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## **Miricor Enterprises Holdings Limited**

**卓珈控股集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code on Main Board: 1827)**

**(Stock Code on GEM: 8358)**

### **TRANSFER OF LISTING FROM GEM TO THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED**

**Sponsor to the Company**



**Financial Adviser to the Company**



On 1 June 2018, an application was made by the Company to the Stock Exchange for the listing of, and permission to deal in, (i) 400,000,000 Shares in issue; and (ii) any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme, on the Main Board by way of the Transfer of Listing pursuant to Chapter 9A and Appendix 28 of the Main Board Listing Rules. Such application was further renewed on 13 December 2018. The approval-in-principle for the Transfer of Listing was granted by the Listing Committee on 8 February 2019 for the Shares to be listed on the Main Board and to be de-listed from GEM. The last day of dealings in the Shares on GEM (Stock Code on GEM: 8358) will be 15 February 2019. It is expected that dealings in the Shares on the Main Board (Stock Code on Main Board: 1827) will commence at 9:00 a.m. on 18 February 2019.

As at the Latest Practicable Date, all the applicable pre-conditions for the Transfer of Listing as set out in the Main Board Listing Rules have been fulfilled in relation to the Company and the Shares.

The Transfer of Listing will have no effect on the existing share certificates in respect of Shares which will continue to be good evidence of legal title and be valid for trading, settlement and registration purposes and will not involve any transfer or exchange of the existing share certificates. No change will be made to the English and Chinese stock short names of the Company, the existing share certificates, the board lot size, the trading currency of the Shares and the share registrars and transfer offices of the Company following the Transfer of Listing.

Reference is made to the announcement issued by the Company dated 1 June 2018, in relation to the formal application submitted to the Stock Exchange for the Transfer of Listing pursuant to Chapter 9A and Appendix 28 of the Main Board Listing Rules.

### **TRANSFER OF LISTING OF THE SHARES FROM GEM TO THE MAIN BOARD**

On 1 June 2018, an application was made by the Company to the Stock Exchange for the listing of, and permission to deal in, (i) 400,000,000 Shares in issue; and (ii) any Shares which may fall to be issued upon exercise of options which may be granted under the Share Option Scheme, on the Main Board by way of the Transfer of Listing pursuant to Chapter 9A and Appendix 28 of the Main Board Listing Rules. Such application was further renewed on 13 December 2018. VMS Securities Limited has been appointed as the sole sponsor by the Company to advise the Transfer of Listing from GEM to the Main Board of the Stock Exchange. Shenwan Hongyuan Capital (H.K.) Limited is the compliance adviser of the Company.

The Board is pleased to announce that the approval-in-principle for the Transfer of Listing was granted by the Listing Committee on 8 February 2019 for the Shares to be listed on the Main Board and to be de-listed from GEM. The last day of dealings in the Shares on GEM (Stock Code on GEM: 8358) will be 15 February 2019. It is expected that dealings in the Shares on the Main Board (Stock Code on Main Board: 1827) will commence at 9:00 a.m. on 18 February 2019.

As at the Latest Practicable Date, all the applicable pre-conditions for the Transfer of Listing as set out in the Main Board Listing Rules have been fulfilled in relation to the Company and the Shares.

### **REASONS FOR TRANSFER OF LISTING**

The Company has been listed on GEM since 10 January 2017. The principal business of the Group includes the provision of non-surgical medical aesthetic services and sale of skin care products. The Directors consider that the Transfer of Listing will enhance the profile of the Group and the attractiveness of the Shares to institutional and retail investors. The Board also believes that the Main Board enjoys an enhanced status among investors which could result in a larger investor base leading to greater trading liquidity in the Shares, and that the listing of the Shares on the Main Board will be beneficial to the future growth and business development and financial flexibility of the Group.

As at the Latest Practicable Date, the Board has no immediate plans to change the nature of the business of the Group following the Transfer of Listing. The Transfer of Listing will not involve the issue of any new Shares by the Company.

## **DEALINGS IN THE SHARES ON MAIN BOARD**

The Shares have been accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from 10 January 2017, the date on which the Shares were first listed on GEM. Subject to continued compliance with the stock admission requirements of HKSCC, the Shares will continue to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS once dealings in the Shares on the Main Board commence. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for trading, settlement and registration purposes. No transfer or exchange of the existing share certificates will be involved. No change is proposed to be made to the English and Chinese stock short names of the Company, the existing share certificate, the board lot size, the trading currency of the Shares and the share registrar and transfer offices of the Company following the Transfer of Listing. Currently, the Shares are traded in board lots of 5,000 Shares each and are traded in Hong Kong Dollars; the principal share registrar and transfer office of the Company in the Cayman Islands is Conyers Trust Company (Cayman) Limited and the Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited.

## **PUBLIC FLOAT**

Based on the information below, the Directors confirm that not less than 25% of the total issued share capital of the Company was held by the public (as defined in the Main Board Listing Rules) as at the Latest Practicable Date. Accordingly, the minimum 25% public float requirement has been maintained in compliance with Rule 8.08 of the Main Board Listing Rules.

Reference is made to the announcements of the Company dated 13 and 15 November 2018. The Controlling Shareholder, Sunny Bright Group Holdings Limited (“**Sunny Bright**”, a company beneficially owned as to 50% by Ms. LAI Ka Yee Gigi (“**Mrs. Gigi Ma**”) and 50% by Mr. Ma Ting Keung Patrick, who is the spouse of Mrs. Gigi Ma) placed down an aggregate of 25,000,000 Shares (the “**Place Down**”), which represented 6.25% of the issued share capital of the Company, to no less than 25 independent placees. No placee was placed more than 1,000,000 Shares under the Place Down. Completion of the Place Down took place on 15 November 2018.

Immediately before the completion of the Place Down, the Controlling Shareholders and the public Shareholders held 300,000,000 Shares and 100,000,000 Shares, representing 75% and 25% of the total issued share capital of the Company, respectively. Immediately after the Place Down and as at the Latest Practicable Date, the Controlling Shareholders and the public Shareholders held 275,000,000 Shares and 125,000,000 Shares, representing 68.75% and 31.25% of the total issued share capital of the Company, respectively.

To the best knowledge of the Directors, the twenty-five largest Shareholders (including the Controlling Shareholders) in aggregate held, (i) 379,935,000 Shares immediately before the Place Down, which represented approximately 95.0% of the total issued share capital of the Company; and (ii) 359,410,000 Shares after the Placing Down, which represented approximately 89.9% of the total issued share capital of the Company.

The Company has made an enquiry into its shareholding. Based on the responses received and to the best information and knowledge of the Directors, it was suggested that as at 25 January 2019 (being the latest practical date to ascertain the Company's shareholding for publication of this announcement), the Controlling Shareholders held a total of 275,000,000 Shares (representing 68.75% of the issued Shares); and an aggregate of 125,000,000 Shares (representing 31.25% of the issued Shares) were held by public Shareholders. Also, the Controlling Shareholders and the Directors have statutorily declared on (i) 24 and 25 January 2019; and (ii) 2, 4 and 8 February 2019 regarding their respective shareholding and the shareholding of their respective close associates (as defined in the Main Board Listing Rules) in the Company as below:

- The Controlling Shareholders together with their close associates (if any) had been holding 300,000,000 Shares (representing 75% of the Company's total issued share capital) since the Company's listing on GEM until the Place Down. Immediately after the Place Down and as at the date of the statutory declaration, the Controlling Shareholders together with their close associates (if any) held 275,000,000 Shares (representing 68.75% of the Company's total issued share capital). Since the Company's listing on GEM, the Controlling Shareholders and their close associates (if any) have not acquired any Shares.
- Each of the Directors (except for Mrs. Gigi Ma) together with his/her close associates (if any) has not been holding or acquired any Shares since the Company's listing on GEM until the date of the statutory declaration.
- None of the Controlling Shareholders and the Directors have financed any other person in acquiring any Shares.

The above statutory declarations have therefore effectively indicated that other than the 68.75% of the entire issued Shares held by the Controlling Shareholders, all the remaining 31.25% of the Shares are held by public Shareholders as at the date of this announcement.

In light of the above, the Directors confirm that the minimum 25% public float requirement has been maintained in compliance with Rule 8.08 of the Main Board Listing Rules since the listing of the Company on GEM and up to the date of this announcement.

Among the public Shareholders, there were more than 300 Shareholders and the three largest public Shareholders in aggregate held 35,185,000 Shares, representing approximately 8.8% of the issued Shares of the Company according to the latest information available to the Directors.

## **PUBLICATION OF FINANCIAL RESULTS AND FINANCIAL REPORT**

The annual results and the annual report of the Company for the year ended 31 March 2018 were published on 31 May 2018. The interim results and the report of the Company for the six months ended 30 September 2018 were published on 8 and 13 November 2018, respectively. Please refer to the above published documents for details.

## **REGULAR RESULTS PUBLICATION**

The Company does not intend to continue with the quarterly reporting of financial results after the listing of the Shares on the Main Board and will follow the relevant requirements under the Main Board Listing Rules as regards publication of its interim and annual results within two months and three months from the end of the relevant periods or financial year ends respectively. The Board is of the view that the investors and the Shareholders will continue to have access to relevant information on the Company pursuant to the reporting requirements under the Main Board Listing Rules.

## **PRINCIPAL ACTIVITIES, BUSINESS REVIEW AND RECENT DEVELOPMENTS**

The Company has not changed its principal businesses since its listing on GEM on 10 January 2017 and has been principally engaged in providing non-surgical medical aesthetic services and sale of skin care products to the clients in Hong Kong with an aim to improve their skin conditions and to enhance their physical appearance.

### **Medical aesthetic centres**

As at the Latest Practicable Date, the Group operates three “CosMax”-branded medical aesthetic centres which are located in Causeway Bay (i.e. the New CWB Centre), Central (i.e. the Central Centre) and Tsim Sha Tsui (i.e. the TST Centre). Among which, (i) the Central Centre had been already in operation before the Company was listed on GEM; and (ii) the New CWB Centre and the TST Centre were opened after the Company’s listing on GEM.

The Company announced in March 2018 that it leased a premise in Harbour City, Tsim Sha Tsui as its new medical aesthetic centre. This centre commenced operation on 4 June 2018. The duration of the relevant lease agreement for the TST Centre runs from 1 April 2018 to 31 March 2023. The gross floor area of the TST Centre is approximately 6,050 sq. ft. and the number of treatment rooms in the centre is 17.

The Group had merged its two centres in Causeway Bay (i.e. the 22/F CWB Centre which was in operation from December 2009 to September 2018 and the 30/F CWB Centre which was in operation from July 2017 to June 2018) into a duplex unit on the whole of the 39th floor and the penthouse level in the same building (i.e. the New CWB Centre). The duration of the lease agreement for the New CWB Centre runs from 3 July 2018 to 2 July 2024. The gross floor area for the New CWB Centre is approximately 12,156 sq. ft. and has its own exclusive elevator. As a result of the merger, the gross floor area at the Group’s centre in Causeway Bay increased by 2,533 sq. ft. The renovation of the New CWB Centre took around three months and the 22/F CWB Centre was closed for four days in late September 2018 (which included a Sunday and another public holiday) for its relocation to the New CWB Centre, which then commenced operation since late September 2018. During those four days, the Group’s centres in Central and Tsim Sha Tsui remained open (save for the



said Sunday, which Sundays are usually closed for business, and the public holiday) for clients requiring treatment. Taking into account that (i) the operation of the Group's medical centre in Causeway Bay was only suspended for a relatively short period of time, which was supported by the Central Centre and the TST Centre; and (ii) the Group had made prior arrangements with the customers to schedule their appointments before or after the relocation, the Directors consider that the merger did not have any material adverse impact on the Group's business and operations. The total renovation and refurbishment costs for the New CWB Centre was approximately HK\$18.6 million which was classified as leasehold improvements and to be amortised over a period of six years. Further, HK\$1.6 million was immediately written off from the leasehold improvements in respect of the Group's two previous centres in Causeway Bay. The Board believed that the merged centre would reduce operation costs by creating synergies, hence optimising its profitability.

As at the Latest Practicable Date, the New CWB Centre had already commenced operation. In view that the TST Centre opened in early June 2018, the Group ceased the operation of the 30/F CWB Centre and surrendered the premises to the landlord effective from 7 June 2018 pursuant to a surrender agreement entered into with the landlord for early termination of the relevant lease agreement in respect of the 30/F CWB Centre premises. Pursuant to the said surrender agreement and in view that the Group had duly surrendered the premises to the landlord, the Group would not be imposed any penalty for early termination of the tenancy agreement in respect of the 30/F CWB Centre. With regards to the lease of 22/F CWB Centre, the Company did not renew the tenancy agreement upon its expiry in October 2018.

The table below summarises details of the Group's three medical aesthetic centres in operation as at the Latest Practicable Date:

<b>Location</b>	<b>Central Centre</b>	<b>TST Centre</b>	<b>New CWB Centre</b>
Year of commencement of operation	2014	2018	2018
Duration of the subsisting lease agreement	1 March 2017 to 29 February 2020	1 April 2018 to 31 March 2023	3 July 2018 to 2 July 2024
Gross floor area (approximate)	3,092 sq. ft.	6,050 sq. ft.	12,156 sq. ft.
Number of treatment rooms	9	17	30
Number of treatment devices	29	29	56

Since the Company's listing on GEM and up to the Latest Practicable Date, the Group's number of medical aesthetic centres in operation has increased from two to three. As at the Latest Practicable Date, the total gross floor areas of medical aesthetic centres operated by the Group has increased from approximately 10,248 sq. ft. (as at the Company's initial listing of GEM) to approximately 21,298 sq. ft. and the aggregate number of treatment rooms has also increased from 25 to 56.

Pursuant to the tenancy agreement for the lease of the New CWB Centre, the term of the lease shall commence from 3 July 2018 and expire on 2 July 2024 with a rent-free period of four months from 3 July 2018 to 2 November 2018. For illustration purpose only, the aggregate annual rental expense for leasing the 22/F CWB Centre and 30/F CWB Centre is approximately HK\$5.5 million pursuant to the relevant tenancy agreements, whereas the annual rental expense for leasing the New CWB Centre shall be approximately HK\$7.3

million based on the relevant tenancy agreement. Without taking into account the rent-free period offered under the tenancy agreement of the New CWB Centre, the increment of annual rental expenses for leasing the New CWB Centre instead of the 22/F CWB Centre and the 30/F CWB Centre would be approximately HK\$1.8 million or 33.1%.

