



**MEDICSKIN HOLDINGS LIMITED**

**密迪斯肌控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 8307

ANNUAL REPORT

**2014/15**

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Dr. Kong Kwok Leung (*Chairman*)  
Mr. Lo Kwok Bun (*Chief Executive Officer*)  
Ms. Kong Chung Wai

### Independent Non-executive Directors

Mr. Chan Cheong Tat  
Mr. Lee Ka Lun  
Mr. Leung Siu Cheung

## BOARD COMMITTEES

### Audit Committee

Mr. Chan Cheong Tat (*Chairman*)  
Mr. Lee Ka Lun  
Mr. Leung Siu Cheung

### Remuneration Committee

Mr. Leung Siu Cheung (*Chairman*)  
Dr. Kong Kwok Leung  
Mr. Lo Kwok Bun  
Mr. Chan Cheong Tat  
Mr. Lee Ka Lun

### Nomination Committee

Dr. Kong Kwok Leung (*Chairman*)  
Ms. Kong Chung Wai  
Mr. Chan Cheong Tat  
Mr. Lee Ka Lun  
Mr. Leung Siu Cheung

### COMPLIANCE OFFICER

Ms. Kong Chung Wai

### COMPANY SECRETARY

Ms. Sin Chui Pik Christine *CPA, FCCA*

### AUTHORISED REPRESENTATIVES

Mr. Lo Kwok Bun  
Ms. Sin Chui Pik Christine

### HONG KONG LEGAL ADVISER

Howse Williams Bowers  
27th Floor, Alexandra House  
18 Chater Road  
Central  
Hong Kong

### PRINCIPAL BANKERS

Nanyang Commercial Bank, Ltd.  
151 Des Voeux Road Central  
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited  
1 Queen's Road Central  
Hong Kong

## REGISTERED OFFICE

P.O. Box 309  
Ugland House  
Grand Cayman, KY1-1104  
Cayman Islands

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1206, Tak Shing House  
20 Des Voeux Road Central  
Hong Kong

## PRINCIPAL SHARE REGISTER AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited  
P.O. Box 1093, Boundary Hall  
Cricket Square  
Grand Cayman, KY1-1102  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## AUDITOR

Deloitte Touche Tohmatsu  
35/F, One Pacific Place  
88 Queensway  
Hong Kong

## COMPLIANCE ADVISER

Shenwan Hongyuan Capital (H.K.) Limited  
(formerly known as "Shenyin Wanguo  
Capital (H.K.) Limited")  
Level 19  
28 Hennessy Road  
Hong Kong

## COMPANY WEBSITE

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

## GEM STOCK CODE

8307

# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors (the "**Board**") of the Company, it is my pleasure to present the annual report of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2015.

## A YEAR IN REVIEW

The shares of the Company were successfully listed on GEM on 18 December 2014 (the "**Listing**") by way of placing (the "**Placing**"), which marked a step forward of the Group into its next stage of growth. On behalf of the Board, I would like to thank the professional parties involved and our staff for the successful Listing. The Listing has strengthened the Group's financial position with the net proceeds raised in connection with the Listing and has provided the Group with additional avenues to raise capital for future expansion. It has also enhanced the Group's profile and its future development potential in the medical skin care industry.

The year 2014 was a challenging year for the Group. The general consumer sentiment in Hong Kong experienced a decrease due to the slowdown of economic growth in Hong Kong and the People's Republic of China (the "**PRC**") with a series of social issues occurring in Hong Kong during the period. Retail sector in Hong Kong was affected in the first place under these circumstances. As one of the providers of medical skin care service, our business was inevitably affected. Moreover, competition in the industry is becoming more and more intensified. Hence it would not be an easy task to maintain our position.

For the year ended 31 March 2015, the revenue of the Group increased slightly by approximately HK\$1.7 million, or 2.6% to approximately HK\$66.7 million. The increase in revenue was primarily attributable to the lengthening of opening hours for the Group's medical skin care centres since October 2013, which has provided better accessibility and convenience to the clients and in turn increased the client flow as well as the frequency of client visits from provision of treatment service. In order to expand its market share, the Group is preparing and planning to open its third medical skin care centre in Hong Kong to provide diversified medical skin care services to our clients. Moreover, the Group acquired two sets of new treatment devices deploying high-intensity ultrasound energy technology targeting abdominal fat and waistline contouring and deploying erbium yag laser targeting acne scar and skin resurfacing respectively in the year under review. We believe that the introduction of new treatment is the main driving force for the growth of the medical skin care industry in Hong Kong, and a significant way to maintain our Group's competitiveness and its leading position in the field.

## OUTLOOK

2015 will be a year full of opportunities. Despite potential fluctuations in the global, Hong Kong and PRC economies and slowdown in economic growth in the near future, our professional management team faces all these challenges head on as part of our Group's growth process.

The Group remains confident about the future of the medical skin care industry in the region, especially as it is still at a relatively early stage in the PRC. The demand for such services is expected to increase in the PRC, providing opportunities for comparatively more experienced and mature medical skin care providers from Hong Kong to expand their presence onto the mainland to meet such demand. Continuing technological innovation and improvement by manufacturers of treatment equipment also offers growth opportunities within the industry for all players.

## CHAIRMAN'S STATEMENT

### APPRECIATION

On behalf of the Board, I wish to take this opportunity to express my sincere gratitude to our shareholders, business partners, suppliers and clients for their continued supports to the Group. I would also like to express my heartfelt appreciation to the management and the staff for their diligence and valuable contribution throughout the year.

In the future, we will thrive continuously to expand our business and use our best endeavor to provide the highest quality medical skin care services.

**Medicskin Holdings Limited**  
**Dr. Kong Kwok Leung**  
*Chairman*

Hong Kong, 19 June 2015

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group is a medical skin care group operating two medical skin care centres (“**Medicskin Centres**”) in Hong Kong that primarily focus on the treatment of skin diseases and problems and/or the improvement of appearance of clients. The Group provides services to clients for the treatment of, inter alia, skin diseases and problems such as acne, pigmentation, rosacea, dermatitis, eczema and warts, as well as for the improvement of appearance through, inter alia, skin rejuvenation, facial sculpturing and body contouring treatments, treatments of acne scars and enlarged pores, removal of undesirable naevi, and hair removal. These services are provided via the Group’s consultation service, prescription and dispensing service and treatment service.

During the year ended 31 March 2015, the revenue of the consultation service, prescription and dispensing service and treatment service accounted for approximately 6.3%, 46.0%, and 47.7% of the total revenue of the Group respectively.

The Listing by way of the Placing, which marked a step forward of the Group into its next stage of growth. The Listing has strengthened the Group’s financial position with the net proceeds raised in connection with the Listing and has provided the Group with additional potential avenues to raise capital for future expansion. It has also enhanced the Group’s profile and its future development in the medical skin care industry.

The year 2014 was a challenging year for the Group. The general consumer sentiment in Hong Kong experienced a decrease due to the slowdown of economic growth in Hong Kong and the PRC with a series of social issues occurring in Hong Kong during the period. Retail sector in Hong Kong was affected in the first place under these circumstances. As one of the providers of medical skin care service, our business was inevitably affected. Moreover, competition in the industry is becoming more and more intensified. Hence it would not be an easy task to maintain our position.

For the year ended 31 March 2015, the revenue of the Group increased slightly by approximately HK\$1.7 million, or 2.6% to approximately HK\$66.7 million. The increase in revenue was primarily attributable to the lengthening of opening hours for the Group’s Medicskin Centres since October 2013, which has provided better accessibility and convenience to the clients and in turn increased the client flow as well as the frequency of client visits from provision of treatment service. In order to expand its market share, the Group is preparing and planning to open its third medical skin care centre in Hong Kong to provide diversified medical skin care services to our clients. Moreover, the Group acquired two sets of new treatment devices deploying high-intensity ultrasound energy technology targeting abdominal fat and waistline contouring and deploying erbium yag laser targeting acne scar and skin resurfacing respectively in the year under review. The Directors believes that the introduction of new treatment is the main driving force for the growth of the medical skin care industry in Hong Kong, and a significant way to maintain our Group’s competitiveness and its leading position in the field.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue

The Group's revenue increased by approximately HK\$1.7 million, or 2.6%, from approximately HK\$65.0 million for the year ended 31 March 2014 to approximately HK\$66.7 million for the year ended 31 March 2015. The increase was primarily attributable to the lengthening of opening hours for the Group's Medicskin Centres since October 2013, which has provided better accessibility and convenience to the clients and in turn increased the client flow as well as the frequency of client visits from provision of treatment service.

### Inventories used

The Group's cost of inventories used remained stable at approximately HK\$8.5 million and HK\$8.3 million for the years ended 31 March 2015 and 2014 respectively, representing 12.7% and 12.8% of the revenue for the respective years.

### Staff costs

Staff costs increased by approximately HK\$6.9 million, or 28.5%, from approximately HK\$24.2 million for the year ended 31 March 2014 to approximately HK\$31.1 million for the year ended 31 March 2015. The increase was primarily attributable to (i) the compensation paid to Dr. Kong Kwok Leung ("**Dr. Kong**") of approximately HK\$5.2 million since 1 April 2014 pursuant to his Cooperation Agreement, as defined in the prospectus of the Company dated 12 December 2014 (the "**Prospectus**"); (ii) the full year effect of staff costs attributable to the increase in total headcount during the year ended 31 March 2014, and (iii) the annual salary revision for the staff.

### Depreciation of property, plant and equipment

Depreciation expenses remained stable at approximately HK\$2.5 million and HK\$2.3 million for the years ended 31 March 2015 and 2014 respectively.

### Other expenses

Other expenses increased by approximately HK\$0.7 million, or 7.9%, from approximately HK\$8.9 million for the year ended 31 March 2014 to approximately HK\$9.6 million for the year ended 31 March 2015. The increase was primarily attributable to the increase in rental expenses and ancillary costs of the premises (including management fee, air conditioning charges and government rates) by approximately HK\$0.7 million following the leasing of a new unit located on the 10th Floor of Tak Shing House in Central in January 2014.

### Listing expenses

During the year ended 31 March 2015, the Group recognised non-recurring actual listing expenses of approximately HK\$9.2 million (2014: HK\$3.6 million) as expenses in connection with the Listing.

### Income tax expense

Income tax expense decreased by approximately HK\$1.0 million, or 27.8%, from approximately HK\$3.6 million for the year ended 31 March 2014 to approximately HK\$2.6 million for the year ended 31 March 2015. The decrease was primarily attributable to the decrease in profit before tax, excluding the effect of non-deductible expenses such as share-based payments and actual listing expenses.

### Profit for the year

As a result of the foregoing, in particular and as highlighted in the Prospectus, the increase in actual listing expenses of approximately HK\$5.6 million recognised as expenses in connection with the Listing for the year ended 31 March 2015 and the professional fees paid to Dr. Kong of approximately HK\$5.2 million since 1 April 2014 under the Cooperation Agreement, the profit for the year decreased by approximately HK\$10.4 million, or 75.9%, from approximately HK\$13.7 million for the year ended 31 March 2014 to approximately HK\$3.3 million for the year ended 31 March 2015.

# MANAGEMENT DISCUSSION AND ANALYSIS

## DIVIDENDS

During the year ended 31 March 2015, a dividend of HK\$3.2 million (2014: approximately HK\$10.6 million) was distributed by Multiple Profit Enterprise Limited (“**Multiple Profit**”), a wholly owned subsidiary of the Company after the corporate reorganisation of the Group as described in the Prospectus (the “**Reorganisation**”), to its then shareholders.

The Board recommends the payment of a final dividend of HK0.25 cent per ordinary share of the Company for the year ended 31 March 2015 to the shareholders whose names appear on the register of members of the Company on Tuesday, 4 August 2015. Subject to the approval of Company’s shareholders at the annual general meeting of the Company for the year ended 31 March 2015 (the “**AGM**”), the final dividend will be posted on Friday, 14 August 2015 by ordinary mail to the shareholders.

