unrealized profit arising from intragroup transactions** | **Depreciation allowances in excess of related depreciation** | **Others** | **Total** |
|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| At 1 April 2015 | (1,384) | 284 | (137) | (1,237) |
| Charged/(credited) to profit or loss | 338 | (521) | — | (183) |
| At 31 March 2016 | (1,046) | (237) | (137) | (1,420) |
| At 1 April 2016 | **(1,046)** | **(237)** | **(137)** | **(1,420)** |
| Charged/(credited) to profit or loss | **259** | **(156)** | **(102)** | **1** |
| At 31 March 2017 | **(787)** | **(393)** | **(239)** | **(1,419)** |

## 24. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

### (b) Deferred tax assets and liabilities recognized (Continued)

Reconciliation to the consolidated statement of financial position is as follows:

| | As at 31 March | |
|---|---|---|
| | **2017** | 2016 |
| | **HK$'000** | HK$'000 |
| Net deferred tax assets recognized in the consolidated statement of financial position | **(1,419)** | (1,420) |
| Net deferred tax liabilities recognized in the consolidated statement of financial position | **–** | – |
| | **(1,419)** | (1,420) |

### (c) Deferred tax assets and liabilities not recognized

There were no material unrecognized deferred tax assets and liabilities as at 31 March 2017 and 2016.

## 25. CAPITAL AND RESERVES

### (a) Movement in component of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

## 25. CAPITAL AND RESERVES (Continued)

### (b) Share capital

| | Number of Shares | Share capital HK$'000 |
|---|---|---|
| Ordinary shares of HK$0.01 each in the share capital of the Company ("Share(s)") | | |
| Authorised: | | |
| Upon incorporation (note i) | 38,000,000 | 380 |
| Increased during the period (note ii) | 1,962,000,000 | 19,620 |
| **As at 31 March 2017** | **2,000,000,000** | **20,000** |

| | Number of Shares | Share capital HK$'000 |
|---|---|---|
| Issued and fully paid: | | |
| Opening balance as at 1 April 2016 (note i) | 1 | — |
| Arising from reorganization (note iii) | 9,999 | — |
| Capitalization issue (note iii) | 562,490,000 | 5,625 |
| Issue of shares (note iii) | 187,500,000 | 1,875 |
| **As at 31 March 2017** | **750,000,000** | **7,500** |

Notes:

(i) The Company was incorporated in the Cayman Islands on 17 April 2015 as an exempted company with an authorised capital of HK$380,000, divided into 38,000,000 Shares. On the date of incorporation, 1 Share was allotted and issued to the subscriber to the memorandum and articles of association of the Company, which was later transferred to Beatitudes International Limited ("Beatitudes"), a company incorporated in the British Virgin Islands and wholly owned by the controlling shareholders.

(ii) Pursuant to the written resolution passed by the then sole shareholder of the Company on 20 July 2016, the authorised share capital of the Company was increased from HK$380,000 to HK$20,000,000 by the creation of an additional 1,962,000,000 Shares.

(iii) On 30 June 2016, the Company issued a total of 9,999 Shares to Beatitudes for acquisitions of the entire issued share capitals of certain subsidiaries on the Reorganization.

On 12 September 2016, the Company issued a total of 187,500,000 Shares at HK$0.55 per Share pursuant to the Hong Kong public offering of the Company's Shares. On the same date, the Company allotted and issued 562,490,000 Shares credited as fully paid to the shareholder(s) being on the register of members of the Company at the close of business on 22 August 2016 by capitalising an amount of HK$5,624,900 from the share premium account of the Company.

(iv) All the Shares issued for the year ended 31 March 2017 and 2016 ranked pari passu in all respects with the then existing Shares in issue.

## 25. CAPITAL AND RESERVES (Continued)

### (c) Nature and purpose of reserves

*(i) Capital reserve*

The capital reserve was arisen from waiver of debts owing by the Group to one of the controlling shareholders.

*(ii) Exchange reserve*

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

### (d) Retained earnings available for distribution

The Company was incorporated on 17 April 2015 and has not carried on any business during the year. Accordingly, there were no retained earnings available for distribution to equity owners as at 31 March 2017.

### (e) Dividends

Dividends for the years ended 31 March 2017 and 2016 represented dividends declared by the Company's subsidiary to its then shareholders prior to the Reorganization.