### Utilisation rate for medical aesthetic centres

The table below sets out details of the utilisation rate of each of the Group's medical aesthetic centres in operation during the three years ended 31 March 2018 and the six months ended 30 September 2018 <sup>(Note 6)</sup>:

	Year ended 31 March 2016			Year ended 31 March 2017			Year ended 31 March 2018			Six months ended 30 September 2018		
	Service capacity (Note 1)	Actual number of treatments performed	Utilisation rate (Note 2)	Service capacity (Note 1)	Actual number of treatments performed	Utilisation rate (Note 2)	Service capacity (Note 1)	Actual number of treatments performed	Utilisation rate (Note 2)	Service capacity (Note 1)	Actual number of treatments performed	Utilisation rate (Note 2)
22/F CWB Centre <sup>(Note 4)</sup>	30,240	21,613	71.5%	30,240	22,803	75.4%	30,240	23,987	79.3%	14,364	11,966	83.3%
Central Centre	17,010	6,761	39.7%	17,010	8,966	52.7%	17,010	10,546	62.0%	8,505	5,479	64.4%
30/F CWB Centre <sup>(Note 5)</sup>	n/a (Note 3)	n/a (Note 3)	n/a (Note 3)	n/a (Note 3)	n/a (Note 3)	n/a (Note 3)	8,033	3,712	46.2%	1,890	1,092	57.8%
TST Centre	n/a (Note 7)	n/a (Note 7)	n/a (Note 7)	n/a (Note 7)	n/a (Note 7)	n/a (Note 7)	n/a (Note 7)	n/a (Note 7)	n/a (Note 7)	10,710	2,898	27.1%
Overall	47,250	28,374	60.1%	47,250	31,769	67.2%	55,283	38,245	69.2%	35,469	21,435	60.4%

#### Notes:

- The service capacity is calculated for illustrative purpose only. Based on the Company's experience and assuming certain periods of idle time for contingency taking into account factors such as set-up time and rest time of the staff, the service capacity refers to total capacity for provision of non-surgical medical aesthetic treatments, which is calculated based on the products of (i) the number of treatment rooms in the medical aesthetic centre(s) (i.e. 16 in the 22/F CWB Centre, nine in the Central Centre, six in the 30/F CWB Centre, and 17 in the TST Centre); (ii) the expected maximum number of treatments performed per day when the medical aesthetic centres are open (i.e. 6.3 treatments); (iii) six working days per week; and (iv) 50 working weeks per year. With respect to the 30/F CWB Centre, the number of working weeks is adjusted to approximately 35.4 working weeks for the year ended 31 March 2018 as it only commenced operation in July 2017. Hence, the service capacity for each of the three years ended 31 March 2018 is equal to total number of treatment rooms x expected maximum 6.3 treatments per day x 6 working days per week x 50 weeks or approximately 35.4 weeks.

For the six months ended 30 September 2018, for the purpose of calculation of the service capacity during the period, the number of working weeks for each of the Group's medical aesthetic centres is as follows: (i) approximately 23.75 weeks for the 22/F CWB Centre, which ceased operation on 21 September 2018; (ii) 25 weeks for the Central Centre; (iii) approximately 8.3 weeks for the 30/F CWB Centre, which ceased operation on 7 June 2018; and (iv) approximately 17 weeks for the TST Centre, which commenced operation on 4 June 2018.

- Utilisation rate is calculated by dividing the actual number of treatments performed by services capacity.
- The 30/F CWB Centre had not yet commenced operation during the years ended 31 March 2016 and 2017 and thus the relevant information is not applicable for it.
- The Group had ceased the operation of 22/F CWB Centre on 21 September 2018 and returned the premises to the landlord upon the expiry of its tenancy agreement in October 2018. For further details, please refer to the paragraphs headed "Principal Activities, Business Review and Recent Developments — Medical aesthetic centres" in this announcement above.

5. The Group has ceased the operation of the 30/F CWB Centre and surrendered the premises to the landlord pursuant to a surrender agreement effective from 7 June 2018. For further details, please refer to the paragraphs headed “Principal Activities, Business Review and Recent Developments — Medical aesthetic centres” in this announcement above.
6. The New CWB Centre of the Group has commenced operation since 26 September 2018. As a result, no information on the utilisation rate of the New CWB Centre is disclosed in this table.
7. The TST Centre had not yet commenced operation during the years ended 31 March 2016, 2017 and 2018, and thus the relevant information is not applicable for it.

The overall utilisation rate for the Group’s three medical aesthetic centres in operation during the three years ended 31 March 2018 has maintained a steady growth, which increased from approximately 60.1% for the year ended 31 March 2016 to approximately 67.2% for the year ended 31 March 2017, and then further to approximately 69.2% for the year ended 31 March 2018. The utilisation rate of the 22/F CWB Centre and the Central Centre grew steadily during the three years ended 31 March 2018, as the Group was able to attract new customers. However, the utilisation rate of the 30/F CWB Centre was relatively low for the year ended 31 March 2018 as it only commenced operation in July 2017, but had improved prior to its cessation of operation in June 2018. The utilisation rate of the TST Centre was relatively low during the six months ended 30 September 2018, as it only commenced operation in June 2018.

## **Services and products**

The Group offers non-surgical medical aesthetic services and skin care products that are intended to improve its customers’ complexion and overall physical appearance. The Group tailors each and every treatment solution and caters for customers’ individual needs, with treatment performed by doctors and trained therapists. The treatment services offered by the Group are non-surgical medical aesthetic services which can be broadly classified into (i) energy-based procedures which are intended to improve appearance and skin conditions such as facial and body contouring, removal treatment of moles and warts, melasma, rosacea, sebaceous hyperplasia, seborrheic keratosis and skin allergy through the use of energy-based devices such as laser, radiofrequency, ultrasound and iontophoresis; (ii) injection procedures which are intended to shape a person’s face or body by injections of certain materials; and (iii) other treatments such as chemical peels, removal treatment of warts, comedone extraction and wound care.

The skin care products that the Group sells includes cleanser, toner, serum, moisturizer, eye care products, ultraviolet (UV) protection products and masks. The Group offers private-label products under the brands of “CosMax” and “Cospeutic” and other selected non-private label branded products sourced from third party suppliers. For “CosMax” products, they are sourced from an independent third party supplier engaging in the import, distribution, packaging and selling of pharmaceutical and skin care products in Hong Kong. The “CosMax” products are formulated and produced by two skin care product manufacturers in the United States of America and Korea. For “Cospeutic” products, they are sourced directly from the manufacturer in France.



## Doctors

As at the Latest Practicable Date, the Group engaged four doctors who participate in the provision of medical aesthetic services to the Group's clients with details below:

Doctor <sup>(Note 1)</sup>	Type of registered practitioner	Relevant qualifications	Years of experiences in the medical aesthetic service industry as at the Latest Practicable Date	Year of joining the Group
Doctor A	General practitioner	Degrees of Bachelor of Science (Medicine), Bachelor of Medicine and Bachelor of Surgery, Postgraduate Diploma in Practical Dermatology and Postgraduate Diploma in Clinical Dermatology	11	2009
Doctor B	General practitioner	Bachelor Degree in Medicine, Bachelor Degree in Surgery, Diploma in Dermatological Sciences and Master of Science in Practical Dermatology	12	2009
Doctor C	General practitioner	Bachelor Degree in Medicine, Bachelor Degree in Surgery and Diploma in Practical Dermatology	10	2016
Doctor D <sup>(Note 2)</sup>	General practitioner	Bachelor Degree in Medicine, Bachelor Degree in Surgery and Diploma in Practical Dermatology	8	2017

### Notes:

1. Since the Company's listing on GEM on 10 January 2017, the number of doctors engaged by the Group has reduced from five to four as at the Latest Practicable Date.
2. Doctor D is a consultant but not an employee of the Group who joined the Group after the Company's listing on GEM.

The Group's doctors take a leading role in devising bespoke treatments for the Group's clients. When the Group's clients first come to visit the Group's medical aesthetic centres, they are required to attend consultation sessions with the doctors. During the consultation sessions, the doctors would perform examination as well as assess and/or make diagnosis of client's skin conditions with reference to their medical history and background. Following

such diagnosis, suitable treatment plans would be recommended by the doctors in response to the client's individual needs. Some of the Group's treatments are performed by its doctors only, such as injection and some selective energy-based treatment procedures, while some other energy-based treatment procedures may be performed by the Group's trained therapists, in which case the trained therapists are required to follow the relevant treatment protocol devised by the Group's doctors, such as the treatment device to be used and the target areas of the body or face to be applied.

In addition to the above, the doctors may also prescribe medication and/or recommend skin care products to the Group's clients to compliment the non-surgical medical aesthetic services of the Group as appropriate.

Subsequent to the Listing, the engagement of two of the doctors engaged by the Group before the Listing were terminated in February 2017 and August 2017, respectively. One of them was under part-time employment, and the other was still undergoing training and had yet to begin to serve the Group's customers. As confirmed by the Directors, the Group wished to replace the said doctors with a more suitable candidate who could provide services on a full-time basis. The work of the said doctors was absorbed by the other doctors engaged by the Group, including a doctor (in the capacity as a consultant) newly engaged by the Group in July 2017 as replacement. Subsequently in late August 2018, the Group engaged another new doctor, but her employment ceased during the probation period in early September 2018.

Taking into account that (i) the said three doctors were either (a) not substantially involved in the day-to-day operation of the Group or (b) with the Group only for a short period of time; (ii) their workload was absorbed by the Group's other doctors (including the newly engaged doctor in 2017) with no significant interruption to the Group's operation; and (iii) the Group did not experience any significant difficulty in engaging new doctor to fill in the vacancies, the Directors consider that the cessation of employment of the said three doctors had minimal impact on the Group's operation.

The Group continues to seek suitable candidates to join as doctors. For recruitment of new doctors, the Group posts advertisements in medical journals and engages professional recruitment agencies.

Set forth below is a breakdown of the Group's revenue from treatment services performed by doctors and trained therapists:

	2016		Year ended 31 March				Six months ended		30 September		30 September	
	HK\$'000	%	2017	%	2018	%	2017	%	2018	%		
Doctors	29,814	40.2	38,645	42.9	48,170	42.7	21,988	40.6	28,963	43.1		
Trained Therapists	44,267	59.8	51,429	57.1	64,658	57.3	32,137	59.4	38,275	56.9		
Total revenue from treatment services	<u>74,081</u>	<u>100.0</u>	<u>90,074</u>	<u>100.0</u>	<u>112,828</u>	<u>100.0</u>	<u>54,125</u>	<u>100.0</u>	<u>67,238</u>	<u>100.0</u>		

As at the Latest Practicable Date, the Group's clients were served by the Group's doctors and 15 trained therapists. During the three years ended 31 March 2018 and the six months ended 30 September 2018, the percentage of revenue from treatment services contributed by the Group's doctors and trained therapists remained relatively stable, roughly at 40% for doctors and 60% for trained therapists.

## Employees

As at the Latest Practicable Date, the Group had 113 employees in Hong Kong. Below shows a breakdown by function:

Function	Number of employees
Management	2
Doctors	3 <sup>(Note)</sup>
Medical assistants	8
Training manager, trained therapists and trainee therapists	26
Sales and operations	44
Marketing and business development	8
Human resources, administration and IT	14
Accounts	8
	<hr/>
Total	<u><u>113</u></u>

*Note:* Excluding one of the Group's doctors who is a consultant but not an employee of the Group.

## Customers

The Group's clients are individual retail clients that are mostly introduced to the Group through client referrals and/or word-of-mouth.

Set forth below is the analysis of the key clients of the Group:

	For the year ended 31 March			For the six months ended 30 September		
	2017	2018	%	2017	2018	%
Number of active clients <sup>(Note 1)</sup>	5,156	6,091	18.1	4,302	5,187	20.6
Number of repeat clients <sup>(Note 2)</sup>	3,454	3,751	8.6	3,250	3,877	19.3
Proportion of repeat clients amongst active clients	67%	62%		76%	75%	
Number of new clients <sup>(Note 3)</sup>	1,702	2,340	37.5	1,052	1,310	24.5
Number of referred clients	912	1,395	53.0	585	765	30.8
Referral rate	54%	60%		56%	58%	

Notes:

- (1) Clients who have made at least one purchase of services or products, or received at least one treatment session in the relevant year/period.
- (2) Clients who have (i) made at least one purchase of services or products or received at least one treatment session in the relevant year/period; and (ii) have previously consulted the Group or made purchase of services or products in the past.
- (3) Clients who for the first time have made at least one purchase of services or products in the relevant year/period.

Active clients (by gender):

<b>Gender</b>	<b>Year ended 31 March 2018</b>		<b>Six months ended 30 September 2018</b>	
	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>
Female	5,798	95.2	4,946	95.4
Male	<u>293</u>	<u>4.8</u>	<u>241</u>	<u>4.6</u>
Total active clients	<u><u>6,091</u></u>	<u><u>100.0%</u></u>	<u><u>5,187</u></u>	<u><u>100.0%</u></u>

During the year ended 31 March 2018 and the six months ended 30 September 2018, revenue from the Group's five largest clients was approximately HK\$1.44 million and HK\$0.85 million, respectively, representing approximately 1.1% and 1.2% of the Group's total revenue, respectively. The clients may choose to pay after each treatment or purchase prepaid package, and no credit period is granted to them. Payment can be settled by cash, EPS or credit cards. Certain credit card companies and commercial banks offer financing options to the clients.

### **Customers' feedback and complaint handling**

The Group has a number of channels for soliciting and receiving client feedback, such as comment collection surveys that encourages clients to fill out, online survey on its own website and post-treatment follow-up calls and text messages.