As far as the Company is aware, as at the date of this report, there was no arrangement under which any shareholder has waived or agreed to waive any dividend proposed to be distributed for the year ended 31 March 2015.

## CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Group’s shares were successfully listed on GEM of the Stock Exchange on 18 December 2014. There has been no change in the capital structure of the Group since then. The capital of the Group only comprises of ordinary shares.

The total equity of the Group as at 31 March 2015 was HK\$47.2 million (2014: HK\$10.4 million). The Group generally finances its operation with internally generated cash flows. The Group had bank balances and cash of approximately HK\$48.0 million as at 31 March 2015 (2014: HK\$25.5 million), with no external borrowing (2014: HK\$17.8 million). The Group’s gearing ratio as at 31 March 2015 was nil (2014: 174.8%). Gearing ratio equals total debt (includes all interest-bearing loans and obligations under finance leases) divided by total equity as at the end of the year. As at 31 March 2015, the Group had net current assets of approximately HK\$43.2 million (2014: HK\$3.9 million).

Cash generated from operations for the year ended 31 March 2015 was approximately HK\$10.9 million (2014: HK\$25.5 million). With the healthy bank balances and cash on hand, the Group’s liquidity position remains strong and it has sufficient financial resources to fund its future plans and to meet its working capital requirement.

## SIGNIFICANT INVESTMENTS HELD BY THE GROUP

During the year ended 31 March 2015, there was no significant investment held by the Group.

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies during the year.

## COMMITMENTS

The contractual commitments of the Group were primarily related to the leases of its office premises and Medicskin Centres. As at 31 March 2015, the Group’s operating lease commitments amounted to approximately HK\$3.4 million (2014: HK\$8.0 million).

As at 31 March 2015, the Group did not have any significant capital commitments (2014: Nil).

# MANAGEMENT DISCUSSION AND ANALYSIS

## CONTINGENT LIABILITIES

As at 31 March 2015, the Group did not have material contingent liabilities.

## CHARGES ON THE GROUP'S ASSETS

Details of charges on the Group's assets are set out in note 26 to the consolidated financial statements.

## FOREIGN EXCHANGE EXPOSURE

The Group carries out its business in Hong Kong and most of its transactions are denominated in Hong Kong. The Group has a bank balance denominated in Renminbi ("RMB") (a foreign currency), which exposes the Group to foreign currency risk. To mitigate the currency risk, the management continually assesses and monitors the exposure of the exchange rate fluctuations and if necessary will hedge its foreign exchange exposure by entering forward foreign exchange contracts.

## PRINCIPAL RISKS AND UNCERTAINTIES

The Board, as assisted by the Audit Committee, oversees the Group's internal control and risk management system, and conducts periodic reviews of such system to ensure good corporate governance practice. The supervision process and outcome of the latest review is set out in more detail in the section headed "Internal Control and Risk Management" in corporate governance report in this annual report (the "**Corporate Governance Report**"). The following is a discussion of the principal risks and uncertainties facing the Group. The Board meets periodically to discuss risks such as these, and where appropriate, will monitor the situation closely and adopt any necessary risk mitigation measures.

### Industry risk

The medical skin care industry is sensitive to negative media reports or allegations, which may affect consumer confidence, reputation and market perception of the industry. The industry is also subject to rapidly changing market trends and intense competition amongst different players, including both medical skin care service providers and beauty parlours without medical staff. This may materially and adversely affect the Group's business performance. To maintain competitiveness, our doctors seek to keep abreast of the latest and most suitable treatment products and technology available.

### Regulatory and political risk

The Hong Kong government has been reviewing existing laws and regulations which may affect compliance standards of certain procedures, such as those carried out by the Group. However, we are committed to health and safety and most of our treatment services are only performed by doctors.

Our operations are based in Hong Kong and are vulnerable to economic, social and political conditions, such as social unrest or civil disturbance, especially those which may disrupt our clients' and staff's access to our centres and in turn our business performance.

### Economy risk

The continued growth in revenue from the Group's operations is highly dependent on the sustainable growth of consumer spending on medical skin care services and products. However, there is no assurance that the local economy can sustain a stable growth in consumer spending. Moreover, if the local economy slowdown, it is highly likely that consumer demand and spending on medical skin care services and products may be reduced. Any continued economic slowdown or recession may result in a decrease in consumer spending in relation to medical skin care services and products, and may lead to a material adverse effect upon the Group's business and results of operations.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **Reputation risk**

The Group's success depends to a significant extent on the recognition of the Group's brand and reputation in the medical skin care services industry as a reliable services provider. Any litigation claims or complaints from the Group's clients in relation to the quality of services or products provided by the Group's Medicskin Centres may adversely affect the reputation and image of the Group, and may in turn, materially and adversely affect the demand for the Group's services.

## **Severe communicable and uncontrollable disease**

As a substantial part of the Group's revenue is derived from clients in Hong Kong which is in close proximity to the PRC, any outbreak of severe communicable disease in Hong Kong or the PRC may have an adverse effect on the economic conditions and consumer environment in Hong Kong and our future growth and overall financial position will be adversely affected.

## **Financial risk**

### ***Credit risk***

To minimise credit risk, the Group has monitoring procedures to ensure there is follow-up action to recover overdue debts. The Group also reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The Board therefore considers that the Group's credit risk is significantly reduced.

### ***Liquidity risk***

The Group monitors and maintains a level of cash and cash equivalents which it deems adequate to finance the Group's operations and mitigate the effects of cash flow fluctuations. As at 31 March 2014, the Group relied on borrowings as a significant source of liquidity. All borrowings were repaid as at 31 March 2015.

### ***Interest risk***

As at 31 March 2015, the Group is exposed to cash flow interest rate risk in relation to floating rate bank balances. It does not currently have any interest rate hedging policy, but closely monitors its exposure to interest rate risk due to changes in market rates and will consider hedging changes should the need arise.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 March 2015, the Group employed a total of 54 full-time and 4 part-time employees (2014: 57 full-time and 6 part-time employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$31.1 million for the year ended 31 March 2015 (2014: HK\$24.2 million). Remuneration is determined with reference to factors such as comparable market salaries and the performance, time commitment and responsibilities of each individual. Employees are provided with relevant in-house and/or external trainings from time to time. In addition to a basic salary, year-end bonuses are offered to those staff with outstanding performance to attract and retain eligible employees to contribute to the Group.

# MANAGEMENT DISCUSSION AND ANALYSIS

## COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from the date of the Listing to 31 March 2015 is set out below:

<b>Business objectives</b>	<b>Actual progress</b>
(i) Expand and strengthen our presence in Hong Kong	The Group is in the process of exploring and identifying locations for potential new medical skin care centre and considering the need for relocation or refurbishment of the Group's Medicskin Centre in Central
(ii) Enhance quality and variety of our services and products offering	The Group has purchased a new medical device deploying high-intensity ultrasound energy technology targeting abdominal fat and waistline contouring
(iii) Maintain and enhance our professional expertise	The Group has organised and provided trainings to our doctors and professional staff

## USE OF PROCEEDS

The net proceeds from the Placing were approximately HK\$22.9 million, which was based on the placing price of HK\$0.6 per share and the actual expenses related to the Listing. After the Listing, these proceeds were and will be used for the purposes in accordance with the future plans as set out in the Prospectus.

The net proceeds from the Placing from the date of the Listing to 31 March 2015 were used as follows:

	<b>Planned use of proceeds as shown in the Prospectus from the date of the Listing to 31 March 2015 (adjusted on a pro rata basis based on the actual net proceeds) HK\$'000</b>	<b>Actual use of proceeds from the date of the Listing to 31 March 2015 HK\$'000</b>	<b>Unutilised amount as at 31 March 2015 HK\$'000 (note a)</b>
Enhance quality and variety of our services (note b)	3,562	(380)	3,182
Repayment of debts	4,777	(4,777)	–
Working capital	2,293	(2,293)	–
	10,632	(7,450)	3,182

## MANAGEMENT DISCUSSION AND ANALYSIS

*Notes:*

- (a) The unused proceeds are deposited in a licensed bank in Hong Kong.
- (b) Actual use of proceeds on enhance quality and variety of our services was lower than the planned use of proceeds because the Group's business and product development is still exploring suitable skincare products and technology both locally and abroad, and researching suitable treatment device for the Group's clients.

## REPORT OF THE DIRECTORS

The Directors submit their report together with the audited consolidated financial statements of the Group for the year ended 31 March 2015.

### CORPORATE REORGANISATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 20 June 2014.

Pursuant to a reorganisation to rationalise the structure of the Group in preparation for the listing of the Company's shares on GEM, the Company became the holding company of its subsidiaries now comprising the Group on 12 July 2014.

Details of the Reorganisation are set out in note 2 to the consolidated financial statements.

The shares of the Company were listed on GEM on 18 December 2014 through the Placing.

### PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in the provision of medical skin care services. Details of the Group's subsidiaries as at 31 March 2015 are set out in note 34 to the consolidated financial statements.

### RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 35.

The Board recommends the payment of a final dividend of HK0.25 cent per share for the year ended 31 March 2015. Subject to the approval of the shareholders of the Company at the forthcoming annual general meeting of the Company, the proposed final dividend will be posted on Friday, 14 August 2015 by ordinary mail to shareholders of the Company whose names appear on the register of members of the Company on Tuesday, 4 August 2015. Based on 400,000,000 ordinary shares of the Company in issue as of the date of this report, the total dividend will amount to HK\$1.0 million.

### ANNUAL GENERAL MEETING

The annual general meeting of the AGM will be held on Monday, 27 July 2015. A notice convening the meeting will be issued and sent to the shareholders of the Company in due course.

### CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 23 July 2015 to Monday, 27 July 2015, both dates inclusive, during which period no transfer of shares can be registered. In order to be eligible to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 22 July 2015.

## REPORT OF THE DIRECTORS

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed on Friday, 31 July 2015 to Tuesday, 4 August 2015, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the entitlement to the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at the above address for registration not later than 4:30 p.m. on Thursday, 30 July 2015.

### FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the last three financial years is set out on page 76. The summary does not form part of the audited consolidated financial statements.

### RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 38 and on page 75, respectively.

### PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the property, plant and equipment of the Group are set out in note 17 to the consolidated financial statements.

### SHARE CAPITAL

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

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period from the date of the Listing to 31 March 2015, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

### DISTRIBUTABLE RESERVES OF THE COMPANY

Pursuant to the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, share premium and retained profits of the Company are distributable to the shareholders. As at 31 March 2015, the Company's reserves available for distribution to the shareholders of the Company amounted to approximately HK\$40.6 million.

### MAJOR CLIENTS AND SUPPLIERS

For the year ended 31 March 2015, the percentage of revenue derived from our five largest clients in aggregate was less than 2% (2014: 2%).

For the year ended 31 March 2015, our largest supplier accounted for approximately 14.7% (2014: 21.5%) of our total purchases. For the year ended 31 March 2015, our five largest suppliers in aggregate accounted for approximately 57.1% (2014: 66.1%) of our total purchases.

None of the Directors, their respective close associates or any shareholders of the Company which to the Directors' knowledge own more than 5% of the Company's issued share capital have an interest in any of the Group's five largest suppliers during the year ended 31 March 2015.

# REPORT OF THE DIRECTORS

## DIRECTORS

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

### Executive Directors

Dr. Kong Kwok Leung ( <i>Chairman</i> )	(appointed on 20 June 2014)
Mr. Lo Kwok Bun ( <i>Chief Executive Officer</i> )	(appointed on 12 July 2014)
Ms. Kong Chung Wai	(appointed on 12 July 2014)

### Independent Non-executive Directors

Mr. Chan Cheong Tat	(appointed on 3 December 2014)
Mr. Lee Ka Lun	(appointed on 3 December 2014)
Mr. Leung Siu Cheung	(appointed on 3 December 2014)

Pursuant to the Company's Articles of Association, all the Directors will retire and, being eligible, offer themselves for re-election at the forthcoming AGM.

## DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from the date of the Listing and continuing thereafter until terminated by either party by giving not less than three months' notice in writing to the other.

Each of the independent non-executive Directors has entered into a service agreement with the Company for a term of three years commencing from the date of the Listing, provided that either the Company or the independent non-executive Directors may terminate such appointment at any time by giving at least three months' notice in writing to the other.

Save as aforesaid, none of the Directors proposed for re-election at the forthcoming AGM of the Company has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

## DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the section headed "Continuing Connected Transactions" below and in note 33 to the consolidated financial statements and those exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under the GEM Listing Rules, no contract of significance to the business of the Group to which the Company, its holding companies, its subsidiaries, or its controlling shareholders was a party subsisted at the end of the year or at any time during the period from the date of the Listing to 31 March 2015, and no Directors is or was materially interested either directly or indirectly in any such contract.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 under the GEM Listing Rules. The Company considers all of the independent non-executive Directors are independent.

# REPORT OF THE DIRECTORS

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the period from the date of the Listing to 31 March 2015.

## EMOLUMENT POLICY

We have established a remuneration committee (the “**Remuneration Committee**”) in compliance with the GEM Listing Rules. The primary duties of the Remuneration Committee are to review and make recommendations to the Board on the remuneration policy and other remuneration related matters, including benefits-in-kind and other compensation payable to the Directors and senior management, after consultation with the chairman and/or chief executive officer.

Under the remuneration policy of the Company, the Remuneration Committee will consider factors such as corporate and individual performance, salaries paid by comparable companies, time commitment, responsibilities and employment conditions elsewhere in the Group in assessing the amount of remuneration payable to the Directors and senior management.

## NON-COMPETITION UNDERTAKINGS

Pursuant to the deed of non-competition dated 11 December 2014, each of Dr. Kong and Topline Worldwide Limited (“**Topline**”), a company wholly owned by Dr. Kong has jointly and severally agreed and undertaken with the Company (for the benefit of itself and each of its subsidiaries), inter alia, that with effect from the date of the deed of non-competition until the earlier of the date on which Dr. Kong and Topline cease to be controlling shareholders of the Group and the date on which the shares of the Company cease to be listed on the Stock Exchange, he/it will not and will procure that none of his/its associates (other than the Group) will, on its own account or with each other or in conjunction with or on behalf of any person, firm or company, carry on or be engaged in, or be interested in, directly or indirectly, whether as a shareholder (other than being a Director or a shareholder of the Group or its subsidiaries), Director, employee or otherwise, in any business that competes or may compete, directly or indirectly, with any businesses as may from time to time be carried on by the Group in Hong Kong (other than as a holder of not more than 5% of the issued shares or stock of any class or debentures of any company listed on any recognised stock exchange).

## COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholders of the Company nor any of their respective close associates (as defined under the GEM Listing Rules) that competes or may compete, either directly or indirectly, with the business of the Group, or of any other conflicts of interest which any such person has or may have with the Group during the period from the date of the Listing to 31 March 2015.

# REPORT OF THE DIRECTORS

## DISCLOSURE OF INTERESTS

### (A) Directors' and Chief Executive' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 March 2015, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

#### *Long position in the shares*

Name of Director	Capacity/ Nature of interest	Number of shares	Percentage of issued share capital
Dr. Kong ( <i>note</i> )	Interest in a controlled corporation	290,000,040	72.50%

*Note:* The 290,000,040 shares are registered in the name of Topline. Under the SFO, Dr. Kong is deemed to be interested in all the shares of the Company registered in the name of Topline.

Save as disclosed above, as at 31 March 2015, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

### (B) Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 31 March 2015, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

#### *Long position in the shares*

Name	Capacity/ Nature of interest	Number of shares	Percentage of issued share capital
Topline ( <i>note</i> )	Beneficial owner	290,000,040	72.50%

*Note:* The entire issued share capital of Topline is beneficially owned by Dr. Kong. Therefore Dr. Kong is deemed to be interested in all the shares of the Company held by Topline.

Save as disclosed above, as at 31 March 2015, no other interests or short positions in the shares or underlying shares of the Company were recorded in the register required to be kept by the Company under section 336 of the SFO.

# REPORT OF THE DIRECTORS

## SHARE OPTION SCHEME

The Company adopted a share option scheme (the “**Share Option Scheme**”) on 3 December 2014 to provide incentive and/or to reward eligible persons for their contribution to, and continuing efforts to promote the interest of, the Group. The terms of the Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. The following is a summary of the principal terms of the Share Option Scheme:

### (a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide incentive and/or to reward eligible persons for their contribution to, and continuing efforts to promote the interest of, the Group.

### (b) Who may join

Subject to the terms of the Share Option Scheme, the Board shall be entitled to make an offer to any employee (whether full time or part-time employee) of the Company and its subsidiaries; any executive Directors and non-executive Directors (including independent non-executive Directors) of the Company and any of its subsidiaries; and any person or entity acting in their capacities as advisers or consultants or other contractors or business partners of the Group.

### (c) Maximum number of shares

The total number of shares in respect of which options may be granted under the Share Option Scheme and any other share options schemes of the Company shall not exceed 10% of the total number of shares in issue immediately following completion of the Placing and the Capitalisation Issue (as defined in note 28), unless the Company seeks the approval of the shareholders in general meeting for refreshing the 10% limit under the Share Option Scheme.

### (d) Maximum entitlement of each eligible person

No option shall be granted to any eligible person if any further grant of options would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including such further grant would exceed 1% of the total number of shares in issue.

### (e) Time of acceptance and exercise of an option

An offer of grant of an option may be accepted by an eligible person within the date as specified in the offer issued by the Company, being a date not later than 21 days after (i) the date on which the offer was issued, or (ii) the date on which the conditions (if any) for the offer are satisfied, provided that such date shall not be more than 10 years after the date of adoption of the Share Option Scheme.

A consideration of HK\$1 is payable for each acceptance of grant of option(s). Such consideration shall generally not be refundable.

Subject to the other provisions of the Share Option Scheme, an option may be exercised in whole or in part by the grantee (or his personal representatives) at any time before the expiry of the period to be determined and notified by the Board to the grantee which in any event shall not be longer than 10 years commencing on the offer date and expiring on the last day of such 10-year period subject to the provisions for early termination as contained in the Share Option Scheme and provided that the Board may determine the minimum period for which the option has to be held or other restrictions before the exercise of the subscription right attaching thereto.

## REPORT OF THE DIRECTORS

### (f) Subscription price for shares

The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be a price determined by the Board and notified to an eligible person, and shall be at least the highest of:

- (1) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a business day;
- (2) the average of the closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; and
- (3) the nominal value of a share.

### (g) Period of the Share Option Scheme

Subject to earlier termination by the Company in general meeting or the Board, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date of adoption of the Share Option Scheme, after which period no further option shall be granted. Subject to the above, in all other respects, in particular, in respect of options remaining outstanding on the expiration of the 10-year period referred to in this paragraph, the provisions of the Share Option Scheme shall remain in full force and effect.

No share option has been granted since the adoption of the Share Option Scheme and there was no share option outstanding as at 31 March 2015.

## INTERESTS OF COMPLIANCE ADVISER

As at 31 March 2015, as notified by the Company's compliance adviser, Shenwan Hongyuan Capital (H.K.) Limited (formerly known as "Shenyin Wanguo Capital (H.K.) Limited") (the "**Compliance Adviser**"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 3 December 2014, neither the Compliance Adviser nor its directors, employees or its close associates (as defined under the GEM Listing Rules) had any interests in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

## AUDIT COMMITTEE

The Company had established its audit committee (the "**Audit Committee**") on 3 December 2014 with written terms of reference in compliance with the GEM Listing Rules. Details of the role and work performed by the committee are set out in the Corporate Governance Report.

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 March 2015 and is of the view that such results complied with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements, and that adequate disclosure has been made.

## RETIREMENT BENEFIT SCHEMES

Other than operating a Mandatory Provident Fund Scheme under the Mandatory Provident Fund Schemes Ordinance, the Group has not operated any other retirement benefit schemes for its employees. Particulars of the retirement benefit schemes are set out in note 29 to the consolidated financial statements.

# REPORT OF THE DIRECTORS

## RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group during the year ended 31 March 2015 are set out in note 33 to the consolidated financial statements. Such transactions were either (i) discontinued before Listing, (ii) fully exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules, or (iii) continuing connected transactions under the Cooperation Agreement, as set out in the section headed "Continuing Connected Transactions" below.

## CONTINUING CONNECTED TRANSACTIONS

Medicskin Laboratories Limited ("**Medicskin**"), a wholly owned subsidiary indirectly held by the Company, has entered into a cooperation agreement with Dr. Kong and his sole proprietorship for a term of three years commencing from 1 April 2014 ("**Dr. Kong's Cooperation Agreement**"). Under Dr. Kong's Cooperation Agreement, effective from 1 April 2014, Dr. Kong (through his sole proprietorship) shall perform his obligations (including, inter alia, providing medical and treatment services to the clients at the Medicskin Centres) in consideration of the professional fees from Medicskin, and Medicskin shall perform its obligations (including, inter alia, the provision of management and administrative services and granting the sole proprietorship licences to use the name "Medicskin") in consideration of the sole proprietorship paying Medicskin the fees during the term of Dr. Kong's Cooperation Agreement.

The fees charged by Medicskin are equivalent to all the fees received from clients for the services provided by his sole proprietorship at the Medicskin Centres. The professional fees to which Dr. Kong (through his sole proprietorship) is entitled is determined on the basis of a monthly fixed fee of HK\$130,000 as well as a monthly incentive fee. The monthly incentive fee is calculated with reference to the amount of revenue received from clients at the Medicskin Centres generated directly by Dr. Kong and/or his sole proprietorship. When such revenue generated by Dr. Kong and/or his sole proprietorship exceeds a certain threshold, the excess amount, after deducting the cost of associated consumables used in the treatments, is multiplied by a certain percentage to arrive at the monthly incentive fee. Such percentage is commensurate to those typically offered to other doctors under other cooperation agreements. Dr. Kong may also be entitled to a year-end bonus payable at our discretion. Pursuant to the terms of Dr. Kong's Cooperation Agreement, all the fees received from clients for the services provided by Dr. Kong and/or his sole proprietorship are effectively transferred to Medicskin in the form of the fees.

Details of other material terms under Dr. Kong's Cooperation Agreement are set out in the Prospectus under the heading of "Connected Transactions".

Dr. Kong is a controlling shareholder and an executive Director and is therefore a connected person of the Company as defined under the GEM Listing Rules. As such, the sole proprietorship set up by Dr. Kong is also a connected person of the Company. Accordingly, the transactions contemplated under Dr. Kong's Cooperation Agreement constitutes continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

The annual caps for the amount of professional fees payable by Medicskin to Dr. Kong (through his sole proprietorship) under Dr. Kong's Cooperation Agreement for the three years ending 31 March 2017 are determined on the basis of the fixed formula stated in Dr. Kong's Cooperation Agreement which comprises a monthly fixed fee of HK\$130,000 and a monthly incentive fee calculated with reference to the amount of revenue generated directly by Dr. Kong and/or his sole proprietorship.

During the year ended 31 March 2015, pursuant to Dr. Kong's Cooperation Agreement, the total fees paid by Dr. Kong's sole proprietorship to Medicskin and the total professional fees paid by Medicskin to Dr. Kong's sole proprietorship approximately amounted to HK\$19,751,000 (2014: nil) and HK\$5,205,000 (2014: nil) respectively.