### (f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to capital structure in light of changes in economic conditions.

The Group monitors its capital structure with reference to its debt position. The Group's strategy was to maintain the equity and debt position and ensure there is adequate working capital to service its debt obligation. At 31 March 2017 and 2016, the ratio of the Group's total liabilities over its total assets was 8% and 27%, respectively.

Neither the Company nor any of its subsidiaries are subject to any externally imposed capital requirements.

## 26. MATERIAL RELATED PARTY TRANSACTIONS

For the year ended 31 March 2017, the transactions or balances with the following parties were considered to be related party transactions:

| Name of party | Relationship with the Group |
|---|---|
| Choy Chi Fai ("Mr. Choy") | Executive director and one of the controlling shareholders |
| Ho Ka Man | Executive director and one of the controlling shareholders |
| Ho Chun Kit, Saxony | Executive director of the Company |
| Au Chun Kit | Executive director of the Company |
| Prof Kiu International Limited ("Prof Kiu") | Beneficially owned and controlled by the controlling shareholders |

### (a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 11, is as follows:

| | Year ended 31 March | |
|---|---|---|
| | **2017** | 2016 |
| | **HK$'000** | HK$'000 |
| Salaries, wages and other benefits | **3,080** | 1,563 |
| Contributions to defined contribution retirement plans | **52** | 36 |
| | **3,132** | 1,599 |

Total remuneration is included in "staff costs" (see note 9(b)).

### (b) Other related party transactions

(i) The Group had the following transactions with related parties during the year which the directors consider to be material:

| | Year ended 31 March | |
|---|---|---|
| | **2017** | 2016 |
| | **HK$'000** | HK$'000 |
| Rental expenses | **540** | 360 |

Rental expenses were paid to Prof Kiu in accordance with the terms of underlying contracts. The directors are of the opinion that the above transactions were entered into normal course of business.

## 26. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

### (b) Other related party transactions (Continued)

(ii) Commitments under an operating lease payable to Prof Kiu:

| | As at 31 March | |
|---|---|---|
| | **2017** | 2016 |
| | **HK$'000** | HK$'000 |
| Within 1 year | **600** | 90 |
| After 1 year but within 5 years | **200** | — |
| | **800** | 90 |

The lease related to Prof Kiu runs for an initial period of 2 years and the related commitments are included in note 27.

## 27. OPERATING LEASES COMMITMENTS

### The Group as lessee

At 31 March 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

| | As at 31 March | |
|---|---|---|
| | **2017** | 2016 |
| | **HK$'000** | HK$'000 |
| Within 1 year | **14,950** | 12,161 |
| After 1 year but within 5 years | **7,820** | 6,430 |
| | **22,770** | 18,591 |

The Group leases a number of properties under operating leases. The leases typically run for an initial period of 1 to 3 years, with an option to renew the leases when all terms are renegotiated. Certain rentals for the use of stores are determined by reference to the revenue of the relevant stores for the year and the rentals for certain stores will be escalated by a fixed percentage per annum.

## 28. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 March 2017 are set out below:

| Name of company | Place of incorporation/ operation | Registered/issued and fully paid up capital | Attributable equity interest | | | Principal activities |
|---|---|---|---|---|---|---|
| | | | Group's effective interest | Held by the Company | Held by a subsidiary | |
| Truth & Faith International Limited | Hong Kong | HK$10,000 | 100% | – | 100% | Retail and wholesale of health and personal care products |
| Truth & Faith International (Macau) Limited | Macau | Macau Pataca ("MOP") MOP50,000 | 100% | – | 100% | Retail of health and personal care products in Macau |
| Miracle Natural Products Limited | Hong Kong | HK$2 | 100% | – | 100% | Wholesale of health and personal care products |
| Ausupreme International Limited | Hong Kong | HK$2 | 100% | – | 100% | Holding of trademarks |
| 澳至尊國際貿易(深圳)有限公司 (Note) | People's Republic of China (the "PRC") | HK$5,000,000 | 100% | – | 100% | Trading e-commence, retail and wholesale of health and personal care products in the PRC |
| Faithfulness International Limited | The British Virgin Islands | United States dollars ("US$") US$1,001 | 100% | 100% | – | Investment holding |
| Gentleness International Limited | The British Virgin Islands | US$1,001 | 100% | 100% | – | Investment holding |
| Goodness International Limited | The British Virgin Islands | US$1,001 | 100% | 100% | – | Investment holding |
| Patience International Limited | The British Virgin Islands | US$1,001 | 100% | 100% | – | Investment holding |

Note: 澳至尊國際貿易（深圳）有限公司 is registered as wholly-foreign-owned enterprise under PRC law.