For the year ended 31 March 2018, the six months ended 30 September 2018 and from 1 October 2018 to the Latest Practicable Date, the Group received 27, 18 and 5 unfavourable feedbacks, respectively, which were lodged at the client feedback register and feedback log sheet, respectively, representing 0.1%, 0.1% and 0.03% of the total number of treatments performed at the Group's medical aesthetic centres during the corresponding year/period, respectively. As at the Latest Practicable Date, save for 3 unfavourable feedbacks which were being handled and followed up, all unfavourable client feedbacks listed above had been properly addressed and satisfactorily resolved. The amount of refund to clients in resolving these unfavourable feedbacks were approximately HK\$0.3 million, approximately HK\$0.05 million and approximately HK\$0.08 million for the year ended 31 March 2018, the six months ended 30 September 2018 and for the period from 1 October 2018 to the Latest Practicable Date, respectively. As for the said 3 unresolved unfavourable feedbacks as at the

Latest Practicable Date, all of such unresolved unfavourable feedbacks are related to unsatisfactory treatment result. The estimated total cost to be incurred by the Group for resolving these outstanding unfavourable feedbacks is approximately HK\$0.06 million. Below is a summary of the number and nature of unfavourable feedbacks received for the periods indicated:

<b>Nature of unfavourable feedbacks from clients:</b>	<b>Year ended 31 March 2018</b>	<b>Six months ended 30 September 2018</b>	<b>1 October 2018 to the Latest Practicable Date</b>
Results of treatment not up to expectation	16	17	5
Unsatisfactory staff services/ miscommunication	10	1	nil
Disputes over expiry of prepaid packages	1	nil	nil
<b>Total</b>	<u>27</u>	<u>18</u>	<u>5</u>

The Directors confirm that (i) save as disclosed, there was no other unfavourable feedbacks; (ii) there was no unfavourable feedback which had been lodged in the form of a complaint with the Hong Kong Consumer Council or the Hong Kong Medical Council; (iii) save for the refund and the estimated costs for resolving the outstanding unfavourable feedbacks as disclosed above, the Group did not incur further expenses in resolving the unfavourable feedbacks from clients; and (iv) the Group did not receive any complaint or unfavourable feedback which had a material impact on our business and operation from 1 April 2018 to the Latest Practicable Date.

### **Suppliers**

The Group procured the supplies of medications from distributors and trading companies, who are usually engaged by pharmaceutical companies to market and arrange delivery of products. The Group directly settled payment with these distributors and trading companies. During the year ended 31 March 2018 and the six months ended 30 September 2018, the aggregate purchases from the five largest suppliers amounted to approximately HK\$8.57 million and HK\$5.83 million, representing approximately 55.3% and 60.7% of the total purchases, respectively. During the same year/period, the Group's purchased from the largest supplier amounted to approximately HK\$2.8 million and HK\$2.1 million, accounted for approximately 18.1% and 21.6% of total purchases, respectively. None of the Directors, their associates or any Shareholder (which to the knowledge of the Directors owns more than 10% of the Company's share capital) had any interest in any of five largest suppliers during the year ended 31 March 2018 and the six months ended 30 September 2018.



## **WORKING CAPITAL**

The Directors are of the opinion that, after taking into account the Group's internal resources available to the Group, the Group has sufficient working capital for at least the next 12 months from the date of this announcement.

## **MATERIAL ADVERSE CHANGE**

Due to the newly open up of the TST Centre and the New CWB Centre with our enlarged gross floor area as disclosed in the paragraph headed "Principal Activities, Business Review and Recent Development — Medical Aesthetic Centres" in this announcement and the proposed Transfer of Listing, it is expected that (i) depreciation for the additional number of treatment devices and the leasehold improvements for the above centres; (ii) rentals and related expenses for the above centres; and (iii) listing expenses and professional expenses in connection with the Transfer of Listing, will increase in the coming year. Save as disclosed above, the Board confirms that subsequent to 1 April 2018 and up to the date of this announcement, there are no unfavorable trends or developments which may have a material adverse impact on the Group's business and financial performance.

## **COMPLIANCE MATTERS**

The Group has obtained all licences, permits, approvals and certificates necessary to conduct its business operations and has complied with all applicable laws, rules and regulations in all material respects since the Company's listing on 10 January 2017 and up to the date of this announcement. With respect to the latest development of the Private Healthcare Facilities Ordinance which was enacted on 29 November 2018 and the Group's compliance with the ordinance, please refer to the paragraph headed "Recent development of regulatory framework that may impact the Group's business" in this announcement below.

## **COMPLIANCE WITH THE GEM LISTING RULES**

To the best knowledge of the Directors, the Group did not have any serious or potentially serious breach of or material non-compliance with the GEM Listing Rules since the Company's listing on GEM and up to the date of this announcement.

## **USE OF PROCEEDS**

The net proceeds from the Placing were approximately HK\$55.6 million, which was based on the final placing price of HK\$0.8 per Share and the actual expenses on the Placing and listing of Shares of the Company on GEM. The analyses of the actual utilisation of the net proceeds from Placing for the year ended 31 March 2018 and the six months ended 30 September 2018 were set out in the published annual report of the Company for the year ended 31 March 2018 and the interim report of the Company for the six months ended 30 September 2018.

The remaining net proceeds of approximately HK\$3.6 million as at 30 September 2018 which had not yet been utilised is expected to be applied in accordance with the future plans and use of proceeds as set out in the Prospectus from 1 October 2018 onwards. As at the Latest Practicable Date, the Group does not intend to have material changes on its future plans and use of proceeds.

## FINANCIAL REVIEW

The following table set forth the selected financial information of the Group for the years ended 31 March 2016, 2017 and 2018 and for the six months ended 30 September 2017 and 2018:

	For the year ended 31 March			For the six months ended 30 September	
	2016	2017	2018	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	83,352	100,104	127,213	60,879	73,799
Other income and gain, net	345	1,083	1,352	614	1,069
Cost of inventories and consumables	(8,081)	(9,768)	(13,018)	(6,247)	(7,658)
Staff costs	(29,391)	(39,341)	(46,875)	(22,020)	(25,020)
Property rentals and related expenses	(9,406)	(9,904)	(12,359)	(6,016)	(10,273)
Depreciation	(6,174)	(6,228)	(6,953)	(3,354)	(4,523)
Other expenses	(8,694)	(32,437)	(17,903)	(7,393)	(13,602)
Profit before tax	21,951	3,509	31,457	16,463	13,792
Income tax expense	(3,463)	(3,450)	(4,944)	(2,625)	(2,341)
Profit for the year/period and total comprehensive income for the year/period attributable to owners of the Company	18,488	59	26,513	13,838	11,451
Adjustments for one-off expenses/(income):					
— Listing expenses	—	14,926	—	—	—
— Forfeited deposits	—	2,950	—	—	—
— Professional service fees for the Transfer of Listing	—	—	—	—	1,748
— Write-off of leasehold improvements for early termination of a lease agreement	—	—	—	—	1,644
— One-off insurance compensation	—	(725)	—	—	—
Adjusted profit for the year/period <sup>(Note)</sup>	<u>18,488</u>	<u>17,210</u>	<u>26,513</u>	<u>13,838</u>	<u>14,843</u>

*Note:* The adjusted profit for the year/period is for reference only. It is a non-HKFRSs financial information which is not a measurement of the Group's financial performance under HKFRSs and should not be considered as an alternative to profit from operations or any other performance measures derived in accordance with HKFRSs.

## Revenue

The Group's revenue is mainly derived from the provision of medical aesthetic services with details below:

Revenue	For the year ended 31 March						Six months ended 30 September			
	2016		2017		2018		2017		2018	
	HK\$'000 (audited)	%	HK\$'000 (audited)	%	HK\$'000 (audited)	%	HK\$'000 (unaudited)	%	HK\$'000 (unaudited)	%
Treatment services	74,081	88.9	90,074	90.0	112,828	88.7	54,125	88.9	67,238	91.1
Skin care products	3,842	4.6	4,681	4.7	9,830	7.7	4,407	7.2	4,410	6.0
Prescription and dispensing of medical products	2,797	3.4	2,178	2.1	1,737	1.4	841	1.4	853	1.2
Medical consultation services	613	0.7	677	0.7	459	0.4	310	0.5	130	0.2
Revenue recognised from unutilised prepaid packages	2,019	2.4	2,494	2.5	2,359	1.8	1,196	2.0	1,168	1.5
	<u>83,352</u>	<u>100.0</u>	<u>100,104</u>	<u>100.0</u>	<u>127,213</u>	<u>100.0</u>	<u>60,879</u>	<u>100.0</u>	<u>73,799</u>	<u>100.0</u>

Revenue from treatment services accounted for most of the Group's revenue which represented approximately 88.9%, 90.0% and 88.7% of the Group's total revenue for the year ended 31 March 2016, 2017 and 2018, respectively; and approximately 88.9% and 91.1% of the Group's total revenue for the six months ended 30 September 2017 and 2018, respectively. Sale of skin care products represented the second largest component of revenue to the Group which accounted for approximately 4.6%, 4.7% and 7.7% of the Group's total revenue for the years ended 31 March 2016, 2017 and 2018, respectively; and approximately 7.2% and 6.0% of the Group's total revenue for the six months ended 30 September 2017 and 2018, respectively.

Reasons of fluctuation for the revenue by service types for each of the three years ended 31 March 2018 please see the paragraphs that followed. For the six months ended 30 September 2018, the Group's revenue increased by approximately HK\$12.9 million (or approximately 21.2%) to approximately HK\$73.8 million from approximately HK\$60.9 million for the six months ended 30 September 2017. The increase was mainly attributable to the recent opening of a medical aesthetic centre that successfully attracted new customers. The proactive marketing efforts across various social media platforms and telemarketing strategy also helped raise market awareness of the Group's brand and secured more customers.

### *Treatment services*

For the year ended 31 March 2017, revenue from treatment services amounted to HK\$90.1 million, representing an increase of approximately HK\$16.0 million (or approximately 21.6%) from that of the year ended 31 March 2016. The increase was mainly attributable to the successful launch of the member referral scheme and introduction of two new facial and body treatments.

For the year ended 31 March 2018, revenue from treatment services amounted to HK\$112.8 million, representing an increase of approximately HK\$22.8 million (or approximately 25.3%) from that of the year ended 31 March 2017. The increase was primarily attributable to the increase in promotional campaigns in different marketing channels, which raised

market awareness and attracted more customers. For instance, in 2018, the Group had maintained an account on four social media platforms and posted updates on its products, treatments and new promotions on a regular basis. The Group had also established a telemarketing team in March 2017 that is responsible for answering enquiries from potential clients and contacting inactive clients to update them on the Group's services and products. Also, the Group expanded its operation scale in Causeway Bay by opening up the 30/F CWB Centre which commenced operation in July 2017 and brought in more customers.

#### *Skin care products*

For the year ended 31 March 2017, revenue from sale of skin care products amounted to approximately HK\$4.7 million, representing an increase of approximately HK\$0.8 million (or approximately 21.8%) from that of the year ended 31 March 2016. The increase was primarily due to the launch of the Skin Management System, a non-private label skin care brand, which the Group has exclusive selling rights in Hong Kong, Macau and China.

For the year ended 31 March 2018, revenue from sale of skin care products amounted to HK\$9.8 million, representing an increase of approximately HK\$5.1 million (or approximately 110.0%) from that of the year ended 31 March 2017. The increase was primarily due to the expansion of its "Cospeutic" and "CosMax" product lines, launching 17 and 4 new skin care products, respectively, and launch of active promotional campaigns across various social media platforms during the year.

#### *Prescription and dispensing of medical products*

Based on clients' skin conditions, their specific needs and requirements, the doctors may prescribe medication and/or recommend certain skin care products which are dispensed at the Group's medical aesthetic centres.

Revenue from prescription and dispensing of medical products amounted to approximately HK\$2.8 million, HK\$2.2 million and HK\$1.7 million, and accounted for approximately 3.4%, 2.1% and 1.4% of the Group's total revenue for the years ended 31 March 2016, 2017 and 2018, respectively.

#### *Medical consultation services*

First-time clients are required to attend medical consultation with the doctors, during which the doctors will perform examination as well as assess and/or make a diagnosis on the client's skin conditions and recommend suitable treatment services accordingly based on their specific conditions, needs and concerns. After the first visit, follow up consultation sessions will also be provided when appropriate to keep track of clients' conditions.

Revenue from consultation services amounted to approximately HK\$0.6 million, HK\$0.7 million and HK\$0.5 million, and accounted for 0.7%, 0.7% and 0.4% of the Group's total revenue for the years ended 31 March 2016, 2017 and 2018, respectively.

### *Revenue recognised from unutilised prepaid packages*

Revenue recognised from unutilised prepaid packages represents forfeited revenue from expired prepaid packages. Prepaid packages are offered to clients in connection with treatments. When designing the number of treatment sessions in a prepaid package, the Group takes into account, among other things, the doctors' assessment and also the protocols recommended by the suppliers of treatment devices in respect of the number of optimal sessions which should be taken to achieve the desired results.

Revenue recognised from unutilised prepaid packages amounted to approximately HK\$2.0 million, HK\$2.5 million and HK\$2.4 million, and accounted for approximately 2.4%, 2.5% and 1.8% of the Group's total revenue for the years ended 31 March 2016, 2017 and 2018, respectively.

### **Other income and gain, net**

Other income and gain, net, mainly represented bank interest income, insurance compensation and sundry income during the years ended 31 March 2016, 2017 and 2018 and for the six months ended 30 September 2018.

For the year ended 31 March 2017, the increment mainly arose from a one-off insurance compensation in respect of a workplace accident that happened in 2012 involving injury suffered by an employee at work. All claim from this employee were fully settled.

For the year ended 31 March 2018, the increment mainly arose from the bank interest income from more time deposits placed at various financial institutions during the year with the proceeds from the Placing.

For the six months ended 30 September 2018, comparing with that for the same period of 2017, the increment mainly arose from the increase in interest income which the Company had placed more time deposits and the interest rate of which were generally higher.

### **Cost structure**

The operating expenses of the Group is comprised of staff costs, property rentals and related expenses, cost of inventories and consumables and other miscellaneous operating expenses. Staff costs are the largest operating expenses which accounted for approximately 47.6%, 40.3%, 48.3% and 41.0% of the Group's total operating expenses for the years ended 31 March 2016, 2017 and 2018 and for the six months ended 30 September 2018, respectively. Property rentals and related expenses accounted for approximately 15.2%, 10.1%, 12.7% and 16.8% of the Group's total operating expenses for the years ended 31 March 2016, 2017 and 2018 and for the six months ended 30 September 2018, respectively. Cost of inventories and consumables accounted for approximately 13.1%, 10.0%, 13.4% and 12.5% of the Group's total operating expenses for the years ended 31 March 2016, 2017 and 2018 and for the six months ended 30 September 2018, respectively.