## REPORT OF THE DIRECTORS

The annual caps in relation to the continuing connected transactions under Dr. Kong's Cooperation Agreement are as follows:

	Year ending 31 March		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Amount of fees payable by Dr. Kong (through his sole proprietorship) to Medicskin	22,500	28,000	35,000
Amount of professional fees payable by Medicskin to Dr. Kong (through his sole proprietorship)	6,000	7,500	9,000

As the applicable percentage ratios (other than the profits ratio) as defined under the GEM Listing Rule 19.07 calculated with reference to the annual caps on an annual basis under Dr. Kong's Cooperation Agreement are more than 5%, the continuing connected transactions contemplated under Dr. Kong's Cooperation Agreement will be subject to the reporting, announcement, annual review, circular and independent shareholders' approval requirements under the GEM Listing Rules.

Pursuant to Rule 20.103 of the GEM Listing Rules, the Company had applied for, and the Stock Exchange had agreed to grant a waiver to exempt the Company from strict compliance with the announcement, circular and independent shareholders' approval requirements under the GEM Listing Rules, in respect of the transactions under Dr. Kong's Cooperation Agreement.

The independent non-executive Directors have reviewed the continuing connected transactions and confirmed that the transactions have been entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms or, on terms no less favourable to the Group than terms available to or from independent third parties; and
- (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders as a whole.

Pursuant to the GEM Listing Rules, the Company has engaged the Company's external auditor to perform procedures in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") in respect of these continuing connected transactions of the Group. The auditor has reported its factual findings to the Board that in relation to the continuing connected transactions:

- (i) nothing has come to their attention that causes them to believe that the continuing connected transactions have not been approved by the Board;
- (ii) for transactions involving provision of services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the Group's pricing policies;

## REPORT OF THE DIRECTORS

- (iii) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- (iv) with respect to the aggregate amount of the continuing connected transactions, nothing has come to their attention that causes them to believe that such transactions have exceeded the maximum aggregate annual value disclosed in the Prospectus.

The Company confirms that it has complied with the disclosure requirements, where appropriate, in accordance with Chapter 20 of the GEM Listing Rules.

### SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that the Company maintained the amount of public float as required under the GEM Listing Rules.

### EVENTS AFTER THE REPORTING PERIOD

There are no significant events occurring after the reporting period.

### AUDITOR

Messrs. Deloitte Touche Tohmatsu was appointed by the Board as the auditor of the Company and there has been no change in auditor since the date of the Listing.

Messrs. Deloitte Touche Tohmatsu will retire, and being eligible, offer themselves for re-appointment at the forthcoming AGM. A resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming AGM. The consolidated financial statements for the year ended 31 March 2015 have been audited by Messrs. Deloitte Touche Tohmatsu.

By Order of the Board  
**Dr. Kong Kwok Leung**  
*Chairman and Executive Director*

19 June 2015

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining a good corporate governance standard, with the chairman being primarily responsible for establishing relevant practices and procedures. The Board believes that a good corporate governance standard will provide a framework for the Group to formulate its business strategies and policies, and manage the associated risks through effective internal control procedures. It will also enhance the transparency of the Group and strengthen accountability to shareholders and creditors. Therefore the Board has reviewed and will continue to review and improve the Company's corporate governance practices from time to time.

The Company adopted the Corporate Governance Code (the "CG Code") contained in Appendix 15 to the GEM Listing Rules as its own code of corporate governance and the Board is satisfied that the Company had complied with the CG Code during the period from the date of the Listing to 31 March 2015, except for one deviation in relation to provision F.1.2 of the CG Code. Pursuant to provision F.1.2, the appointment of the company secretary should be dealt with by a physical board meeting rather than a written resolution. The appointment of the current company secretary was dealt with by a written resolution in June 2014. The Board considers that, as the Company only had a sole director at the time, there was no need to approve the matter by a physical board meeting instead of a written resolution.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors, its employees, and the directors and employees of its subsidiaries and holding companies, who may likely possess inside information on the Company or its securities, on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors during the period from the date of the Listing to 31 March 2015.

## BOARD OF DIRECTORS

### Board Composition

As at 31 March 2015, the Board comprised of three executive Directors and three independent non-executive Directors. The composition of the Board is as follows:

#### Executive Directors

Dr. Kong Kwok Leung (*Chairman*)  
Mr. Lo Kwok Bun (*Chief Executive Officer*)  
Ms. Kong Chung Wai

#### Independent Non-executive Directors

Mr. Chan Cheong Tat  
Mr. Lee Ka Lun  
Mr. Leung Siu Cheung

# CORPORATE GOVERNANCE REPORT

## **Functions, Roles and Responsibilities of the Board**

The Board is responsible for leadership and control of the Group and is collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's overall strategies, authorising the development plan and budget; monitoring financial and operating performance; reviewing the effectiveness of the internal control system; supervising and managing management's performance of the Group; and setting the Group's values and standards. The Board delegates the day-to-day management, administration and operation of the Group to the chief executive officer and senior management. The delegated functions are reviewed by the Board periodically to ensure that they accommodate the needs of the Group. The abovementioned personnel should report back and obtain prior approval from the Board before making any significant decisions or entering into any significant commitments on the Company's behalf, and they may not exceed any authority given to them by resolutions of the Board or the Company.

The independent non-executive Directors bring a wide range of business and financial expertise, experience and independent judgement to the Board, on issues of strategic direction, policies, development, performance and risk management. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, they scrutinise the Company's performance in achieving corporate goals and objectives and monitor performance reporting. By doing so, they are able to contribute positively to the Company's strategy and policies through independent, constructive and informed comments at Board and committee meetings.

Each Director has confirmed that he/she can give sufficient time and attention to the Company's affairs, and has regularly provided information on the number and nature of offices held in public companies or organisations and other significant commitments, including the identity of such companies or organisations and an indication of the time involved.

The Company has arranged appropriate insurance cover for Directors' liabilities in respect of legal actions against them for corporate activities.

## **Board/Board Committee Meetings**

The Board regularly meets in person or through other electronic means of communication at least four times a year to, among other matters, review past financial and operating performance and discuss the Group's direction and strategy. An agenda and accompanying papers together with all appropriate information are sent to all Directors at least three days before each Board or committee meeting so as to ensure timely access to relevant information. Appropriate notice of at least 14 days for regular Board meetings and reasonable notice for other Board committee meetings are given to all Directors, who are all given an opportunity to attend and include matters in the agenda for discussion. Senior management is invited to join all Board meetings to enhance communication between the Board and management; the Board and each Director also have separate and independent access to senior management whenever necessary. The company secretary takes detailed minutes of the meetings and keeps records of matters discussed and decisions resolved at the meetings, including any concerns raised or dissenting views expressed by Directors, and the voting results of Board meetings fairly reflect Board consensus. Both draft and final versions of the minutes are sent to all Directors for their comments and records respectively, within a reasonable time after each meeting, and such minutes are open for inspection with reasonable advance notice by any Director. Directors are entitled to have access to board papers and related materials, and any queries will be responded to fully.

## CORPORATE GOVERNANCE REPORT

Upon reasonable request to the Board, the Directors can seek independent professional advice in performing their duties at the Company's expense, if necessary. According to the current Board's practice, should a potential conflict of interest involving a substantial shareholder or Director of the Company arise, the matter is discussed in a Board meeting, as opposed to being dealt with by written resolution. Independent Non-executive Directors with no conflict of interest should be present at such meetings. When the Board considers any proposal or transaction in which a Director has a conflict of interest, the Director declares his interest and abstains from voting.

### Directors' Attendance at Board/Board Committee Meetings

A summary of all Directors' attendance at the Board meeting and Board committee meeting held during the period from the date of the Listing to 31 March 2015 is set out in the following table:

Name of Director	Number of meetings attended	
	Board meeting	Audit Committee meeting
Dr. Kong	1/1	1/1
Mr. Lo Kwok Bun	1/1	1/1
Ms. Kong Chung Wai	1/1	1/1
Mr. Chan Cheong Tat	1/1	1/1
Mr. Lee Ka Lun	1/1	1/1
Mr. Leung Siu Cheung	1/1	1/1

### CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee of the Company has been established. In compliance with code provision D.3 of the CG Code, the Board as a whole is responsible for performing the corporate governance duties including: (a) to develop and review the Company's policies and practices on corporate governance; (b) to review and monitor the training and continuous professional development of Directors and senior management; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and (e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

### CHAIRMAN AND CHIEF EXECUTIVE

In accordance with provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual and their respective responsibilities should be clearly defined in writing. Dr. Kong is the chairman of the Board who is primarily responsible for providing leadership to the Board, overseeing the overall operation of the Group and leading and directing the Group's overall business and development strategies. Dr. Kong also chairs the Board and nomination committee (the "**Nomination Committee**") meetings and briefs the Board members and Nomination Committee members on the issues arising at the respective meetings to ensure that Directors receive adequate information in a timely manner which is accurate, clear, complete and reliable. He encourages all Directors to make full and active contribution to the Board's affairs and takes the lead to ensure that it acts in the Company's best interest. He aims to ensure constructive relations between executive and non-executive Directors. Mr. Lo Kwok Bun is the chief executive officer of the Company who is primarily responsible for day-to-day management and operation overseeing risk management; corporate communication and marketing; product development; information technology and accounting matters of the Group.

## CORPORATE GOVERNANCE REPORT

Code provision A.2.7 of the CG Code requires the chairman of the Board to hold meetings at least annually with the non-executive Directors (including independent non-executive Directors) without the executive Directors present. During the period from the date of the Listing to 31 March 2015, no meeting between the chairman of the Board and the non-executive Directors was held. Subsequent to 31 March 2015 and up to the date of this report, one meeting between the chairman of the Board and the non-executive Directors was held. All independent non-executive Directors attended the meeting.

### APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from the date of the Listing and continuing thereafter until terminated by either party by giving not less than three months' notice in writing to the other.

Each of the independent non-executive Directors has entered into a service agreement with the Company for a term of three years commencing from the date of the Listing, provided that either the Company or the independent non-executive Directors may terminate such appointment at any time by giving at least three months' notice in writing to the other.

By virtue of article 16.2 of the articles of association of the Company, the Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. In compliance with the code provision A.4.2 of the CG Code, any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting. The Board has delegated the power to the Nomination Committee to make recommendations to the Board on the appointment and re-appointment of Directors. The responsibilities of the Nomination Committee are set out in the subheading "Nomination Committee" below. Directors to be appointed will have a formal letter of appointment setting out the key terms and conditions of their appointment.

In compliance with the code provision A.4.2 of the CG Code, every Director shall be subject to retirement by rotation at least once every three years. Furthermore, pursuant to article 16.18 of the articles of association of the Company, at every annual general meeting of the Company one-third of the Directors for the time being shall retire from office by rotation. A retiring Director shall retain office until the close of the meeting at which he/she retires and shall be eligible for re-election thereat.

### DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

According to the code provision A.6.5 of the CG Code, all Directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. The Company would arrange and/or introduce suitable training and information for the Directors to ensure they are fully aware of their responsibilities under statute and common law, the GEM Listing Rules and other applicable legal and regulatory requirements. During the year ended 31 March 2015, the Company had arranged seminars on the GEM Listing Rules, the Hong Kong Companies Ordinance (the "**Companies Ordinance**") and the SFO for the Directors. All Directors attended at least one of the seminars.

All Directors, namely Dr. Kong, Mr. Lo Kwok Bun, Ms. Kong Chung Wai, Mr. Chan Cheong Tat, Mr. Lee Ka Lun and Mr. Leung Siu Cheung, have confirmed that they had participated in continuous professional development by attending seminars and reading materials during the year ended 31 March 2015, and have provided a record of their training to the Company, in compliance with the code provision A.6.5 of the CG Code.

# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, to oversee particular aspects of the Company's affairs. All Board committees are established with written terms of reference, which have complied with the CG Code and are available on the Stock Exchange website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.medicskin.com](http://www.medicskin.com) and are available to shareholders upon request. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense. The Board committees will report back to the Board on their decisions or recommendations.