## 29. IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 March 2017, the directors consider the immediate parent of the Group to be Beatitudes International Limited, which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use. The ultimate controlling parties of the Group are Mr. Choy Chi Fai and Ms. Ho Ka Man.

## 30. EVENT AFTER THE REPORTING PERIOD

On 23 May 2017, a subsidiary of the Company entered into a provisional agreement with an independent third party for acquisition of a property at a cash consideration of approximately HK$26,500,000 and the acquisition was completed on 28 June 2017.

## 31. FINANCIAL INFORMATION OF THE COMPANY

### Statement of financial position

*As at 31 March 2017*

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| **Non-current assets** | | |
| Investment in subsidiaries | 31 | — |
| **Current assets** | | |
| Other receivables | 2 | 21 |
| Prepayments | 303 | — |
| Amounts due from subsidiaries | 89,955 | — |
| Cash and cash equivalents | 311 | 1 |
| | 90,571 | 22 |
| **Current liabilities** | | |
| Amounts due to a related company | — | 81 |
| Accruals | 303 | — |
| | 303 | 81 |
| **Net current assets/(liabilities)** | 90,268 | (59) |
| **Net assets/(liabilities)** | 90,299 | (59) |
| **Capital and reserves** | | |
| Share capital | 7,500 | — |
| Reserve (note) | 82,799 | (59) |
| | 90,299 | (59) |

## 31. FINANCIAL INFORMATION OF THE COMPANY (Continued)

### Statement of financial position (Continued)

Note:

Movements of the Company's reserves are as follows:

| | Share premium HK$'000 | Accumulated losses HK$'000 | Total HK$'000 |
|---|---|---|---|
| Loss and total comprehensive expenses for the year | — | (59) | (59) |
| Balance at 31 March 2016 and 1 April 2016 | — | (59) | (59) |
| Capitalization issue | (5,625) | — | (5,625) |
| Issue of shares | 101,250 | — | 101,250 |
| Arising from the reorganization | 31 | — | 31 |
| Expenses incurred in connection with the issue of shares | (9,076) | — | (9,076) |
| Loss and total comprehensive expenses for the year | — | (3,722) | (3,722) |
| Balance at 31 March 2017 | 86,580 | (3,781) | 82,799 |

# Five Years Financial Summary

| | Year ended 31 March 2017 HK$'000 | Year ended 31 March 2016 HK$'000 | Year ended 31 March 2015 HK$'000 | Year ended 31 March 2014 HK$'000 | Year ended 31 March 2013 HK$'000 |
|---|---|---|---|---|---|
| **RESULTS** | | | | | |
| Revenue | **205,250** | 210,840 | 225,788 | 195,461 | 148,956 |
| Profit before taxation | **5,343** | 16,657 | 29,112 | 41,289 | 33,316 |
| Income tax expenses | **(2,261)** | (4,364) | (5,938) | (6,714) | (5,991) |
| Profit for the year attributable to equity owners of the Company | **3,082** | 12,293 | 23,174 | 34,575 | 27,325 |
| Profit and total comprehensive income for the year attributable to equity owners of the Company | **3,082** | 12,422 | 23,031 | 34,589 | 27,325 |

| | As at 31 March 2017 HK$'000 | As at 31 March 2016 HK$'000 | As at 31 March 2015 HK$'000 | As at 31 March 2014 HK$'000 | As at 31 March 2013 HK$'000 |
|---|---|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | | | |
| Total assets | **164,916** | 84,424 | 98,068 | 83,159 | 63,236 |
| Total liabilities | **(12,930)** | (22,469) | (39,381) | (47,503) | (30,937) |
| Net assets | **151,986** | 61,955 | 58,687 | 35,656 | 32,299 |
| Equity attributable to equity owners of the Company | **151,986** | 61,955 | 58,687 | 35,656 | 32,299 |