## **Cost of inventories and consumables**

Cost of inventories and consumables remained fairly stable (i) for the years ended 31 March 2016, 2017 and 2018 and amounted to approximately HK\$8.1 million, HK\$9.8 million and HK\$13.0 million, representing approximately 9.7%, 9.8% and 10.2% of the total revenue, respectively; and (ii) for the six months ended 30 September 2017 and 2018 and amounted to approximately HK\$6.2 million and HK\$7.7 million, representing approximately 10.3% and 10.4% of the total revenue, respectively.

## **Staff costs**

For the year ended 31 March 2017, the staff costs increased by approximately HK\$9.9 million (or approximately 33.9%), from approximately HK\$29.4 million for the year ended 31 March 2016 to approximately HK\$39.3 million for the year ended 31 March 2017. For the year ended 31 March 2018, staff costs increased by approximately HK\$7.6 million (or approximately 19.3%) from approximately HK\$39.3 million for the year ended 31 March 2017 to approximately HK\$46.9 million for the year ended 31 March 2018. For the six months ended 30 September 2018, the staff costs increased by approximately HK\$3.0 million (or approximately 13.6%) to approximately HK\$25.0 million from HK\$22.0 million for the six months ended 30 September 2017.

The increments were primarily attributable to the increase in commissions paid to doctors and front-line staff whose incentive scheme is tied to various key performance indicators such as the number of packages sold or number of treatments conducted. As a result of the increase in sales of packages and total revenue, commissions payable to doctors and front-line staff increased accordingly. The increase in staff costs was also resulted from the increase in headcount of the Group.

## **Property rentals and related expenses**

The rent of the Group's medical aesthetic centres located in Causeway Bay and Central consists of fixed monthly rents only according to the lease agreements. On the other hand, according to the tenancy agreement of the TST Centre, the monthly rent of it (which commenced operation on 4 June 2018) shall be the higher of (i) a minimum fixed monthly rent amount; or (ii) a variable monthly rent amount which is calculated based on a percentage of the gross income from the TST Centre in a month.

For the year ended 31 March 2017, property rentals and related expenses increased by approximately HK\$0.5 million (or approximately 5.3%) from approximately HK\$9.4 million for the year ended 31 March 2016 to HK\$9.9 million for the year ended 31 March 2017. The increase was primarily due to the additional office premises rented and the increase in other related costs such as management fee and government rates, etc. For the year ended 31 March 2018, it increased by approximately HK\$2.5 million (or approximately 24.8%) from approximately HK\$9.9 million for the year ended 31 March 2017 to HK\$12.4 million for the year ended 31 March 2018. The increase was primarily due to the increase in rental expenses and other related costs (such as management fee, government rates and etc.) of additional office and the 30/F CWB Centre which has commenced operation in July 2017.

For the six months ended 30 September 2018, property rentals and related expenses increased by approximately HK\$4.3 million (or approximately 71.7%) to approximately HK\$10.3 million from approximately HK\$6.0 million for the six months ended 30 September 2017. The increase was primarily due to the additional rental expenses and other related costs such as management fee and government rates for the new medical aesthetic centres of the TST Centre and the New CWB Centre.

## Depreciation

Depreciation expenses amounted to approximately HK\$6.2 million, HK\$6.2 million and HK\$7.0 million for the years ended 31 March 2016, 2017 and 2018, respectively. The amounts were fairly stable during the years ended 31 March 2016, 2017 and 2018. The above depreciation expenses were in line with the fairly stable net carrying amount of the property, plant and equipment as at the respective end of the reporting years.

Depreciation expenses increased from approximately HK\$3.4 million for the six months ended 30 September 2017 to approximately HK\$4.5 million for the six months ended 30 September 2018. This was mainly due to the acquisition of the property, plant and equipment for the new aesthetic centres.

## Other expenses

The following sets forth the breakdown of other expenses:

	For the year ended 31 March			For the six months ended 30 September	
	2016	2017	2018	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
Listing expenses	—	14,926	400	—	1,748
Forfeiture of rental-related deposits	—	2,950	—	—	—
Marketing and promotion expense	946	2,783	1,666	72	1,570
Professional fee	345	1,914	1,933	918	991
Consultancy fee	629	1,177	4,011	1,948	2,060
Write off of leasehold improvements	—	—	—	—	1,644
Credit card commissions	1,861	2,318	3,089	1,239	1,384
Repair and maintenances	1,217	2,133	1,661	846	949
Others	3,696	4,236	5,143	2,370	3,256
	<u>8,694</u>	<u>32,437</u>	<u>17,903</u>	<u>7,393</u>	<u>13,602</u>

Others of the other expenses on the above mainly represented insurance expenses, donations, various office expenses and other miscellaneous expenses.

For the year ended 31 March 2017, other expenses increased by approximately HK\$23.7 million (or approximately 273.1%) from approximately HK\$8.7 million for the year ended 31 March 2016 to approximately HK\$32.4 million for the year ended 31 March 2017. The increase was primarily attributable to the recognition of the listing expenses of

approximately HK\$14.9 million in connection with the listing of the Company's Shares on GEM and the forfeiture of rental-related deposits of approximately HK\$2.9 million as a result of surrendering the leased premises to the landlord. Excluding the listing expenses and the forfeiture of the rental-related deposits, the other expenses would increase by approximately HK\$5.9 million (or approximately 67.5%) for the year ended 31 March 2017 when compared with that for the year ended 31 March 2016. The increase was primarily attributable to the increases in (i) marketing and promotion expense of approximately HK\$1.8 million to enhance the Group's brand awareness through online advertising; and (ii) professional fees of approximately HK\$1.6 million to fulfill additional requirements as a listed issuer, such as engaging a compliance adviser, additional audit fee for publication of the Company's first annual results etc, after the listing of the Company's Shares on GEM.

For the year ended 31 March 2018, other expenses decreased by approximately HK\$14.5 million (or approximately 44.8%) from approximately HK\$32.4 million for the year ended 31 March 2017 to approximately HK\$17.9 million for the year ended 31 March 2018. The decrease was primarily attributable to the one-off listing expenses and the forfeiture of the rental-related deposit not incurring in the year ended 31 March 2018. Excluding the listing expenses and the forfeiture of the rental-related deposit, the other expenses would increase by approximately HK\$3.3 million (or approximately 23.0%) for the year ended 31 March 2018 when compared with that for the year ended 31 March 2017. The increase was primarily attributable to the increase in consultancy fee incurred for engaging a new doctor consultant by way of service contract rather than employment contract of approximately HK\$2.8 million for the 30/F CWB Centre which commenced operation in July 2017.

For the six months ended 30 September 2018, other expenses increased by approximately HK\$6.2 million (or approximately 83.8%) to approximately HK\$13.6 million from approximately HK\$7.4 million for the six months ended 30 September 2017. The increase was primarily attributable to (i) the one-off professional service fees of approximately HK\$1.7 million incurred for the Transfer of Listing; (ii) write off of leasehold improvements of approximately HK\$1.6 million for the 30/F CWB Centre resulted from the early termination of the lease agreement; and (iii) increase in promotional campaigns for different marketing channels and various social media platforms of approximately HK\$1.5 million.

### **Income tax expense**

The Group's income tax expense was approximately HK\$3.5 million, HK\$3.5 million and HK\$4.9 million, representing an effective tax rate of 15.8%, 98.3% and 15.7% for the year ended 31 March 2016, 2017 and 2018, respectively; whereas it was approximately HK\$2.6 million and HK\$2.3 million, representing an effective tax rate of approximately 15.9% and 17.0% for the six months ended 30 September 2017 and 2018, respectively. The effective tax rate was exceptional high for the year ended 31 March 2017 as the one-off listing expenses incurred was non-deductible for taxation purpose. Excluding the one-off listing expenses and the forfeiture of the rental-related deposits, the Group's effective tax rate is approximately 16.1% for the year ended 31 March 2017 which is close to the Hong Kong statutory rate of 16.5%.

## Profit for the year/period

Profit attributable to the owners of the Company was approximately HK\$0.1 million for the year ended 31 March 2017, representing a decrease of approximately HK\$18.4 million (or approximately 99.7%) as compared with that of the year ended 31 March 2016. The decrease was mainly due to the recognition of the listing expenses of approximately HK\$14.9 million in connection with the listing of the Company's Shares on GEM and the forfeiture of rental-related deposits of approximately HK\$2.9 million.

Profit attributable to the owners of the Company was approximately HK\$26.5 million for the year ended 31 March 2018, representing an increase of approximately HK\$26.4 million as compared with that for the year ended 31 March 2017. The increase was mainly due to the combined effect of (i) non-existence of the one-off listing expenses and forfeiture of rental-related deposits totaling of approximately HK\$17.8 million; (ii) increase in revenue of approximately HK\$27.1 million; and offset by (iii) increase in cost of inventories and consumables of approximately HK\$3.3 million, staff costs of approximately HK\$7.5 million, property rentals and related expenses of approximately HK\$2.5 million and other expenses of approximately HK\$3.3 million.

Profit attributable to the owners of the Company was approximately HK\$11.5 million for the six months ended 30 September 2018, representing a decrease of approximately HK\$2.3 million (or approximately 16.7%) as compared to that for the six months ended 30 September 2017. The decrease was mainly due to the one-off professional service fees of approximately HK\$1.7 million incurred for the proposed Transfer of Listing and write-off of leasehold improvements of approximately HK\$1.6 million for the 30/F CWB Centre resulting from the early termination of the lease agreement.

## SUMMARY OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The table below presents the summary of consolidated statements of financial position of the Group as at 31 March 2016, 2017 and 2018 and 30 September 2018.

### Consolidated statements of financial position

	As at 31 March		As at 30 September	
	2016	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)	(unaudited)
NON-CURRENT ASSETS				
Property, plant and equipment	13,628	14,016	16,340	41,026
Goodwill	4,305	4,305	4,305	4,305
Deposits	2,222	4,980	7,445	11,777
Deferred tax assets	650	835	889	1,043
	<u>20,805</u>	<u>24,136</u>	<u>28,979</u>	<u>58,151</u>
Total non-current assets	<u>20,805</u>	<u>24,136</u>	<u>28,979</u>	<u>58,151</u>

	As at 31 March		As at 30 September	
	2016	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)	(unaudited)
<b>CURRENT ASSETS</b>				
Inventories	1,696	1,704	4,219	6,174
Trade receivables	1,190	852	20,169	8,007
Prepayments, deposits and other receivables	3,083	4,391	7,242	9,447
Due from the ultimate holding company	5	—	—	—
Due from related parties	24,518	—	—	—
Deferred costs	—	—	—	432
Tax recoverable	115	843	556	342
Pledged time deposits	3,449	3,253	51,827	53,032
Cash and cash equivalents	29,251	135,444	110,379	104,598
Total current assets	<u>63,307</u>	<u>146,487</u>	<u>194,392</u>	<u>182,032</u>
<b>CURRENT LIABILITIES</b>				
Trade payables	727	887	705	962
Other payables and accruals	3,384	6,730	6,383	9,222
Deferred revenue	57,388	68,717	93,414	89,266
Provision for reinstatement costs	433	877	497	—
Tax payable	1,359	537	2,354	5,018
Total current liabilities	<u>63,291</u>	<u>77,748</u>	<u>103,353</u>	<u>104,468</u>
<b>NET CURRENT ASSETS</b>	<u>16</u>	<u>68,739</u>	<u>91,039</u>	<u>77,564</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>20,821</u>	<u>92,875</u>	<u>120,018</u>	<u>135,715</u>
<b>NON-CURRENT LIABILITIES</b>				
Deferred tax liabilities	935	1,355	1,385	1,122
Provision for reinstatement costs	1,138	930	1,530	4,744
Total non-current liabilities	<u>2,073</u>	<u>2,285</u>	<u>2,915</u>	<u>5,866</u>
Net assets	<u>18,748</u>	<u>90,590</u>	<u>117,103</u>	<u>129,849</u>
<b>EQUITY</b>				
Issued capital	—	4,000	4,000	4,000
Reserves	18,748	86,590	113,103	125,849
Total equity	<u>18,748</u>	<u>90,590</u>	<u>117,103</u>	<u>129,849</u>



## **ANALYSIS OF SELECTED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS**

### **Property, plant and equipment**

Property, plant and equipment mainly comprised treatment devices, leasehold improvements, computer equipment, etc.. The net carrying amounts of the property, plant and equipment as at 31 March 2016 and 2017 stayed fairly stable at approximately HK\$13.6 million and HK\$14.0 million, respectively, whereas the balance as at 31 March 2018 increased to approximately HK\$16.3 million. The increase was primarily due to additions of new treatment devices and the leasehold improvement for the 30/F CWB Centre which commenced operation in July 2017. The net carrying value of the property, plant and equipment further increased to approximately HK\$41.0 million as at September 2018. The increase was primarily due to additions of new treatment devices and the leasehold improvement for the TST Centre and the New CWB Centre which commenced operation in June and September 2018 respectively.

### **Prepayments, deposits and other receivables**

As at 31 March 2016, 2017 and 2018 and 30 September 2018, the prepayments, deposits and other receivables (including in both of the non-current assets and current assets) were approximately HK\$5.3 million, HK\$9.4 million, HK\$14.7 million and HK\$21.2 million, respectively. The gradual increase in the prepayments, deposits and other receivables was primarily due to the prepayments for the acquisition of the equipment, service deposits for the payment gateway of card processing banks and EPS, deposits for utilities and payment of rental deposits for the TST Centre and the New CWB Centre.

### **Inventories**

The inventories comprised skin care products, consumables and other supplies. Inventories remained fairly stable at approximately HK\$1.7 million as at both 31 March 2016 and 2017. Inventories increased to approximately HK\$4.2 million as at 31 March 2018 which was primarily due to (i) the expansion of the Group's business operation by opening the 30/F CWB Centre which commenced operation in July 2017; and (ii) the increase in the stocking of the private label products as at the year ended 31 March of 2018.