## AUDIT COMMITTEE

The Company had established the Audit Committee on 3 December 2014 with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Company, make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and review the Company's financial information.

The Audit Committee currently consists of three independent non-executive Directors, namely, Mr. Chan Cheong Tat, Mr. Lee Ka Lun and Mr. Leung Siu Cheung. Mr. Chan Cheong Tat is the chairman of the Audit Committee.

During the period from the date of the Listing to 31 March 2015, one meeting of the Audit Committee was held to review the third quarterly results of the Group and discuss with the external auditor regarding the audit approach, and the nature and scope of the audit for the year ended 31 March 2015. The meeting was attended by the Company's external auditor so that the members of the Audit Committee could exchange their views and concerns on the financial reporting process of the Group with the auditors. All members of the Audit Committee attended the meeting.

Details of the attendance of the members of the Audit Committee in the said meeting are set out under the sub-heading "Directors' Attendance at Board/Board Committee Meetings" above.

Subsequent to 31 March 2015 and up to the date of this report, one meeting of the Audit Committee was held to review and discuss the audited consolidated financial statements of the Group and, the annual results announcement for the year ended 31 March 2015 and this report with the external auditor. The Audit Committee is of the view that such results complied with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements, and that adequate disclosure had been made. The Audit Committee has also reviewed the effectiveness of the internal control system of the Group, as detailed in the section headed "Internal Control and Risk Management" below.

## REMUNERATION COMMITTEE

The Company had established the Remuneration Committee on 3 December 2014 with written terms of reference in compliance with the GEM Listing Rules.

The primary duties of the Remuneration Committee are to review and make recommendations to the Board on the remuneration policy and other remuneration related matters, including benefits-in-kind and other compensation payable to the Directors and senior management.

The Remuneration Committee currently consists of two executive Directors and three independent non-executive Directors, namely, Dr. Kong, Mr. Lo Kwok Bun, Mr. Chan Cheong Tat, Mr. Lee Ka Lun and Mr. Leung Siu Cheung. Mr. Leung Siu Cheung is the chairman of the Remuneration Committee.

## CORPORATE GOVERNANCE REPORT

During the period from the date of the Listing to 31 March 2015, no meeting of the Remuneration Committee was held. Subsequent to 31 March 2015 and up to the date of this report, one meeting of the Remuneration Committee was held to make recommendations to the Board on the Company's policy and structure for remuneration of the Directors and the senior management and on the establishment of a procedure for developing policy on such remuneration; to determine the remuneration packages of all the executive Directors and the senior management; and to make recommendations to the Board on the remuneration of the independent non-executive Directors. All members of the Remuneration Committee attended the meeting.

### NOMINATION COMMITTEE

The Company had established the Nomination Committee on 3 December 2014 with written terms of reference in compliance with the GEM Listing Rules. The primary duty of the Nomination Committee is to make recommendations to the Board regarding the structure, size and composition of the Board and candidates to fill vacancies on the Board.

The Nomination Committee currently consists of two executive Directors and three independent non-executive Directors, namely, Dr. Kong, Ms. Kong Chung Wai, Mr. Chan Cheong Tat, Mr. Lee Ka Lun and Mr. Leung Siu Cheung. Dr. Kong is the chairman of the Nomination Committee.

During the period from the date of the Listing to 31 March 2015, no meeting of the Nomination Committee was held. Subsequent to 31 March 2015 and up to the date of this report, one meeting of the Nomination Committee was held to review the structure and composition of the Board, and to review and make recommendations to the Board on adoption of the Board diversity policy. All members of the Nomination Committee attended the meeting.

The Board adopted the Board diversity policy which aims to set out its approach to achieve diversity on the Board. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Board has in its composition a balance of skills, expertise, qualifications, experience and diversity of perspectives necessary for independent decision making and fulfilling its business needs. The Board will consider a number of aspects when selecting candidates, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board appointments will ultimately be based on merit and the contribution that the selected candidates will bring to the Board, having due regard for the benefits of diversity on the Board.

### ACCOUNTABILITY AND AUDIT

#### Financial Reporting

The Board is responsible for overseeing the preparation of financial statements on a going concern basis, with supporting assumptions or qualifications as necessary, for each financial period with a view to ensuring that such financial statements give a true and fair view of the state of affairs of the Group and of the results and cash flow for the financial year.

Management of the Company has provided such explanation and information to the Board to enable the Board to make an informed assessment of the financial and other information put before the Board for approval. This includes monthly management updates to the Board, with a balanced, understandable and sufficiently detailed assessment of the Company's performance, position and prospects, enabling the Board and each Director to discharge their duties under the GEM Listing Rules.

# CORPORATE GOVERNANCE REPORT

The Group accounts are prepared in accordance with the GEM Listing Rules, the Companies Ordinance, all relevant statutory requirements and applicable accounting standards. The Group has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgements and estimates. The Directors endeavor to ensure a balanced, clear and understandable assessment of the Group's position and prospects in the annual reports, interim reports, price-sensitive announcements and other disclosures required under the GEM Listing Rules and other regulatory requirements.

The Directors acknowledge their responsibility for the preparation of consolidated financial statements of the Group that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the disclosure requirements of the GEM Listing Rules and the Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The responsibility of the Company's auditor, Messrs. Deloitte Touche Tohmatsu, is set out in the section headed "Independent Auditor's Report" on page 34 of this annual report.

## Internal Control and Risk Management

The Board is responsible for maintaining a sound and effective internal control system to safeguard the Company's assets and shareholders' interests. The Group has an Audit Committee to assist the Board by providing independent view of the effectiveness of the financial reporting process and internal control and risk management systems, and overseeing the audit process.

The Board convened meetings periodically to discuss business risk, financial risk, compliance risks and operation and other risks. The Board, through the Audit Committee, has conducted a review of the effectiveness of the internal control system of the Group, covering all material controls such as financial, operational and compliance controls and risk management functions, and considered that the internal control system and procedures of the Group, including the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their training programs and budget, are adequate and effective and have complied with the provisions of the CG Code during the year.

## AUDITOR'S REMUNERATION

The Audit Committee is responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal.

Messrs. Deloitte Touche Tohmatsu was appointed by the Board as the auditor of the Company. The remuneration paid or payable to Deloitte Touche Tohmatsu for services rendered for the year ended 31 March 2015 were as follows:

	<i>HK\$'000</i>
Audit services	550
Non-audit services	
— as reporting accountant for the Company's Placing	1,990
— other services (review of preliminary results announcement, review of continuing connected transactions and tax services)	119

# CORPORATE GOVERNANCE REPORT

## COMPANY SECRETARY

Ms. Sin Chui Pik Christine ("**Ms. Sin**"), an employee of the Company, was appointed by the Board as the company secretary of the Company ("**Company Secretary**") on 23 June 2014. The biographical details of Ms. Sin are set out under the section headed "Biographical Details of Directors and Senior Management".

The primary duties of the Company Secretary include, but are not limited to, the following: (a) to ensure the Board procedures are followed and that the activities of the Board are carried out efficiently and effectively; (b) to assist the chairman to prepare agendas and Board papers for meetings and disseminate such documents to the Directors and Board committees in a timely manner; (c) to timely disseminate announcements and information relating to the Group; and (d) to maintain formal minutes of the Board meetings and other Board committee meetings.

Ms. Sin has confirmed that she had received no less than 15 hours of relevant professional training for the year ended 31 March 2015, in compliance with Rule 5.15 of the GEM Listing Rules.

## SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting ("**EGM**").

To ensure compliance with the CG Code, the notice of the meeting, the annual report and the circular containing information on the proposed resolutions will be sent to shareholders at least 20 clear business days before the annual general meeting. Voting at the forthcoming AGM will be by way of a poll. An explanation of the detailed procedures of conducting a poll will be provided to shareholders at the commencement of the AGM to ensure that shareholders are familiar with such procedures.

Poll results will be counted by the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, and will be posted on the websites of the Company and of the Stock Exchange on the day the shareholders' meeting is held. The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The chairman of the Board as well as the chairmen of the Remuneration Committee, Nomination Committee and Audit Committee, or in their absence, other members of the respective committees, are available to answer questions at the shareholders' meetings. The Company will also arrange for the external auditor of the Company to attend the annual general meetings to answer relevant questions if necessary.

Separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual Directors.

## SHAREHOLDERS COMMUNICATION POLICY

The Company has established a Shareholders Communication Policy to set out the Company's procedures in providing the shareholders and the investment community with ready, equal and timely access to balanced and understandable information about the Company, in order to enable the shareholders to exercise their rights in an informed manner and to allow the shareholders and the investment community to engage actively with the Company.

# CORPORATE GOVERNANCE REPORT

## **Rights to convene an EGM**

Pursuant to Article 12.3 of the Articles of Association, any two or more members holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, shall at all times have the right, by written requisition sent to the Company's principal office as set out in the manner below, to require an EGM to be called by the Board for the transaction of any business specified in such requisition.

The written requisition must state the objects of the meeting, be signed by the requisitionist(s), be marked for the attention of the Board or the Company Secretary and be deposited at the Company's principal place of business at Room 1206, Tak Shing House, 20 Des Voeux Road Central, Hong Kong.

If within 21 days from the date of the deposit of the requisition the Board fails to proceed to convene such meeting to be duly held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them may convene a meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed by the Company to the requisitionist(s).

The notice period to be given to shareholders for general meetings varies as follows:

- (a) At least 14 days' notice in writing if the proposal constitutes an ordinary resolution of the Company;
- (b) At least 21 days' notice in writing if calling for an annual general meeting or the proposal constitutes a special resolution of the Company in EGM.

## **Right to Put Enquiries to the Board**

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong or by e-mail to [christine.sin@medicskin.com](mailto:christine.sin@medicskin.com) for the attention of the Company Secretary.

## **Right to Put Forward Proposals at General Meetings**

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised). However, shareholders may follow the procedure set out in the section headed "Rights to convene an EGM" above for including a resolution at an EGM. The requirements and procedures are set out above.

## **Right to Propose a Person for Election as a Director**

Detailed procedures for a shareholder to propose a person for election as a Director are available on the Company's website.

## **INVESTOR RELATIONS**

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the annual general meeting, the annual, interim and quarterly reports, notices, announcements and circulars and the Company's website at [www.medicskin.com](http://www.medicskin.com).

## **CONSTITUTIONAL DOCUMENTS**

From the date of the Listing to the year ended 31 March 2015, there had been no significant change in the Company's constitutional documents.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### EXECUTIVE DIRECTORS

**Dr. Kong Kwok Leung (江覺亮)**, aged 61, is an executive Director and the chairman of the Company as well as the founder of the Group. Dr. Kong is the uncle of Ms. Kong Chung Wai, an executive Director. He is responsible for overseeing the overall operation of the Group and leading and directing the Group's overall business and development strategies. He is also the chairman of the Nomination Committee and a member of the Remuneration Committee. Dr. Kong graduated from the Faculty of Medicine of The University of Hong Kong in November 1978 and obtained a Bachelor of Medicine and Bachelor of Surgery (MBBS (HK)). He subsequently obtained a Diploma in Dermatology from the University of London in September 1995 and a Postgraduate Diploma in Practical Dermatology from Cardiff University in October 2007. He had also obtained the qualifications of Diploma in Child Health from Royal College of Physicians of London in January 1985. Dr. Kong has been in private medical practice for more than three decades and has around 19 years of practising experience in the medical skin care services sector. In 1996, Dr. Kong commenced the practice of providing medical skin care services in Central, Hong Kong. In July 2000, Dr. Kong founded the Group by setting up Medicskin to provide skin treatment services. In addition, Dr. Kong attends lectures and seminars on medical skin care in Europe, America and Southeast Asia from time to time to keep himself abreast of the latest medical skin care technology and knowledge.

**Mr. Lo Kwok Bun (盧國斌)**, aged 62, is an executive Director and the chief executive officer of the Group. Mr. Lo joined the Group in May 2013 and is responsible for the day-to-day management and operations overseeing risk management, corporate communication and marketing, product development, information technology and accounting matters of the Group. He is also a member of the Remuneration Committee. Mr. Lo obtained a Bachelor of Science in Management from the Massachusetts Institute of Technology in Cambridge, Massachusetts, USA in June 1978. Mr. Lo has substantial experience in the technology and financial services sector. He had held senior positions with several multi-national banks including the Vice President of The Citibank Private Bank and the Technology Head of the Asia Pacific Division of Private Banking Group of Citibank Private Bank. Mr. Lo was later employed by the HSBC Group from January 1995 to September 2008. During this period, he acted as (i) the Managing Director and Regional Head of eBusiness & Technology Services at HSBC Private Bank (Suisse) SA; (ii) the Managing Director and Head of Information Technology & Systems at HSBC Republic Bank (Suisse) SA.; and (iii) the Director & Head of Information Technology/Systems in HSBC Investment Bank Asia Limited.

**Ms. Kong Chung Wai (江聰慧)**, aged 37, is an executive Director and the legal and compliance officer of the Group. Ms. Kong is the niece of Dr. Kong, the chairman of the Company and an executive Director. She joined the Group in 2001 and is mainly responsible for overseeing the general compliance matters of the Group. She is also a member of the Nomination Committee. Ms. Kong obtained a Bachelor of Business Administration in Accounting from the Hong Kong University of Science and Technology in November 2000 and a Bachelor of Laws degree from the University of London in August 2010. Ms. Kong has been a fellow member of the Association of Chartered Certified Accountants since 2010 and has accumulated over 14 years of accounting, auditing and compliance experience.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Chan Cheong Tat (陳昌達)**, aged 65, was appointed as an independent non-executive Director on 3 December 2014. He is also the chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee. Mr. Chan graduated from Central Queensland University with a master degree in financial management in October 1995 through distance learning. He has also been an associate of The Institute of Chartered Secretaries and Administrators (U.K.) since 1974 and The Hong Kong Institute of Chartered Secretaries since 1994. Mr. Chan is also a fellow member of the HKICPA, the Association of Chartered Certified Accountants and the Australian Society of Certified Practising Accountants for over 25 years. Mr. Chan has over 32 years of work experience in the Hong Kong Inland Revenue Department. He was an Assistant Commissioner and was responsible for tax compliance before he retired in 2005. Mr. Chan has been the sole director of a tax consultancy company, C T Tax Consultants Limited, since August 2006. Further, Mr. Chan has been an independent non-executive director of Guangdong Tannery Limited (stock code: 1058) since March 2006 and Man Sang International Limited (stock code: 938) since January 2015. He was an independent non-executive director of Noble Jewelry Holdings Limited (currently known as Zhong Fa Zhan Holdings Limited) (stock code: 475) from October 2006 to December 2011 and Wasion Group Holdings Limited (stock code: 3393) from May 2014 to May 2015.

**Mr. Lee Ka Lun (李家麟)**, aged 60, was appointed as an independent non-executive Director on 3 December 2014. He is also a member of the Audit Committee, Remuneration Committee and Nomination Committee. Mr. Lee obtained a Higher Diploma in Accountancy from the Hong Kong Polytechnic (currently known as the Hong Kong Polytechnic University) in November 1978 and has been an associate of the Association of Certified Accountants since 1980 and a fellow member of the Chartered Association of Certified Accountants since 1985. Mr. Lee has over 25 years of experience in the banking and auditing fields. He joined Lloyds TSB Bank Plc (which was then known as Hill Samuel Bank Limited) in 1982 as an Accountant. He was then promoted to Regional Director — Finance and Operation of Lloyds TSB's operations in Asia in 1987 and had been the Regional Deputy Chief Executive of Lloyds TSB Bank plc from 1991 until 2007. Mr. Lee has also been a responsible officer of Asia Investment Research Limited licensed under the SFO to carry on Type 4 (advising on securities) and Type 9 (asset management) regulated activities since July 2008. He also serves as an independent non-executive director of the following four listed companies in Hong Kong:

Name of company	Stock code	Date of appointment
Yuexiu Property Company Limited	0123	April 2000
Chow Sang Sang Holdings International Limited	0116	September 2004
REXLot Holdings Limited	0555	April 2007
Chong Hing Bank Limited	1111	February 2014

**Mr. Leung Siu Cheung (梁兆祥)**, aged 63, was appointed as an independent non-executive Director on 3 December 2014. He is also the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee. Mr. Leung completed the Law Society Solicitors Qualifying Examinations in 1982 and obtained a Master of Laws in Chinese and Comparative Law from the City University of Hong Kong in 2004. Mr. Leung is a member of the Law Society of Hong Kong and has been a practising solicitor in Hong Kong since October 1983. Mr. Leung has also been a qualified solicitor in England and Wales since 1990, Australian Capital Territory since 1991 and New South Wales of Australia since 1997. He has been a partner of Lo, Chan & Leung, Solicitors and Notaries since 1986. He has over 31 years of professional experience in the legal field and his major area of practice is banking and finance, civil litigation and conveyancing.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### SENIOR MANAGEMENT AND COMPANY SECRETARY

**Ms. Sze Betty Suet Ling (施雪玲)**, aged 35, is the head of business and product development of the Group. She joined the Group in January 2013 and is mainly responsible for overseeing the business development and execution of the Group's corporate communication and product research and development plans. Ms. Sze is also the Medicskin Centre Manager, mainly responsible for planning and coordinating the day-to-day centre operations, staff supervision and evaluations as well as fiscal management for the Medicskin Centre. Ms. Sze obtained a bachelor's degree of Science with a major in Nutritional Sciences from The University of British Columbia in May 2002 and an International Advanced Diploma in Administrative Management from the Institute of Administrative Management in March 2006. Ms. Sze has over 13 years of experience in the field of product development for skincare brands, retail brand management and skincare business development. Before joining the Group, Ms. Sze was employed as an Executive Trainee of Glycel (Hong Kong) Co. Ltd. in February 2004 and was subsequently promoted to be the Business Development Executive in April 2005. Ms. Sze resigned from Glycel (Hong Kong) Co. Ltd. in April 2007. From June 2007 to December 2012, Ms. Sze worked as Product Manager of Belle Cosmetic Limited.

**Ms. Sin Chui Pik Christine (冼翠碧)**, aged 36, is the chief financial officer and Company Secretary of the Group. She joined the Group in March 2014 and is responsible for overseeing the financial and accounting matters of the Group and engaging in company secretarial functions for the Company. Ms. Sin obtained her bachelor's degree of Business Administration in Accounting from The Hong Kong Baptist University in December 2001. Ms. Sin has been a member of the HKICPA, a member and subsequently fellow of the Association of Chartered Certified Accountants since December 2007, April 2007 and April 2012 respectively. She has accumulated over 13 years of accounting and auditing experience. Before joining the Group, Ms. Sin worked for Deloitte Touche Tohmatsu, an international public accounting and auditing firm from 2001 to 2004 and from 2005 to 2014, where she most recently served as a Manager. She also worked as an Accountant of Jetcrown Industrial (Macao Commercial Offshore) Limited from 2004 to 2005.

# INDEPENDENT AUDITOR'S REPORT



## TO THE BOARD OF DIRECTORS OF MEDICSKIN HOLDINGS LIMITED

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

We have audited the consolidated financial statements of Medicskin Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 35 to 74, which comprise the consolidated statement of financial position as at 31 March 2015, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **DIRECTORS’ RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

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

### **AUDITOR’S RESPONSIBILITY**

Our responsibility is to express an opinion on the consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **OPINION**

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2015, and of the Group’s financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

19 June 2015

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

For the year ended 31 March 2015

	Notes	2015 HK\$'000	2014 HK\$'000
Revenue	8 & 9	<b>66,738</b>	65,041
Other income, gains and losses	10	<b>387</b>	(160)
Inventories used		<b>(8,478)</b>	(8,265)
Staff costs		<b>(31,100)</b>	(24,229)
Depreciation of property, plant and equipment		<b>(2,454)</b>	(2,334)
Other expenses		<b>(9,618)</b>	(8,865)
Finance costs	11	<b>(439)</b>	(264)
Listing expenses		<b>(9,152)</b>	(3,570)
<hr/>			
Profit before tax	13	<b>5,884</b>	17,354
Income tax expense	14	<b>(2,556)</b>	(3,617)
<hr/>			
Profit and total comprehensive income for the year attributable to owners of the Company		<b>3,328</b>	13,737
<hr/>			
Earnings per share, basic (HK cents)	16	<b>0.94</b>	4.12
<hr/>			

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2015

	Notes	2015 HK\$'000	2014 HK\$'000
Non-current assets			
Property, plant and equipment	17	4,094	4,917
Rental deposits		–	1,887
		<b>4,094</b>	6,804
Current assets			
Inventories	18	2,444	2,137
Trade receivables	19	313	616
Other receivable, deposits and prepayments		3,282	1,200
Amount due from a director	20	–	3,488
Tax recoverable		167	–
Bank balances and cash	21	48,023	25,468
		<b>54,229</b>	32,909
Current liabilities			
Trade payables	22	418	429
Accrued liabilities	23	3,200	2,515
Deferred revenue	24	7,395	6,389
Tax payable		–	1,599
Borrowings	25	–	17,831
Obligations under finance leases	26	–	212
		<b>11,013</b>	28,975
Net current assets		<b>43,216</b>	3,934
Total assets less current liabilities		<b>47,310</b>	10,738
Non-current liabilities			
Obligations under finance leases	26	–	110
Deferred tax liability	27	127	242
		<b>127</b>	352
Net assets		<b>47,183</b>	10,386

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2015

	<i>Notes</i>	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i>
Capital and reserves			
Share capital	28	<b>4,000</b>	–
Reserves		<b>43,183</b>	10,386
<hr/>			
Equity attributable to owners of the Company		<b>47,183</b>	10,386

The consolidated financial statements on pages 35 to 74 were approved and authorised for issue by the Board of Directors on 19 June 2015 and are signed on its behalf by:

**Kong Kwok Leung**  
*DIRECTOR*

**Lo Kwok Bun**  
*DIRECTOR*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2015

	Attributable to owners of the Company				Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000 (note)	Retained profits HK\$'000	
At 1 April 2014	–	–	581	5,619	6,200
Profit and total comprehensive income for the year	–	–	–	13,737	13,737
Recognition of equity-settled share-based payments (note 30)	–	–	999	–	999
Dividend recognised as distribution (note 15)	–	–	–	(10,550)	(10,550)
<b>At 31 March 2014</b>	<b>–</b>	<b>–</b>	<b>1,580</b>	<b>8,806</b>	<b>10,386</b>
Profit and total comprehensive income for the year	–	–	–	3,328	3,328
Recognition of equity-settled share-based payments (note 30)	–	–	999	–	999
Issue of shares (note 28)	667	39,334	–	–	40,001
Capitalisation issue (note 28)	3,333	(3,333)	–	–	–
Transaction costs attributable to issue of shares	–	(4,331)	–	–	(4,331)
Dividend recognised as distribution (note 15)	–	–	–	(3,200)	(3,200)
<b>At 31 March 2015</b>	<b>4,000</b>	<b>31,670</b>	<b>2,579</b>	<b>8,934</b>	<b>47,183</b>

Note: The capital reserve represents equity-settled share-based payments as detailed in note 30.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2015