Inventories further increased to approximately HK\$6.2 million as at 30 September 2018 which was mainly due to (i) the opening of the TST Centre which commenced operation in June 2018; and (ii) the increase in the stocking of the private label products as at 30 September 2018.

From 1 October 2018 and up to the Latest Practicable Date, inventories of approximately HK\$2.7 million were subsequently utilised or sold.

### **Trade receivables**

A majority of the Group's treatment services are conducted through the sale of prepaid packages, where the full amounts of the prepaid packages are settled upfront by the clients with cash, EPS or credit cards and are recognised as deferred revenue under the current liabilities of the Group's statement of financial position. Among the payment methods, for

credit card payments from the clients, these payment amounts will not be settled to the Group from the banks immediately at the trade date. Historically, the banks settled the relevant credit card payment amount to the Group within a week after the trade date. As most of the payment for the prepaid packages by the clients were made by credit cards, trade receivables thus primarily consisted of amounts due from the credit card payment processing banks.

Trade receivables remained fairly stable at approximately HK\$1.2 million and HK\$0.9 million as at 31 March 2016 and 2017, respectively. However, trade receivables substantially increased to approximately HK\$20.2 million as at 31 March 2018. The significant increase was the result of the longer settlement period mainly from a bank's requirement of the extended settlement policy for the Group. According to a letter from the bank addressed to the Company in May 2017, it was stated that this was a result of tightening of the bank's overall credit policy on its prepayment merchant clients (such as the Group) with effect from 1 July 2017 in using its credit card settlement services. The said letter also stated that it was a tightened risk management policy for the bank to manage its prepayment merchant clients as there was an increasing number of dispute/chargeback cases involving prepayment business in the market. Before the above tightened credit policy, the settlement period was within a week after the trade date. After the effective of the tightened credit policy, the bank settles the transaction within 45 days. As a result, after the said policy had become effective, the balances of the trade receivables increased accordingly. The increase in trade receivables balance as at 31 March 2018 was also the result of higher amount of coupon sales in March 2018 which was substantially paid by credit cards as compared with that in March 2017 benefiting from the Group's increase in promotional campaigns in the year.

The trade receivables decreased from approximately HK\$20.2 million as at 31 March 2018 to approximately HK\$8.0 million as at 30 September 2018. The decrease of approximately HK\$12.2 million in trade receivables was mainly due to less sales of prepaid cash coupons around August to September 2018 comparing to that around February to March 2018, which the Company's annual one-off three-month promotional sales campaign for coupon sales usually starts in January of every calendar year.

As at the Latest Practicable Date, approximately HK\$8.0 million, or 99.65% of the trade receivables as at 30 September 2018 were subsequently settled.

### **Due from related parties**

The balance due from related parties as at 31 March 2016 represented amount due from Mrs. Gigi Ma, an executive Director, chairlady of the Board and the chief executive officer of the Group, and other related parties which were non-trade in nature, unsecured, interest-free and had no fixed terms of repayment. During the year ended 31 March 2017, the amounts were fully settled.

### **Pledged time deposits and cash and cash equivalents**

As at 31 March 2017, the aggregate of the pledged time deposits and cash and cash equivalents increased by approximately HK\$106.0 million to approximately HK\$138.7 million from approximately HK\$32.7 million as at 31 March 2016. The increase was mainly attributable to (i) the net amount of approximately HK\$71.8 million after deducting the

share issue expenses of approximately HK\$8.2 million from the gross amount of proceeds from the Placing of HK\$80 million; and (ii) net cash inflows from operating activities of approximately HK\$43.3 million which was primarily attributable to settlements of approximately HK\$24.5 million from the related parties and increase in receipts from sales of treatment packages during the year.

As at 31 March 2018, the aggregate of the pledged time deposits and cash and cash equivalents increased by approximately HK\$23.5 million to approximately HK\$162.2 million from approximately HK\$138.7 million as at 31 March 2017. The increase was due to the combined effect of (i) net cash flow from operating activities (excluding the increase in pledged time deposits of approximately HK\$48.6 million) of approximately HK\$34.3 million; and offset by (ii) net cash flow used in investing activities (excluding the increase in non-pledged time deposits with original maturity of more than three months when acquired of approximately HK\$32.5 million) of approximately HK\$10.8 million which was mainly due to purchase of property, plant and equipment during the year.

Among the pledged time deposits and cash and cash equivalent, the balances of the pledged time deposits remained stable at approximately HK\$3.4 million and HK\$3.3 million as at 31 March 2016 and 2017, respectively. However, pledged time deposits substantially increased to approximately HK\$51.8 million as at 31 March 2018. This was due to the tightening of the credit policy of a bank demanding the Group to have a much higher amount of deposits pledged for using its credit card services during the year. The bank required a substantial amount of chargeback reserve in the form of pledged time deposit in an amount of HK\$50 million from the Group. According to a letter from the bank addressed to the Company in May 2017, it was stated that the requirement was a result of tightening of the bank's overall credit policy on its prepayment merchant clients (such as the Group) with effect from 1 July 2017 in using its credit card settlement services. The said letter also stated that it was a tightened risk management policy for the bank to manage the prepayment merchant clients as there was an increasing number of dispute/chargeback cases involving prepayment business in the market. A time deposit of HK\$50 million was subsequently pledged and thereafter, the balances of the pledged time deposits increased accordingly.

As at 30 September 2018, the aggregate of the pledged time deposits and cash and cash equivalents remained fairly stable at approximately HK\$157.6 million.

### **Deferred revenue**

The deferred revenue represents receipts from the sales of prepaid packages and prepaid cash coupons at the point of sales. The balance of deferred revenue will either be subsequently recognised as revenue in the consolidated statements of profit or loss and other comprehensive income when treatments are delivered to the customers from time to time, or recognised as forfeited revenue upon expiry of the validity periods of the prepaid packages and prepaid cash coupons. Prepaid medical aesthetic services not yet rendered are deferred and reported as deferred revenue under the current liabilities of the Group's consolidated statements of financial position.

The movements in deferred revenue are as follows:

	For and as at the year ended 31 March			For and as at the six months ended
	2016	2017	2018	30 September 2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At the beginning of the year/period	51,958	57,388	68,717	93,414
Receipts from sales of one-off treatments, treatment packages and prepaid cash coupons, net	82,383	105,002	141,342	65,020
Revenue recognised upon the provision of services	(74,081)	(90,074)	(112,828)	(67,238)
Revenue recognised upon the sales of products	(853)	(1,105)	(1,458)	(762)
Revenue recognised from unutilized prepaid packages	<u>(2,019)</u>	<u>(2,494)</u>	<u>(2,359)</u>	<u>(1,168)</u>
At the end of the year/period	<u>57,388</u>	<u>68,717</u>	<u>93,414</u>	<u>89,266</u>

Deferred revenue as at 31 March 2016, 2017 and 2018 and 30 September 2018 were approximately HK\$57.4 million, HK\$68.7 million, HK\$93.4 million and HK\$89.3 million, respectively. Such fluctuations were mainly attributable to and in line with the sales of prepaid packages for the respective year/period.

The breakdown by prepaid packages and prepaid cash coupons is as follows:

	As at 31 March			As at 30 September
	2016	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Prepaid packages	51,626	59,618	84,514	84,300
Prepaid cash coupons	<u>5,762</u>	<u>9,099</u>	<u>8,900</u>	<u>4,966</u>
	<u>57,388</u>	<u>68,717</u>	<u>93,414</u>	<u>89,266</u>

An ageing analysis of deferred revenue, based on the date of purchase, is as follow:

	As at 31 March		As at 30 September	
	2016	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 6 months	39,016	46,085	64,666	41,318
7 to 12 months	8,204	10,448	17,712	29,493
13 to 18 months	4,150	7,120	7,944	10,083
19 to 24 months	4,146	2,455	1,646	5,238
25 months to 30 months	1,320	1,776	1,136	2,272
Above 30 months	552	833	310	862
	<u>57,388</u>	<u>68,717</u>	<u>93,414</u>	<u>89,266</u>

The aging analysis illustrates the length of time that the deferred revenue has been recorded in the consolidated statements of financial position since its initial recognition (i.e. the date of purchase of prepaid packages or prepaid cash coupons by the customers).

The validity period ranged from three to 18 months from the date of purchase. As at 31 March 2016, 2017 and 2018 and 30 September 2018, approximately 89.5%, 92.6%, 96.7% and 90.6% of the deferred revenue aged up to 18 months respectively. Deferred revenue that aged over 18 months was attributable to those prepaid packages whose validity period had been extended at the Group's discretion taking into account certain customers' specific reasons, such as pregnancy and skin allergy.

## LIQUIDITY AND CAPITAL RESOURCES

The table below sets out the information regarding cash and cash equivalents, working capital, total equity and current ratio as at 31 March 2016, 2017 and 2018 and 30 September 2018:

	As at 31 March		As at 30 September	
	2016	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash and cash equivalents	29,251	135,444	110,379	104,598
Working capital <sup>(Note 1)</sup>	16	68,739	91,039	77,564
Total equity	18,748	90,590	117,103	129,849
Current ratio <sup>(Note 2)</sup>	1.0	1.9	1.9	1.7
Gearing ratio <sup>(Note 3)</sup>	n/a <sup>(Note 3)</sup>	n/a <sup>(Note 3)</sup>	n/a <sup>(Note 3)</sup>	n/a <sup>(Note 3)</sup>

Notes:

(1) Being net current assets

(2) Being current assets divided by current liabilities



- (3) Being borrowings divided by total equity. The gearing ratio is not applicable as there had been no borrowings for the Group.

The table below sets out the information regarding net cash flows from/(used in) operating activities for the years ended 31 March 2016, 2017 and 2018 and for the six months ended 30 September 2018:

	For the year ended 31 March			For the six months ended
	2016	2017	2018	30 September 2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net cash flows from/(used in)				
operating activities	9,293	43,302	(14,258)	23,765
Net adjusted cash flows from operating activities (excluding the change in the pledged time deposits) <sup>(Note)</sup>	9,124	43,106	34,316	24,970

*Note:*

The adjusted cash flows for the year/period is for reference only. It is a non-HKFRSs financial information which is not a measurement of the Group's cash flows under HKFRSs and should not be considered as an alternative to net cash flows from operating activities or as a measure of the Group's liquidity derived in accordance with HKFRSs.

For the year ended 31 March 2017, the Group's net cash flows from operating activities increased to approximately HK\$43.3 million from approximately HK\$9.3 million for the year ended 31 March 2016. This was primarily attributable to the one-off settlement of approximately HK\$24.5 million from the related parties and the increase in receipts from sales of treatment packages for the year.

For the year ended 31 March 2018, there was net cash flows used in operating activities of approximately HK\$14.3 million. This was primarily attributable to the increase in pledged time deposits of approximately HK\$48.6 million. For the reason of such increase, please refer to the paragraphs headed "Analysis of Selected Consolidated Statements of Financial Position Items — Pledged time deposits and cash and cash equivalents" in this announcement above. Excluding the increment of pledged time deposits, the net cash flow from operating activities would be approximately HK\$34.3 million for the year ended 31 March 2018 which was also lower than that for the year ended 31 March 2017. Although profit before tax for the year ended 31 March 2018 was higher than that for the year ended 31 March 2017 in the amount of approximately HK\$27.9 million, the movements in the working capital in aggregate (mainly from movements in trade receivables, deferred revenue and the amounts due from related parties) for the year ended 31 March 2018 contributed a lower cash flow of approximately HK\$35.9 million than that for the year ended 31 March 2017. However, if excluding the increments of pledged time deposits of approximately HK\$48.6 million and trade receivables of approximately HK\$19.3 million, the net cash flow from operation activities would be approximately HK\$53.6 million.

For the six months ended 30 September 2018, there was a net cash inflow from operating activities of approximately HK\$23.8 million. This was primarily attributable to the profit from the operation and the positive movements in the working capital in aggregate for the period.

From 1 April 2015 and up to the date of Listing, the Group funded its liquidity by resources generated internally. After the Listing, the Group funded its liquidity by the net proceeds from the Placing and the resources generated internally.

Based on the sufficient cash and bank balances and the net cash flows from operating activities (excluding the change in the pledged time deposits), the Group had adequate liquidity and financial resources to meet the daily operations and working capital requirements for the years ended 31 March 2016, 2017 and 2018 and the six months ended 30 September 2018 as well as to fund its expansion plans.

## **RECENT DEVELOPMENT OF REGULATORY FRAMEWORK THAT MAY IMPACT THE GROUP'S BUSINESS OPERATIONS**

### **The Private Healthcare Facilities Ordinance**

To tighten regulation of the beauty industry and to provide a clear definition to differentiate beauty therapies from medical procedures, the Government of Hong Kong has gazetted the Private Healthcare Facilities Bill (the “**Bill**”) in June 2017 setting out a new regulatory regime for private healthcare facilities (“**PHFs**”). On 15 November 2018, the Bill was passed and the Private Healthcare Facilities Ordinance (Chapter 633 of the Laws of Hong Kong) (the “**PHFO**”) was enacted on 29 November 2018.

The PHFO seeks to regulate four types of PHFs, namely:

- (a) hospitals;
- (b) day procedure centres;
- (c) clinics; and
- (d) health services establishments.

The PHFO introduces six broad categories of control, which may be summarized as follows:

- a licencing scheme including the application for, renewal, suspension and cancellation of a licence, appeal arrangements and related offences for the purpose of controlling and regulating the PHFs;
- prohibition on operating PHFs without licences and the requirement of displaying the licence in the facilities of the PHFs;
- requirements to appoint a chief medical executive in charge of the day-to-day administration of a PHF. Such chief medical executive must possess certain level of qualification and experience and must be a registered medical practitioner (or dentist) who has been registered for not less than four years in Hong Kong, to take charge of the day to day administration of a clinic. Under the PHFO, a chief medical executive

shall not serve more than three clinics. In case a PHF has more than three clinics, it shall appoint more than one chief medical executive with each taking charge of the day to day administration of not more than three clinics. Alternatively, a PHF may appoint a single medical executive provided that it also sets up a medical advisory committee. Such medical advisory committee shall consist of (i) a chairperson, who is a registered medical practitioner; and (ii) a number of other members to be decided by the PHF, of which at least half of the members of the medical advisory committee must be registered medical practitioner(s), including at least registered medical practitioner who is not employed by, or practicing in the PHF's clinics.