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>OPERATING ACTIVITIES</b>		
Profit before tax	<b>5,884</b>	17,354
Adjustments for:		
Allowance for bad and doubtful debts	<b>65</b>	34
Finance leases charges	<b>9</b>	24
Interest expenses on borrowings	<b>430</b>	240
Interest income on bank deposits	<b>(64)</b>	–
Share-based payment expenses	<b>999</b>	999
Depreciation of property, plant and equipment	<b>2,454</b>	2,334
Allowance for inventories	<b>208</b>	189
Loss on write-off of property, plant and equipment	<b>2</b>	–
Gain on disposal of property, plant and equipment	<b>(360)</b>	–
Operating cash flows before movements in working capital	<b>9,627</b>	21,174
(Increase) decrease in inventories	<b>(515)</b>	466
Decrease (increase) in trade receivables	<b>238</b>	(407)
Decrease (increase) in other receivable, deposits and prepayments	<b>205</b>	(799)
Decrease in amounts due from related companies	–	1,634
Decrease in trade payables	<b>(11)</b>	(275)
Increase in accrued liabilities	<b>305</b>	1,321
Increase in deferred revenue	<b>1,006</b>	2,400
Cash generated from operations	<b>10,855</b>	25,514
Income tax paid	<b>(4,437)</b>	(2,937)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>6,418</b>	22,577
<b>INVESTING ACTIVITIES</b>		
Interest received	<b>64</b>	–
Sales proceeds from disposal of property, plant and equipment	–	1
Purchase of property, plant and equipment	<b>(1,293)</b>	(1,280)
Advance to a director	–	(10,235)
Repayment from a director	<b>505</b>	5,259
Advances to related companies	–	(2,090)
Repayments from related companies	–	1,828
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(724)</b>	(6,517)

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2015

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
FINANCING ACTIVITIES		
Interest paid	(430)	(240)
Dividend paid	(217)	(3,830)
Proceeds from issue of shares	40,001	–
Transaction costs attributable to issue of shares	(4,331)	–
New borrowings raised	713	14,938
Repayments of borrowings	(18,544)	(5,581)
Finance lease charges paid	(9)	(24)
Repayments of obligations under finance leases	(322)	(395)
Advance from a related company	–	1,439
Repayment to a related company	–	(1,779)
	<hr/>	<hr/>
NET CASH FROM FINANCING ACTIVITIES	16,861	4,528
	<hr/>	<hr/>
NET INCREASE IN CASH AND CASH EQUIVALENTS	22,555	20,588
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	25,468	4,880
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY		
Bank balances and cash	48,023	25,468
	<hr/>	<hr/>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 20 June 2014. The shares of the Company have been listed on the Growth Enterprise Market (“**GEM**”) of the Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) since 18 December 2014. The addresses of the registered office and principal place of business of the Company are disclosed in the corporation information section of the annual report.

The Company is an investment holding company. The Group is principally engaged in the provision of medical skin care services.

The functional currency of the Company is Hong Kong dollars, which is the same as the presentation currency of the consolidated financial statements.

## 2. REORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

In preparation for the listing (“**Listing**”) of the Company’s shares on the GEM of the Stock Exchange, the entities now comprising the Group underwent a group reorganisation (“**Reorganisation**”) which involves setting up of the Company as new parent of the Group. The principle steps of the Reorganisation are as follows:

- (a) Throughout the years ended 31 March 2014 and 2015, the business of the Group was conducted by Medicskin Laboratories Limited (“**Medicskin**”), a wholly owned subsidiary indirectly held by the Company.
- (b) Five practising medical practitioners employed by Medicskin terminated their employment agreements with Medicskin with effect from 1 April 2014. Medicskin entered into a cooperation agreement and the supplemental cooperation agreements with each of the practising medical practitioners of Medicskin including Dr. Kong Kwok Leung (“**Dr. Kong**”), the ultimate controlling party of the Group (the “**Cooperation Agreements**”) and their respective sole proprietorships for the operation of the Group’s medical skin care centres and all the Cooperation Agreements came into effect on 1 April 2014. As represented by the directors of the Company (“**Directors**”), having considered the views of senior counsel relating to the uncertainty under the Hong Kong Medical Clinics Ordinance (Cap. 343) of the Laws of Hong Kong (“**Clinics Ordinance**”), the entering into the Cooperation Agreements can remove any possible uncertainty which may arise from the interpretation of the Group’s compliance with the Clinics Ordinance and that such agreements do not change the substance of the Group’s operation. Further details in this regard are set out in the prospectus issued by the Company dated 12 December 2014 (the “**Prospectus**”).
- (c) On 20 June 2014, the Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. On 20 June 2014, one subscriber share was allotted and issued. Such one share was transferred to Topline Worldwide Limited (“**Topline**”) on 20 June 2014. Topline is wholly owned by Dr. Kong.
- (d) On 12 July 2014, the Company issued and allotted a further 99 shares of which 97 of such shares were issued and allotted to Topline and 2 of such shares were issued and allotted to Attractive Beauty (as defined in note 30).
- (e) On 12 July 2014, Tally Scholar Limited (“**Tally Scholar**”), the immediate holding company of Multiple Profit Limited (“**Multiple Profit**”) prior to the Reorganisation, transferred its entire issued shareholding in Multiple Profit to the Company at a cash consideration of HK\$1.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 2. REORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

*(Continued)*

Pursuant to the Reorganisation detailed above, the Company became the holding company of the companies now comprising the Group on 12 July 2014. Its immediate and ultimate holding company is Topline, a company incorporated in the British Virgin Islands (“**BVI**”). The ultimate controlling party is Dr. Kong. The Company and its subsidiaries have been under the common control of Dr. Kong throughout the two years ended 31 March 2014 and 2015 or since their respective date of incorporation, where there is a shorter period.

The Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements have been prepared on the basis as if the Company had always been the holding company of the Group. The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the two years ended 31 March 2014 and 2015 include the results, changes in equity and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the two years ended 31 March 2014 and 2015, or since their respective dates of incorporation, where there is a shorter period. The consolidated statement of financial position of the Group as at 31 March 2014 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at that date taking into account the respective dates of incorporation, where applicable.

## 3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

The Group has consistently applied all the HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) which are effective for the Group’s financial year beginning on 1 April 2014 for both current and prior years.

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception <sup>2</sup>
Amendments to HKAS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture <sup>2</sup>
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations <sup>2</sup>
Amendments to HKAS 1	Disclosure initiative <sup>2</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation <sup>2</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants <sup>2</sup>
Amendments to HKAS 27	Equity method in separate financial statements <sup>2</sup>
Amendments to HKAS 19	Defined benefit plans: Employee contributions <sup>1</sup>
Amendments to HKFRSs	Annual improvements to HKFRSs 2010–2012 cycle <sup>6</sup>
Amendments to HKFRSs	Annual improvements to HKFRSs 2011–2013 cycle <sup>1</sup>
Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 cycle <sup>2</sup>
HKFRS 9	Financial instruments <sup>4</sup>
HKFRS 14	Regulatory deferral accounts <sup>5</sup>
HKFRS 15	Revenue from contracts with customers <sup>3</sup>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

- <sup>1</sup> Effective for annual periods beginning on or after 1 July 2014.
- <sup>2</sup> Effective for annual periods beginning on or after 1 January 2016.
- <sup>3</sup> Effective for annual periods beginning on or after 1 January 2017.
- <sup>4</sup> Effective for annual periods beginning on or after 1 January 2018.
- <sup>5</sup> Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.
- <sup>6</sup> Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

The Directors anticipate that the application of these new or revised standards will have no material impact on the Group’s financial statements.

## 4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis and in accordance with the HKFRSs issued by the HKICPA. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. In addition, the consolidated financial statements include applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance.

The principal accounting policies adopted are set out below.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts received and receivable for goods sold and services provided in the normal course of business, net of discounts and refund.

Revenue from provision of consultation services ("**Consultation Service**") are recognised when services are provided.

Revenue from provision of medical skin care treatments of non-invasive/minimally invasive in nature ("**Treatment Service**") are recognised when services are provided. Prepayments received are initially recorded as deferred revenue in the consolidated statement of financial position, and subsequently recognised as revenue when the services are provided to clients.

Revenue from prescription and dispensing of medication and skincare products ("**Prescription and Dispensing Service**") are recognised when delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the medication and skincare products;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the medication and skincare products sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

### Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

### **Impairment of tangible assets**

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

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

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

### **Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### ***The Group as lessee***

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

Lease payments were apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses were recognised immediately in profit or loss, unless they were directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

### **Retirement benefits costs**

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

### **Share-based payment arrangements**

#### ***Equity-settled share-based payment transactions***

For the Share Reward (as defined in note 30) granted to a staff member of group entities by the shareholder (i.e. Dr. Kong) for services rendered to the Group, the fair value of services received is determined by reference to the fair value of the Share Reward at the grant date. The fair value of services received is expensed on a straight-line basis over the vesting period, with a corresponding increase in capital reserve as deemed contribution from the shareholder.

The Group shall recognise, as a minimum, the services received measured at the grant date fair value of the Share Reward granted, unless the Share Reward does not vest because of failure to satisfy a vesting condition (other than a market condition) that was specified at the grant date. In addition, an expense is recognised for the effect of modifications to the terms and conditions on which the Share Reward was granted, if any, that increases the total fair value of the Share Reward or are otherwise beneficial to the employee as measured at the date of the modification.

### **Borrowing costs**

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Taxation**

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

Current and deferred tax are recognised in profit or loss.

### **Inventories**

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Financial instruments**

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

#### ***Financial assets***

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### ***Effective interest method***

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

Interest income is recognised on an effective interest basis for debt instruments.

#### ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivable, deposits, amount due from a director and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of loans and receivables below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

#### ***Impairment of loans and receivables***

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Financial instruments** *(Continued)*

#### **Financial assets** *(Continued)*

##### *Impairment of loans and receivables (Continued)*

For trade receivables that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of loans and receivables is reduced by the impairment loss directly with the exception of trade receivables and amount due from a director, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable or an amount due from a director is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### **Financial liabilities and equity instruments**

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

##### *Equity instruments*

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

##### *Effective interest method*

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

Interest expense is recognised on an effective interest basis.

##### *Financial liabilities*

Financial liabilities (including trade payables, accrued liabilities and borrowings) are subsequently measured at amortised cost using the effective interest method.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Derecognition**

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

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

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

## 5. CRITICAL ACCOUNTING JUDGEMENT

The following is the critical judgement, apart from those involving estimates, that management of the Group has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

As described in note 4, revenue from Treatment Service is recognised when services are provided. Part of the revenue from Treatment Service is deriving from prepaid treatment packages and these prepaid treatment packages have a valid service period ranging from a few months to two years from the date of purchase. Prepayments received are initially recorded as deferred revenue in the consolidated statement of financial position, and subsequently recognised as revenue when the services are provided to clients. As represented by the Directors of the Group, at its discretion, may extend the service period and allow clients to enjoy the services under the prepaid treatment packages after the expiry dates as stated on the treatment consent forms. Therefore, the Directors are required to exercise judgment in the application of revenue recognition policies. In such assessment, the Directors consider the general practice and grace period normally adopted by the Group as well as historical customer behaviour and usage pattern of the prepaid treatment packages and the recognition criteria under HKAS 18 "Revenue". After careful consideration of these factors, the Directors consider that it is appropriate to recognise any unused package as revenue in the profit or loss upon the second anniversary of the contractual expiry date of the relevant package. For the year ended 31 March 2015, revenue from unused package in respect of Treatment Service amounting to approximately HK\$256,000 (2014: HK\$180,000) was recognised in the consolidated statement of profit or loss and other comprehensive income.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 6. CAPITAL RISK MANAGEMENT

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

The existing capital structure of the Group consists of equity attributable to owners of the Company, comprising share capital and reserves. Prior to the Listing, the capital structure of the Group consisted of debts, which include borrowings disclosed in note 25 and equity attributable to owners of the Company comprising share capital and reserves.

Management of the Group reviews the capital structure on a regular basis. As part of this review, management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of management of the Group, the Group will balance its overall capital structure through the payment of dividends and new shares issue.