- requirement that a PHF must make available to the public information about the prices of chargeable items and services provided in the PHF as specified by the Director of Health of the Government of Hong Kong (the “**Director of Health**”);
- requirement to establish a medical advisory committee for certain PHFs, i.e. hospitals; and
- requirement that a PHF must put in place a complaints handling procedure for receiving, managing and responding to complaints that are received against the PHFs and ensure that the procedure is made known to the patients in an appropriate way. A PHF must ensure that (i) an investigation of the complaint and is conducted and findings made; (ii) improvement measures are implemented (if necessary); and (iii) the complainant is informed of the findings of the investigation and, if the case require, of any follow-up action taken or to be taken. The licensee may also be required to provide a summary of the above to the Director of Health.

## **Impact of the PHFO on the Group's business operations**

### *Chief Medical Executive*

According to the statutory provisions under the PHFO, the Group's existing business operation is expected to fall within the category of “clinics”. PHFO provides that a clinic shall appoint a chief medical executive to take charge of the day-to-day administration of a clinic and each chief medical executive shall not serve more than three clinics. In this regard, the Group will appoint one of its existing doctors as chief medical executive for the operation of the existing three clinics to fulfill the PHFO requirement. There is no impact of the PHFO on the Group's cost structure as the Group has at least one doctor to serve every three medical aesthetic centres. There is no need to hire additional doctors in order to fulfil the requirement of the PHFO.

### *Licence*

Further, pursuant to the legal advice obtained by the Company, the PHFO provides for transitional arrangements for day procedures centres and clinics, which may be applicable to the Group. Under the transitional arrangement, an operator of a day procedures centre or a clinic in operation on 30 November 2018 will be issued a provisional licence upon application for a full licence, provided certain requirements specified under the PHFO are met. The provisional licence would allow the day procedure centre or clinic concerned to continue to operate before it is qualified for the full licence. It is expected that the Department of Health will announce the specifics of the procedure for application of the

provisional licence and full licence in the coming months. The Group will follow closely the development of the licensing scheme and make the relevant application in accordance with the statutory requirements when appropriate.

### *Pricing Information*

PHFO also provides that a PHF must make available to the public information about the prices of chargeable items and services provided. Currently, the Group has clearly stated all chargeable items and services to our clients including prices for all treatments and skin care products in their catalogues tabled at the reception area of each of the Group's centres.

### *Complaints*

Another requirement under the PHFO is to put in place a complaint handling procedure for receiving, managing and responding to complaints that are received against the PHFs and to ensure the procedure is made known to the patients in an appropriate way. The Group has a number of channels for soliciting and receiving client feedback, such as comment collection survey that encourages clients to fill out, online survey on its own website and post-treatment follow-up calls and text messages. Any unfavourable feedback received from clients will be lodged at the client feedback register and feedback log sheet. Upon reviewing the said register and log sheet, our appointed aesthetic service specialist (“**Specialist**”) will follow up with the client. In general, after the Specialist addresses client's concern, supervisor or managerial graded staff will investigate the case and report the initial investigation findings to the Group's sales and operation director. The complaint cases will be reported in monthly operation report and will be discussed during the management meeting. Complimentary gifts or services, refund or transfer of treatment may be offered to clients in cases where the complaint is grounded.

### *Impact*

After obtaining legal advice in relation to the requirements applicable to the Group under the relevant proposed statutory provisions under the PHFO, the Directors are of the view that the Group would be able to comply with the relevant requirements under the PHFO, and it is expected that there should be no legal impediment for the Group to obtain the provisional licence and eventually the full licence when the application window opens.

## **KEY RISKS RELATING TO BUSINESS AND INDUSTRY OF THE GROUP**

There are certain risks involved in the Group's operation and many of these risks are beyond the Group's control, which included but not limited to the following:

**The Group's business performance depends on its reputation in the industry, and any failure to maintain its reputation may negatively affect the results of operations and prospects of the Group.**

The Group's success to date depends on a significant extent on its reputation as a quality and reliable medical aesthetic service provider in Hong Kong. The Group's brand image and market recognition are subject to various factors including (i) its service and product offerings and quality; (ii) its responsiveness to changing market trends and client preferences; (iii) client experiences and satisfaction; and (iv) any negative publicity, claims,

complaints or legal proceedings to which the Group, its registered medical practitioners and other staff members are subject to. Any failure to maintain the Group's brand image and any incident that erodes clients' trust in the quality of its services and products could substantially reduce its brand value and recognition, thereby reducing the demand for its services and products.

In particular, any negative publicity in relation to services and products of the Group may, regardless of merit, damage its reputation in the industry. The Group's clients may have expectations on the magnitude of improvement of physical appearance resulting from its services or the use of its products. However, there is no guarantee the results of services and products of the Group since results vary depending on factors such as the medical background and skin condition of its clients, their adherence to the post-treatment instructions and other factors beyond the Group's control. It is also an inherent risk that the results of services of the Group may lead to undesirable or unexpected outcomes, such as complications and injuries, or otherwise fail to meet its clients' expectations. Such undesirable or unexpected outcomes may result in negative sentiments, requests for refunds, or complaints, claims or legal actions against the Group or its registered medical practitioners, which may lead to negative publicity. Any negative publicity may materially and adversely harm the Group's brand image and cause a deterioration in the level of trust in its services and products, thereby resulting in decreased sales and potential loss of clients.

Furthermore, given the subjective views on the quality and results of its services and products, the Group has been and will continue to be susceptible to complaints, claims and legal actions associated with its services and products. There is no assurance that the Group will not be subject to such complaints or claims in the future. Apart from negative publicity, any such complaints or claims may result in substantial liabilities and any uninsured loss could have a material adverse impact on the business, results of operations and financial condition of the Group.

**The Group relies on the public image of its chief executive officer.**

The Group's brand awareness is, to a certain extent, built upon the public image of Mrs. Gigi Ma, the chairlady, executive Director and chief executive officer of the Group. Mrs. Gigi Ma has been a prominent icon of the Group's business, whose public image has enhanced its brand awareness in Hong Kong. Any negative publicity or media coverage about Mrs. Gigi Ma may have a negative impact on the reputation or brand image of the Group, which may in turn materially and adversely affect its business, results of operations and financial condition.

**The Group may not be able to retain the services of its existing registered medical practitioners or attract suitable registered medical practitioners to join the Group.**

The business operation of the Group is dependent on its ability to attract registered medical practitioners and retain their services. The number of registered medical practitioners with the necessary experience and qualifications in the market is limited, and the Group is competing for suitable candidates with other medical aesthetic service providers. As at the Latest Practicable Date, the Group had four Servicing Doctors who participate in the provision of medical aesthetic services. In order to retain its existing registered medical practitioners and attract new ones, the Group may need to offer more competitive remuneration packages, which would increase its staff costs. Furthermore, in the event of

the registered medical practitioners resigning, there is no assurance that the Group will be able to find suitable and timely replacements. There is also no assurance that the Group will be able to attract and retain sufficient number of registered medical practitioners to support its continuous business growth and cope with its business expansion. If the Group is unable to recruit suitable registered medical practitioners, its business operations may be interrupted, which could materially and adversely affect the results of operations, financial condition and prospects.

**The Group's registered medical practitioners and other staff members may be subject to investigations, claims or legal proceedings relating to professional misconduct or negligence, which may subject the Group to substantial liabilities and harm its reputation.**

The Group relies on its registered medical practitioners to make proper decisions regarding the services and products that its clients may require. Any incorrect decisions on the part of the Group's registered medical practitioners may result in undesirable or unexpected outcomes, including complications and injuries. Complaints, claims and legal actions may be brought by dissatisfied clients against the relevant registered medical practitioners as well as other relevant staff members. As the relevant services are provided at the Group's medical aesthetic centres, the Group is likely to be named as one of the defendants and may be subject to claims for professional misconduct or negligence arising from the acts, conducts or omissions of its registered medical practitioners and other staff members.

Claims or legal proceedings against the Group, its registered medical practitioners or other staff members may, whether successful or not, bring negative publicity. The Group's business operations may also be materially and adversely affected as substantial time and resources may be needed to deal with and defend such claims or proceedings. In addition, any settlement or successful claim against the Group may result in significant legal costs, damages and compensation. If such claims or proceedings are beyond the scope of or involving damages which are beyond the maximum amount covered by its existing insurance schemes, the Group may face significant financial liabilities and any uninsured loss may materially and adversely affect its business, results of operations and financial condition.

While the Group's registered medical practitioners, as members of the Medical Protection Society, maintain professional malpractice liability and are entitled to, subject to certain exclusions, indemnity, advice and legal representation in relation to claims, investigations and proceedings arising from or in connection with their professional practices, there is no assurance that the protection offered thereunder will cover the full extent of losses, damages or liabilities arising from any professional misconduct or medical negligence of the Group's registered medical practitioners. Furthermore, if the Group's registered medical practitioners are involved in medical disputes and/or subject to investigations, they may have to allocate time and resources in handling such disputes or investigations, which may affect the Group's business operations. If they were eventually convicted of professional misconduct or medical negligence, they would be subject to disciplinary actions, including suspension from practice for a certain period or indefinitely. Any of these circumstances may materially and adversely affect the Group's reputation, business, results of operations and financial condition.



**The Group is subject to uncertainties as to the future development of the regulatory framework in Hong Kong in respect of the provision of medical aesthetic services.**

Following certain adverse incidents in relation to the beauty service industry in recent years, the Hong Kong Government has been reviewing the existing legal framework and considering tightening its supervision over the beauty service industry by promulgating certain laws and regulations to regulate.

For instance, to tighten up regulation of the beauty industry and to provide a clear definition to differentiate beauty therapies from medical procedures, the Government of Hong Kong had enacted the PHFO in November 2018 setting out new regulatory regime for private healthcare facilities.

Furthermore, in April 2018, the Consumer Council issued a report to advocate mandatory cooling-off period to combat unfair trade practices. Specifically, the council recommended the imposition of mandatory cooling-off period for fitness services contracts and beauty services contracts with a duration of not less than six months or involving prepayment, so that consumers may receive a refund of the paid fees and cancel the contract during the cooling-off period.

There is a great degree of uncertainty with respect to which new laws and regulations will be applicable to the business of the Group. Further, compliance with new laws and regulations may significantly increase the Group's operating costs and in turn lower the Group's profit margins. Furthermore, if the mandatory cooling-off period proposed by the Consumer Council is implemented, it may increase our operating costs in managing refunds and cancellations, which in turn may materially and adversely affect the Group's business, results of operation and financial performance. The Company will take appropriate measures to comply with the requirements of mandatory cooling-off period when such proposal takes effect.

There is no assurance that the Hong Kong Government will not impose more stringent laws, rules, regulations or industry standards in connection with the provision of medical aesthetic services. Any change in the regulatory framework may render it more restrictive for the Group to conduct its business. There is also no assurance that the Group will be able to adapt to such changes in a timely manner, and any failure to respond to such changes may materially and adversely affect the Group's business, results of operations, financial condition and prospects.

**There was increase in property rentals and related expenses of the Group for the two years ended 31 March 2017 and 2018 and the Group may experience further increase in the relevant expenses in the future**

The property rentals and related expenses of the Group amounted to approximately HK\$9.4 million, HK\$9.9 million and HK\$12.4 million for each of the three years ended 31 March 2018, representing a year-to-year increase of approximately HK\$0.5 million (or 5.3%) for the year ended 31 March 2017 and approximately HK\$2.5 million (or 24.8%) for the year ended 31 March 2018. The increase in the relevant expenses was primarily attributable to the additional office premises rented, and the increase in rental expenses and other related costs (such as management fee, government rates, etc.) of additional office and the 30/F CWB Centre which commenced operation in July 2017.

As at the Latest Practicable Date, the Group had merged its two centres in Causeway Bay (i.e. the 22/F CWB Centre and the 30/F CWB Centre) into a duplex unit on the penthouse level in the same building (i.e. the New CWB Centre). As at the Latest Practicable Date, the New CWB Centre had began operation. For illustration purpose only, the aggregate annual rental expense for leasing the 22/F CWB Centre and 30/F CWB Centre is approximately HK\$5.5 million pursuant to the relevant tenancy agreements, whereas the annual rental expense for leasing the New CWB Centre is expected to be approximately HK\$7.7 million based on the relevant tenancy agreement. Without taking into account the rent-free period offered under the tenancy agreement of the New CWB Centre, the increment of annual rental expenses for leasing the duplex units instead of leasing the 22/F CWB Centre and 30/F CWB Centre would be approximately, HK\$2.2 million or 39.5%.

The expansion of the Group's medical aesthetic centres will increase its property rentals and related expenses in the future. If the Group encounters any substantial increase in rental expenses in the future which it cannot pass on to its customers, the Group may have higher fixed operating cost burden which will further affect its financial performance and may materially and adversely affect the Group's financial condition.

## **PROSPECTS**

The outlook of the medical aesthetic services industry and the Group's operation were set out in the published interim report of the Company for the six months ended 30 September 2018.

## **FINANCIAL INDEPENDENCE**

The Group has an independent financial system and makes financial decisions according to its own business needs. There is no financial assistance, guarantee and/or security provided by the Controlling Shareholders and their respective associates of the Group since the Listing and up to the Latest Practicable Date. The Directors believe that the Company is capable of obtaining financing from third parties without reliance on the Controlling Shareholders.

## **CONTROLLING SHAREHOLDERS**

There has been no change of the controlling shareholders of the Company since the Company's listing on GEM on 10 January 2017 and up to the Place Down. Since the Place Down and up to the Latest Practicable Date, 275,000,000 Shares (representing 68.75% of the Company's issued share capital) have been registered in the name of Sunny Bright, a company beneficially owned as to 50% by Mrs. Gigi Ma and 50% by Mr. MA Ting Keung Patrick who is the spouse of Mrs. Gigi Ma. Therefore, Mrs. Gigi Ma is deemed to be interested in all the shares held by Sunny Bright under the SFO.

## **COMPETING BUSINESS**

As at the Latest Practicable Date, none of the executive Directors or Controlling Shareholders or their respective close associates had any interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to paragraph 10(11) of Appendix 28 of the Main Board Listing Rules.

## BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Our Board of Directors consists of two executive Directors and three independent non-executive Directors. Our Board is responsible for and has general powers for the management and conduct of the business of our Group. The table below sets forth certain information in respect of the members of our Board of Directors of our Company.

### Members of our Board

Name	Age	Date of joining our Group	Date of appointment as Director	Position	Roles and Responsibilities	Relationship with other Directors and senior management
<b>Executive Directors</b>						
Ms. LAI Ka Yee Gigi (黎珈而)	47	July 2009	6 July 2016	Executive Director, chairlady of the Board, and chief executive officer	Overall management, branding and strategic planning, marketing and development of our Group	Sister-in-law of Mr. Barry Ma
Mr. MA Ting Wai Barry (馬庭偉)	53	June 2011	25 July 2016	Executive Director, IT and business development director	Overseeing the development and maintenance of our Group's IT systems, business expansion and strategic planning	Brother-in-law of Mrs. Gigi Ma
<b>Independent non-executive Directors</b>						
Mr. CHENG Fu Kwok David (鄭輔國)	70	19 December 2016	19 December 2016	Independent non-executive Director	Providing independent judgment on our strategy, performance, resources and standard of conduct	Nil
Mr. CHENG Yuk Wo (鄭毓和)	58	19 December 2016	19 December 2016	Independent non-executive Director	Providing independent judgment on our strategy, performance, resources and standard of conduct	Nil
Mr. LI Wai Kwan (李偉君)	47	19 December 2016	19 December 2016	Independent non-executive Director	Providing independent judgment on our strategy, performance, resources and standard of conduct	Nil

## Senior management

Name	Age	Date of appointment to present position	Position	Roles and responsibilities	Relationship with other Directors and senior management
Ms. SHUM Ching Yee Jennifer (沈靜宜)	50	September 2017	Chief financial officer	Devising and supervising the execution of business strategies in the long-term growth of the Group, overseeing the internal control system of the Group in general and acts as the chief coordinator of matters relating to legal, regulatory, and financial reporting compliance	Nil
Ms. LAM Chi Wei Jullie (林芷蕙)	44	1 April 2014	Director of sales and operations	Formulate and implement sales strategies to drive the sales growth and achievement of sales targets	Nil
Ms. TSANG Chui Ying (曾翠櫻)	35	1 September 2016	Financial controller	Financial reporting and planning, treasury and financial control	Nil

## Executive Directors

Mrs. Gigi Ma (黎珈而) (with former name Lai Chi, Gigi (黎姿)) (“**Mrs. Gigi Ma**”), aged 47, is an executive Director, chairlady of the Board and the chief executive officer of the Company. She is also the chairlady of the nomination committee and a member of the remuneration committee. She is responsible for the overall management, branding and strategic planning, marketing and development of the Group. Mrs. Gigi Ma joined the Group in July 2009 and was appointed as a Director on 6 July 2016, re-designated as an executive Director and appointed as chairlady of the Board and the chief executive officer on 19 December 2016. She is also a director of certain subsidiaries of the Group. Before founding the Group, Mrs. Gigi Ma was active in the film and television entertainment industry between 1985 and 2008. She withdrew from the film and television entertainment industry in late 2008 and has since devoted her full effort to the development of the business in the medical aesthetic service industry. Mrs. Gigi Ma is the sister-in-law of Mr. Ma Ting Wai Barry.

Mr. MA Ting Wai Barry (馬庭偉) (“**Mr. Ma**”), aged 53, is an executive Director and the Group’s IT and business development director and is principally responsible for overseeing the Group’s business expansion and the development and maintenance of IT systems in relation to the Group’s business operations. Mr. Ma was appointed as a Director on 25 July 2016 and was re-designated as the executive Director on 19 December 2016. Mr. Ma is actively involved in developing the IT infrastructure of the Group, integrating different departments with the IT platforms, with a view to enhance operation efficiency. He also performs a vital role in monitoring and evaluating the Group’s business and strategic planning. Mr. Ma graduated from the University of Southern California with a Bachelor of Science degree in Computer Science, with extensive experience gained from overseas and in the Greater China region, ranging from technical to the sales and marketing function of multinational companies including companies from Fortune 500. He is an entrepreneur with extensive experience in direct investments and business development, bringing to the Group his sound know-how in strategic planning. Mr. Ma is the brother-in-law of Mrs. Gigi Ma.

Each of Mrs. Gigi Ma and Mr. Ma has entered into a service agreement with the Company for an initial term of three years commencing from the date of Listing which shall be terminated in accordance with the provisions of the service agreement, subject to the provisions on retirement by rotation as set out in the Articles of Association. Pursuant to their respective service agreements, Mrs. Gigi Ma and Mr. Ma are entitled to a monthly salary of HK\$200,000 and nil, respectively, and a performance bonus to be determined by the Company with reference to salaries paid by comparable companies, time commitment and the performance of the Group.

### **Independent Non-Executive Directors**

Mr. CHENG Fu Kwok David (鄭輔國) (“**Mr. David Cheng**”), aged 70, was appointed as an independent non-executive Director on 19 December 2016. He is also a member of audit committee and nomination committee of the Company. Mr. David Cheng graduated from the University of Hong Kong in November 1975 with a Bachelor Degree in Social Sciences. He has extensive experience in banking, corporate finance and shipfinance. Mr. David Cheng has retired from the Head of Shipfinance in the Shipfinance Department of Credit Agricole CIB with effective from 1 May 2014 and was the Senior Advisor to the Global Shipping Group of that bank from June 2014 to June 2016. He is now the Honorary Chairman of Credit Agricole Asia Shipfinance Limited. Credit Agricole CIB and Credit Agricole Asia Shipfinance Limited are third parties independent of the Company and not connected persons of the Company. Mr. David Cheng is a member of the Working Group on Transportation under the Hong Kong Economic Development Commission, and a member of Hong Kong Maritime and Port Board, and he is the chairman of the Promotion and External Relations Committee of the Maritime and Port Board. In May 2015, Mr. David Cheng was conferred the Distinction of “Chevalier de l’Ordre National du Mérite” by the French Government. Mr. David Cheng has been an independent non-executive director of Singamas Container Holdings Limited (Stock Code: 716) since 1 November 2012.

Mr. CHENG Yuk Wo (鄭毓和) (“**Mr. Cheng**”), aged 58, was appointed as an independent non-executive Director on 19 December 2016. He is the chairman of the audit and remuneration committees and a member of the nomination committee. Mr. Cheng has been a member and fellow of the Institute of Chartered Accountants in England and Wales since December 1987 and August 1998 respectively and a fellow of the Hong Kong Institute of Certified Public Accountants since January 1999, and a member of the Institute of Chartered Accountants of Ontario, Canada since November 1990. Mr. Cheng has over 30 years of experience in auditing, finance and business management. He has been the sole proprietor of Erik Cheng & Co., Certified Public Accountants in Hong Kong since 1999.

Mr. Cheng also serves as a director of Chiu Chow Chamber of Commerce and Honorary Director of Hong Kong Rehabilitation Power.

Mr. Cheng graduated from the University of Kent, England with a Bachelor’s degree in Accounting in July 1983 and a Master’s degree in Accounting and Finance from the London School of Economics, England in August 1984.

Mr. Cheng currently acts as an independent non-executive director of a number of companies listed on the Stock Exchange, namely, CSI Properties Limited (Stock Code: 497), HKC (Holdings) Limited (Stock Code: 190), C.P. Lotus Corporation (Stock Code: 121), Chong Hing Bank Limited (Stock Code: 1111), Top Spring International Holdings Limited



(Stock Code: 3688), Liu Chong Hing Investment Limited (Stock Code: 194), Goldbond Group Holdings Limited (Stock Code: 172), Chia Tai Enterprises International Limited (Stock Code: 3839), DTXS Silk Road Investment Holdings Company Limited (Stock Code: 620), CPMC Holdings Limited (Stock Code: 906) and Somerley Capital Holdings Limited (Stock Code: 8439) and Kidsland International Holdings Limited (Stock Code:2122).

Mr. Cheng had acted as an executive director of Huanxi Media Group Limited (formerly known as 21 Holdings Limited) (Stock Code: 1003) from May 2010 to December 2013 and as an independent non-executive director of the same Company from October 2007 to April 2010 before his redesignation as an executive director in May 2010. Mr. Cheng was an independent non-executive director of Imagi International Holdings Limited (Stock Code: 585) during the period between July 2010 and January 2016.

The Directors noted that Mr. Cheng is currently the independent non-executive director of 12 other listed companies in Hong Kong. It is further noted that the practice of Mr. Cheng being the independent non-executive directors of numerous listed companies has been maintained for quite a number of years already. Mr. Cheng has confirmed that he has not found any difficulty in devoting and managing his time to the numerous listed companies that he is involved in and none of the listed companies that he has directorship has questioned or complained about his time devoted to the listed companies. Based on (i) the usual practice of Mr. Cheng being independent non-executive directors of numerous listed companies at the same time; (ii) the records of full attendance of Mr. Cheng at the board meetings, committee meetings and general meetings of the listed companies that he has directorships as shown in the 2017 annual reports of such companies; and (iii) Mr. Cheng's confirmation that he is committed to devote sufficient time to attend to the Company's matters, the Directors are of the view, and the Sponsor concurred, that Mr. Cheng will have sufficient time to discharge his fiduciary duties as the independent non-executive director of the Company as required by the Main Board Listing Rules.

Mr. LI Wai Kwan (李偉君) (“**Mr. Li**”), aged 47, was appointed as an independent non-executive Director on 19 December 2016. He is a member of the audit committee and remuneration committee. Mr. Li has many years of experience in finance and investment management. Mr. Li was appointed as chief financial officer of Crystal International Group (Stock Code: 2232) with effect from November 2018. He was the chief financial officer of Zhuhai Dahengqin Company Limited (珠海大橫琴股份有限公司), which is principally engaged in primary land development from December 2013 to October 2018. From March 2005 to September 2006, he worked for Esprit Holdings Limited, which is listed on the Main Board (Stock Code: 330) and principally engaged in retail and wholesale distribution of lifestyle products, and he served as a vice president of operational finance and a vice president of finance in Asia Pacific region from March 2005 to July 2006 and from August 2006 to September 2006 respectively, and he was responsible for finance and operational matters. From October 2006 to September 2010, he was a vice president of China Agri-Industries Holdings Limited, which is listed on the Main Board (Stock Code: 606) and principally engaged in processing on agricultural products, and he was responsible for finance and investment matters. He was a managing director of COFCO Agricultural Investment Fund Management Company Limited, which is principally engaged in asset management, from September 2010 to October 2011, and he was responsible for managing overall business and investment matters. He was a managing director of Origo Partners Plc,



whose shares are listed on alternative investment market of the London Stock Exchange and principal business is private equity investment, from November 2011 to January 2013, and he was responsible for investment matters.

Mr. Li is an executive committee member and treasurer of the Hong Kong — ASEAN Economic Cooperation Foundation since 2015 and an executive director of the Certified Management Accountants Australia Hong Kong Branch since 2016 a committee member of Public Awareness Committee of Hong Kong Society of Financial Analysts since 2016, and a director of the board of Chartered Professional Accountants of Canada — Hong Kong Chapter since 2017. Mr. Li was a member of the general committee and the chairman of the investor relations committee of The Chamber of Hong Kong Listed Companies from 2008 to 2010. He was appointed as an honorary vice chairman of China Enterprise Reputation & Credibility Association (Overseas) in 2009. He was the chairman of the partnership and promotion committee of the Hong Kong Investor Relations Association from 2009 to 2010. He was a member of the Organising Committee of Directors of the Year Awards 2010 organised by the Hong Kong Institute of Directors. He was a member of finance committee of the Hong Kong Housing Authority from 2010 to 2012.

Mr. Li graduated from University of Toronto in Canada with a bachelor of commerce degree in November 1995. He further obtained a master of business administrative degree from York University in Canada in November 1996. He was admitted as a certified member of the Certified General Accountants Association of Canada in October 2002. He became a chartered financial analyst of the Association for Investment Management and Research in September 2001 and a certified public accountant of the HKICPA in October 2004. In addition, he was admitted as an associate of the Institute of Chartered Accountant in England and Wales in June 2008 and a fellow member of Association of Chartered Certified Accountants in April 2010 and a chartered professional accountant member of the Chartered Professional Accountants of British Columbia, Canada in June 2015. In December 2015, he became a member of Hong Kong Business Accountants Association. Mr. Li has been a Honorary President of the Institute of Certified Management Accountants — Hong Kong & Macau Branch since January 2018 and has been a fellow chartered accountant of the Institute of Chartered Accountant in England & Wales since June 2018. Mr. Li was the independent non-executive director of China Graphene Group Limited (Stock Code: 0063) between 1 February 2018 and 30 November 2018. He has been an independent non-executive director of K W Nelson Interior Design and Contracting Group Limited (Stock Code: 8411) since 18 November 2016, an independent non-executive director of Enterprise Development Holdings Limited (Stock Code: 1808) since 27 April 2017, an independent non-executive director of TL Natural Gas Holdings Limited (Stock Code: 8536) since 28 June 2017, an independent non-executive director of China Greenfresh Group Company Limited (Stock Code: 6183) since 20 July 2018.

The Directors noted that Mr. Li is currently the independent non-executive director of four other listed companies in Hong Kong as at the Latest Practicable Date. It is further noted that the practice of Mr. Li serving as the independent non-executive director of numerous listed companies has been maintained since late 2016. Mr. Li has confirmed that he has not found any difficulty in devoting and maintaining his time to the numerous listed companies that he is involved in and none of the listed companies that he has directorship has questioned or complained about his time devoted to the listed companies. Based on (i) the usual practice of Mr. Li being independent non-executive directors of numerous listed companies at the same time; (ii) the records of full attendance of Mr. Li at the board meetings, committee meetings and general meetings of the listed companies that he has

directorships, as shown in the 2017 annual reports of K W Nelson Interior Design and Contracting Group Limited (Stock Code: 8411) and Enterprise Development Holdings Limited (Stock Code: 1808); (iii) the records of full attendance of Mr. Li for all meetings held by TL Natural Gas Holdings Limited (Stock Code: 8536); China Greenfresh Group Company Limited (Stock Code: 6183) and China Graphene Group Limited (Stock Code: 63) of which he has/had directorships as shown in the confirmation letters; and (iv) Mr. Li's confirmation that he is committed to devote sufficient time to attend to the Company's matters, the Directors are of the view, and the Sponsor concurs, that Mr. Li will have sufficient time to discharge his fiduciary duties as the independent non-executive director of the Company as required by the Main Board Listing Rules.

Each of Mr. David Cheng, Mr. Cheng and Mr. Li entered into a letter of appointment with the Company for a fixed term of three years commencing from the date of Listing, which may be terminated in accordance with the terms of the individual letter of appointment. Each of Mr. David Cheng, Mr. Cheng and Mr. Li is entitled to an annual director's fees of HK\$0.18 million. Their fees are determined with reference to salaries paid by comparable companies, time commitment and the performance of the Group.

Save as disclosed above, none of the Directors (i) has held any directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years; (ii) as at the Latest Practicable Date, has any interest in the Shares which required to be disclosed under Part XV of the Securities and Futures Ordinance; and (iii) has any relationship with any other directors, senior management, substantial shareholders or controlling shareholders of the Company.

Save as disclosed above, there is no information relating to the Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Main Board Listing Rules and the Board is not aware of any other matter that needs to be brought to the attention of the Shareholders in relation to their directorships.

## **Senior management**

Ms. SHUM Ching Yee Jennifer (沈靜宜) (“**Ms. Shum**”), aged 50, has been the Chief Financial Officer of the Group since September 2017. Ms. Shum is primarily responsible for devising and supervising the execution of business strategies in the long-term growth of the Group. Ms. Shum is also responsible for overseeing the internal control system of the Group in general and acts as the chief coordinator of matters relating to legal, regulatory, and financial reporting compliance. Ms. Shum is the member of the HKICPA and the CPA Australia. Ms. Shum holds a Bachelor degree on Commerce (Accounting) from the University of Western Australia. Ms. Shum has over 10 years of experiences in financial management. Prior to joining the Group, Ms. Shum was the Chief Financial Officer and company secretary of various companies listed on the Hong Kong Stock Exchange and Singapore Stock Exchange.

Ms. LAM Chi Wei Jullie (林芷蕙) (“**Ms. Lam**”), aged 44, joined the Group as senior sales and operations manager in August 2012. She was then promoted as the Director of Sales & Operations of the Group in April 2014. Ms. Lam is primarily responsible for formulating and implementing sales strategies to drive the sales growth and achieving sales targets for the Group. Ms. Lam has more than 10 years of experience in sales and/or marketing in the health and beauty industry. Prior to joining the Group, Ms. Lam was a Centre Manager at Reenex Clinique Limited and Reenex Medical Clinique Limited, medical aesthetic solutions

providers, from 2009 to 2012. Ms. Lam has attended long distance learning course and obtained Bachelor of Business Administration from the University of Management & Technology, Virginia, the United States in September 2014. Ms. Lam also obtained a Diploma in Corporate Training Professionals from Quality Tourism Services Association in November 2013.

Ms. TSANG Chui Ying (曾翠櫻) (“**Ms. Tsang**”), aged 35, joined the Group in January 2012 and became the senior account manager in February 2014. She is now the financial controller of the Group. She is primarily responsible for financial reporting and planning, treasury and financial control. Ms. Tsang was admitted as a member of the HKICPA in November 2009 and became fellow member of the HKICPA in March 2017. Ms. Tsang graduated from the Lingnan University with a Bachelor degree in Business Administration majoring in accounting in November 2006. Prior to joining the Group, Ms. Tsang was previously employed by Deloitte Touche Tohmatsu from September 2006 to May 2010. She was then employed by Cargill Hong Kong Limited as an accountant from May 2010 to January 2012.

### **Deviation from provision of the Corporate Governance Code**

During the year ended 31 March 2018, the Company had complied with all the applicable code provisions of the Corporate Governance Code (the “**CG Code**”), except the deviation stipulated below.

According to the code provision A.2.1 of the CG Code, the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Under the current management structure of the Company, Mrs. Gigi Ma is the chairlady of the Board and chief executive officer of the Company. As Mrs. Gigi Ma has been leading the Group as the Group’s chief executive officer and sole director of each of major subsidiaries since the establishment of the relevant major subsidiaries, the Board believes that it is in the best interest of the Group to continue to have Mrs. Gigi Ma acting as the chairlady and chief executive officer for more effective management and planning of the Group. Therefore, the Board considers that the deviation from provision A.2.1 of the CG Code is appropriate in the circumstances and currently does not propose to separate the functions of chairman and the chief executive officer.

## **BOARD COMMITTEES**

### **Audit Committee**

The Company established an audit committee with written terms of reference in compliance with the Corporate Governance Code set out in Appendix 14 to the Main Board Listing Rules. The audit committee consists of three independent non-executive Directors being Mr. Cheng Fu Kwok David, Mr. Cheng Yuk Wo and Mr. Li Wai Kwan. Mr. Cheng Yuk Wo, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Main Board Listing Rules, serves as the chairman of the audit committee. The primary duties of the audit committee are to assist the Board in providing an independent view of the effectiveness of the Group’s financial reporting process, internal control and risk management systems, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

## **Remuneration Committee**

The Company established a remuneration committee with written terms of reference in compliance with paragraph B.1.2 of the Corporate Governance Code as set out in Appendix 14 to the Main Board Listing Rules. The remuneration committee consists of one executive Director, namely Mrs. Gigi Ma and two independent non-executive Directors, being Mr. Cheng Yuk Wo and Mr. Li Wai Kwan. Mr. Cheng Yuk Wo, an independent non-executive Director, serves as the chairman of the remuneration committee. The primary duties of the remuneration committee include but without limitation, (i) making recommendations to the Directors on the policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) making recommendations to the Board on the terms of the individual remuneration package of executive Directors and senior management; (iii) making recommendations to the Board on the remuneration of independent non-executive Directors; and (iv) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

## **Nomination Committee**

The Company also established a nomination committee with written terms of reference in compliance with paragraph A.5.2 of the Corporate Governance Code as set out in Appendix 14 to the Main Board Listing Rules.

The nomination committee consists of one executive Director, namely Mrs. Gigi Ma and two independent non-executive Directors, namely Mr. Cheng Fu Kwok David and Mr. Cheng Yuk Wo. Mrs. Gigi Ma serves as the chairlady of the nomination committee. The primary function of the nomination committee includes, without limitation, reviewing the structure, size and composition of the Board, assessing the independence of independent non-executive Directors and making recommendations to the Board on matters relating to the appointment of Directors.

## **REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT**

For the year ended 31 March 2018, the aggregate remuneration (including fees, salaries, contribution to defined contribution benefit plans and performance bonuses) paid to the Directors was in aggregate approximately HK\$3.0 million.

Mr. Ma, an executive Director, has agreed not to receive any remuneration for his acting as the Group's IT and business development director before and after the Company's listing on GEM. Being the brother of Mr. Ma Ting Keung, Patrick and brother-in-law of Mrs. Gigi Ma, each a Controlling Shareholder, Mr. Ma was invited to participate in the management without any remuneration, which he duly accepted, to a large extent, because of the family relationship and the fact that he has derived income from his own businesses and investments. His main role primarily involved overseeing the Group's business expansion and the development and maintenance of the Group's IT infrastructure, given his knowledge and experience in these areas, as well as providing leadership and advice in connection with the Group's business development. Given that (i) we have teams of dedicated operational and IT staff who have proven experience and expertise in implementing the business plans laid down by the executive Directors, (ii) Mr. Ma communicates with the Group's staff from time to time to monitor the implementation progress, and (iii) formal management meeting

amongst the executive Directors and senior management staff is held on a monthly basis to discuss on the Group's operations, the Directors are of the view that Mr. Ma is able to devote sufficient time to serve the Group and discharge his duties and responsibilities as an executive Director whilst taking care of his own businesses and investments. Going forward, in line with the existing arrangement, Mr. Ma will not receive any salary for his role as the Group's IT and business development director or as an executive Director after the Transfer of Listing, but he may receive performance-based bonus to be determined by the Board based on the recommendation of the remuneration committee of the Board, which will take into account, among other things, Mr. Ma's performance and contribution to the Group, the financial performance of the Group and the market conditions.

For the year ended 31 March 2018, the aggregate remuneration (including fees, salaries, contribution to defined contribution benefit plans and performance bonuses) paid to the five highest paid individuals, excluding the Directors, was in aggregate approximately HK\$15.8 million.

### **SHARE OPTION SCHEME**

The Company has a Share Option Scheme which was approved and adopted by the sole shareholder of the Company by way of written resolutions passed on 19 December 2016 for a term of 10 years from the date of adoption of the Share Option Scheme. The Share Option Scheme will remain effective following the Transfer of Listing and will be implemented in full compliance with the requirements of Chapter 17 of the Main Board Listing Rules.

As at the Latest Practicable Date, no share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption and therefore, there was no share option outstanding as at the Latest Practicable Date. Accordingly, a total of 40,000,000 Shares may fall to be issued upon exercise of the share options which may be but not yet granted under the Share Option Scheme. The listing of the Shares to be issued under share option to be granted pursuant to the Share Option Scheme will also be transferred to the Main Board.

As at the date of this announcement, the Company does not have any other options, warrants or similar rights or convertible equity securities in issue which will be transferred to the Main Board.

### **GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES**

Pursuant to Rule 9A.12 of the Main Board Listing Rules, the general mandates granted by the Shareholders at the annual general meeting of the Company held on 21 September 2018 to the Directors to allot, issue, and deal with new Shares and to repurchase Shares will continue to be valid and remain in effect upon the Transfer of Listing until the earliest of:

- (a) the conclusion of the next annual general meeting of the Company; or
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Memorandum and Articles of Association, or any other applicable laws of the Cayman Islands, to be held; or



- (c) the date on which the passing of an ordinary resolution by the Shareholders in a general meeting, revoking or varying such authorities given to the Directors.

## **DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be made available for viewing on the respective websites of the Company at <http://www.miricor.com.hk> and of the Stock Exchange at <http://www.hkexnews.hk>:

- (a) the Memorandum and the Articles of Association;
- (b) the Directors' report and the annual report of the Company for the year ended 31 March 2018;
- (c) the first quarterly report for the three months ended 30 June 2018;
- (d) the interim report for the six months ended 30 September 2018;
- (e) each of the circulars to the Shareholders issued by the Company in the immediately preceding full financial year; and
- (f) announcements and other corporate communications made by the Company prior to the date of this announcement as required under the GEM Listing Rules and the Main Board Listing Rules.

## **DEFINITIONS**

In this announcement, the following definitions shall have the meanings as set out below unless the context requires otherwise:

“22/F CWB Centre”	the Group's medical aesthetic centre situated at 22nd Floor, Soundwill Plaza, Russell Street, Causeway Bay, Hong Kong which commenced operation in December 2009
“30/F CWB Centre”	the Group's medical aesthetic centre situated at 30th Floor, Soundwill Plaza, Russell Street, Causeway Bay, Hong Kong which commenced operation in July 2017
“Articles of Association”	the articles of association of the Company as adopted by the Company from time to time
“associate(s)”	has the meaning ascribed to it under the Main Board Listing Rules
“Board”	the board of directors of the Company
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC



“Central Centre”	the Group’s medical aesthetic centre situated at 19th Floor, Club Lusitano, 16 Ice House Street, Central, Hong Kong which was opened in April 2014
“Company”	Miricor Enterprises Holdings Limited (卓珈控股集團有限公司), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed and traded on GEM
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Main Board Listing Rules
“Directors”	director(s) of the Company
“EPS”	an electronic payment system widely used in Hong Kong
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM (as may be amended, supplemented or otherwise modified from time to time)
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong Medical Council”	the Medical Council of Hong Kong established under section 3 of the Medical Registration Ordinance (Chapter 161 of the Laws of Hong Kong)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRSs”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	30 January 2019, being the latest practicable date for the purpose of ascertaining certain information contained in this announcement prior to its publication
“Listing”	the listing of the Shares on GEM on 10 January 2017
“Listing Committee”	the listing committee of the Stock Exchange
“Main Board”	the stock market (excluding the options market) operated by the Stock Exchange which is independent from and in parallel with GEM and which, for avoidance of doubt, excludes GEM

“Main Board Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as may be amended, supplemented or otherwise modified from time to time)
“Memorandum”	the memorandum of association of the Company as adopted by the Company from time to time
“New CWB Centre”	the Group’s medical aesthetic centre situated at the 39th Floor and the penthouse level, Soundwill Plaza, Russell Street, Causeway Bay, Hong Kong which commenced operation in September and around November 2018, respectively
“Placing”	the placing of 100,000,000 Shares for the listing of the Shares on GEM as set out in the Prospectus
“Prospectus”	the prospectus of the Company dated 30 December 2016 in connection with the Placing and the listing of the Shares on GEM
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as may be amended from time to time
“Share(s)”	share(s) of the Company
“Share Option Scheme”	the share option scheme adopted by the Company on 19 December 2016
“Shareholder(s)”	holder(s) of Share(s)
“Shenwan Hongyuan Capital (H.K.) Limited”	a licensed corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transfer of Listing”	the proposed transfer of the listing of the Shares from GEM to the Main Board pursuant to Chapter 9A and Appendix 28 of the Main Board Listing Rules
“TST Centre”	A new medical aesthetic centre at 14/F, World Commerce Centre, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong which commenced operation in June 2018

“VMS Securities Limited” a licensed corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

By Order of the Board  
**Miricor Enterprises Holdings Limited**  
**LAI Ka Yee Gigi**  
*Chairlady and Chief Executive Officer*

Hong Kong, 8 February 2019

*As at the date of this announcement, the Board comprises two executive Directors, namely, Ms. LAI Ka Yee Gigi and Mr. MA Ting Wai Barry and three independent non-executive Directors, namely, Mr. CHENG Fu Kwok David, Mr. CHENG Yuk Wo and Mr. LI Wai Kwan.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules and the Main Board Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the “Latest Company Announcements” page of the GEM website at <http://www.hkgem.com> for at least seven days from the date of its publication and will also be published on the “Listed Company Information” page of the Stock Exchange’s website of [www.hkexnews.hk](http://www.hkexnews.hk) and on the website of the Company at <http://www.miricor.com>.*

*The English text of this announcement shall prevail over the Chinese text in case of inconsistencies.*