## 7. FINANCIAL INSTRUMENTS

### Categories of financial instruments

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<i>Financial assets</i>		
Loans and receivables (including cash and cash equivalents)	<b>50,808</b>	31,709
<i>Financial liabilities</i>		
Amortised cost	<b>3,618</b>	20,775
Obligations under finance leases	–	322

### Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivable, deposits, amount due from a director, bank balances and cash, trade payables, accrued liabilities, borrowings and obligations under finance leases. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### **Market risk**

##### *Interest rate risk*

As at 31 March 2015, the Group is exposed to cash flow interest rate risk in relation to floating-rate bank balances (see note 21 for details of these bank balances).

As at 31 March 2014, the Group was exposed to fair value interest rate risk in relation to fixed-rate borrowings and obligations under finance leases (see notes 25 and 26 for details of these borrowings and obligations under finance leases) and cash flow interest rate risk in relation to floating-rate bank balances and borrowings (see notes 21 and 25 for details of these bank balances and borrowings).

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 7. FINANCIAL INSTRUMENTS *(Continued)*

### Financial risk management objectives and policies *(Continued)*

#### **Market risk** *(Continued)*

##### *Interest rate risk (Continued)*

##### *Sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the non-derivative financial instruments outstanding at the end of the reporting period were outstanding for the whole year.

Management considers the Group's exposure to cash flow interest rate risk of floating-rate bank balances is not significant, hence no sensitivity analysis is presented for the year ended 31 March 2015.

As at 31 March 2015, all borrowings were repaid. Accordingly, no interest rate sensitivity analysis is presented for the year ended 31 March 2015. For the year ended 31 March 2014, in respect of the Group's variable-rate borrowings, if interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit would decrease/increase by approximately HK\$74,000. A 50 basis points was used when reporting interest rate risk to key management personnel and this represented management's assessment of the reasonably possible change in interest rates.

#### **Currency risk**

The Group has a bank balance denominated in Renminbi ("**RMB**"), which expose the Group to foreign currency risk.

##### *Sensitivity analysis*

The following table details the Group's sensitivity to a 5% increase and decrease in HK\$ against RMB. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated bank balance and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rate. A negative number below indicates a decrease in post-tax profit where HK\$ strengthen 5% against RMB. For a 5% weakening of HK\$ against RMB, there would be an equal and opposite impact on the profit and the balances below would be positive.

	<b>RMB impact</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Decrease in post-tax profit	<b>(227)</b>	(173)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 7. FINANCIAL INSTRUMENTS *(Continued)*

### **Financial risk management objectives and policies** *(Continued)*

#### ***Credit risk***

As the end of the respective reporting periods, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting periods to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Other than the concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk, with exposure spread over a number of counterparties.

#### ***Liquidity risk***

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. As at 31 March 2014, the Group relied on borrowings as a significant sources of liquidity. Management monitored the utilisation of borrowings and ensured compliance.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 7. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### Liquidity risk (Continued)

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

#### Liquidity tables

	Weighted average effective interest rate %	Repayable on demand or repayable in 1 to 3 months HK\$'000	3 months to 1 year HK\$'000	1 to 2 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at the end of the reporting date HK\$'000
<b>At 31 March 2015</b>						
<b>Non-derivative financial liabilities</b>						
Trade payables	N/A	418	-	-	418	418
Accrued liabilities	N/A	3,200	-	-	3,200	3,200
		<b>3,618</b>	<b>-</b>	<b>-</b>	<b>3,618</b>	<b>3,618</b>
<b>At 31 March 2014</b>						
<b>Non-derivative financial liabilities</b>						
Trade payables	N/A	429	-	-	429	429
Accrued liabilities	N/A	2,515	-	-	2,515	2,515
Borrowings						
— fixed rate	3.8	57	-	-	57	57
— variable rate	3.5	17,774	-	-	17,774	17,774
Obligations under finance leases	4.7	56	167	111	334	322
		<b>20,831</b>	<b>167</b>	<b>111</b>	<b>21,109</b>	<b>21,097</b>

As at 31 March 2014, the aggregate undiscounted carrying amount of borrowings with a repayment on demand clause amounting to HK\$17,831,000 were included in "repayable on demand or repayable in 1 to 3 months" time band in the above maturity analysis. Taking into account the Group's financial position, management of the Group did not believe that it is probable that the bank or another financial institution will exercise its discretionary rights to demand immediate repayment. As at 31 March 2014, management of the Group believed that such borrowings would be repaid within 5 years after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 7. FINANCIAL INSTRUMENTS *(Continued)*

### Financial risk management objectives and policies *(Continued)*

#### Liquidity risk *(Continued)*

##### Liquidity tables *(Continued)*

For the purpose of managing liquidity risk, management reviewed the expected cash flow information of the Group's borrowings based on the scheduled repayment dates set out in the loan agreements and were set out in the table below:

	Weighted average effective interest rate %	Repayable in 1 to 3 months HK\$'000	3 months to 1 year HK\$'000	1 to 2 years HK\$'000	2 to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at the end of the reporting date HK\$'000
<b>Borrowings</b>							
As at 31 March 2014							
— fixed rate	3.8	57	–	–	–	57	57
— variable rate	3.5	1,877	5,248	4,129	7,731	18,985	17,774

As at 31 March 2015, all borrowings were repaid and thus, no cash flow information is presented.

#### Fair value

The fair values of financial assets and financial liabilities have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

## 8. REVENUE

The Group's revenue represents revenue arising from provision of Consultation Service, Prescription and Dispensing Service and Treatment Service during the year, net of discounts and refund.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 9. SEGMENT INFORMATION

The Group's operating activities are attributable to a single operating segment focusing on Consultation Service, Prescription and Dispensing Service and Treatment Service. This operating segment has been identified on the basis of internal management reports prepared in accordance with the Group's accounting policies set out in note 4. Dr. Kong and Mr. Lo Kwok Bun, the Directors, have been identified as the chief operating decision makers ("CODM"). The CODM review the Group's revenue analysis by services and products in order to assess performance and allocation of resources.

Other than revenue analysis, no operating results or other discrete financial information is available for the assessment of performance and allocation of resources. The CODM reviews the results of the Group as a whole to make decisions. Accordingly, other than entity wide information, no analysis of this single operating segment is presented.

### Revenue from major products and services

	2015 HK\$'000	2014 HK\$'000
Consultation Service	4,201	4,592
Prescription and Dispensing Service	30,736	32,126
Treatment Service	31,801	28,323
	<b>66,738</b>	65,041

### Geographical information

The Group's operations are located in Hong Kong. All of the Group's revenue from external customers based on the location of the Group's operations is from Hong Kong.

The geographical location of the Group's non-current assets is situated in Hong Kong based on physical location of assets.

### Information about major customers

During each of the years ended 31 March 2015 and 2014, there was no revenue from any customer who individually contributing over 10% of the total revenue of the Group.

## 10. OTHER INCOME, GAINS AND LOSSES

	2015 HK\$'000	2014 HK\$'000
Interest income on bank deposits	64	–
Loss on write-off of property, plant and equipment	(2)	–
Gain on disposal of property, plant and equipment	360	–
Net foreign exchange gain (loss)	30	(126)
Allowance for bad and doubtful debts	(65)	(34)
	<b>387</b>	(160)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 11. FINANCE COSTS

	2015 HK\$'000	2014 HK\$'000
Interests on:		
Borrowings wholly repayable within five years	430	240
Finance leases wholly repayable within five years	9	24
	<b>439</b>	264

## 12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

### Directors' emoluments

During the year, the emoluments paid or payable to the Directors were as follows:

	Dr. Kong HK\$'000 (note i)	Mr. Lo Kwok Bun HK\$'000 (note ii)	Ms. Kong Chung Wai HK\$'000 (note ii)	Mr. Chan Cheong Tat HK\$'000 (note iii)	Mr. Lee Ka Lun HK\$'000 (note iii)	Mr. Leung Siu Cheung HK\$'000 (note iii)	Total HK\$'000
<b>For the year ended 31 March 2015</b>							
Fee	17	17	17	43	43	43	180
Other emoluments:							
Salaries	–	700	518	–	–	–	1,218
Performance bonus (note iv)	–	115	129	–	–	–	244
Contributions to retirement benefits scheme	1	18	18	–	–	–	37
Total emoluments	<b>18</b>	<b>850</b>	<b>682</b>	<b>43</b>	<b>43</b>	<b>43</b>	<b>1,679</b>

	Dr. Kong HK\$'000 (note i)	Mr. Lo Kwok Bun HK\$'000 (note ii)	Ms. Kong Chung Wai HK\$'000 (note ii)	Total HK\$'000
<b>For the year ended 31 March 2014</b>				
Fee	–	–	–	–
Other emoluments:				
Salaries	–	534	420	954
Performance bonus (note iv)	–	85	120	205
Contributions to retirement benefits scheme	–	14	15	29
Total emoluments	–	633	555	1,188

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

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

### Directors' emoluments (Continued)

Notes:

- (i) Dr. Kong was appointed as an executive Director and the chairman of the Company on 20 June 2014 and 3 December 2014 respectively. During the year ended 31 March 2014, no amount was paid to Dr. Kong in respect of his capacity as a medical practitioner of the Group. Since 1 April 2014, Dr. Kong has commenced receiving professional fees for services as a medical practitioner provided to the Group and became one of the five individuals with highest emoluments in the Group during the year ended 31 March 2015. Accordingly, the fees paid to Dr. Kong's sole proprietorship is included in "employees' emoluments" set out below.
- (ii) Mr. Lo Kwok Bun and Ms. Kong Chung Wai were appointed as executive Directors on 12 July 2014.
- (iii) Mr. Chan Cheong Tat, Mr. Lee Ka Lun and Mr. Leung Siu Cheung were appointed as independent non-executive Directors on 3 December 2014.
- (iv) The performance bonuses are discretionary and are determined by reference to the performance of the individual Directors.

Mr. Lo Kwok Bun is also the chief executive officer of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive officer.

During each of the years ended 31 March 2015 and 2014, no emolument was paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors waived any emoluments during the years.

### Employees' emoluments

During the year ended 31 March 2015, the five highest paid individuals included Dr. Kong for his service rendered pursuant to the Cooperation Agreements.

During the year ended 31 March 2014 none of the five highest individuals with the highest emoluments in the Group were Directors.

The emoluments of the five highest paid individuals for the year were as follows:

	2015 HK\$'000 (note ii)	2014 HK\$'000
Salaries, allowances and other benefits	6,165	5,460
Performance related incentive payments:		
Performance bonus (note i)	8,078	4,737
Share-based payments	999	999
Contributions to retirement benefits scheme	88	75
	<b>15,330</b>	<b>11,271</b>

Notes:

- (i) The performance related incentive payments are determined by reference to the performance of individuals.
- (ii) The amounts included the total professional fees paid to Dr. Kong's sole proprietorship amounting to approximately HK\$5,205,000, which included fixed fee, incentive fee and contributions to retirement benefits scheme of HK\$1,560,000, HK\$3,627,000 and HK\$18,000 respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

### Employees' emoluments *(Continued)*

Their emoluments were within the following bands:

	2015	2014
Nil to HK\$1,000,000	–	1
HK\$1,000,001 to HK\$1,500,000	2	2
HK\$1,500,001 to HK\$2,000,000	1	1
HK\$5,000,001 to HK\$5,500,000	1	–
HK\$5,500,001 to HK\$6,000,000	1	–
HK\$6,000,001 to HK\$6,500,000	–	1

During each of the years ended 31 March 2015 and 2014, no emolument was paid by the Group to the five highest paid individual as an inducement to join or upon joining the Group or as compensation for loss of office.

## 13. PROFIT BEFORE TAX

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit before tax has been arrived at after charging:		
Auditor's remuneration	550	280
Allowance for inventories	208	189
Staff costs		
Directors' emoluments <i>(note 12)</i>	1,679	1,188
Other staff costs		
— salaries, allowance and other benefits	27,766	21,497
— share-based payments <i>(note 30)</i>	999	999
— contributions to retirement benefits schemes	656	545
	31,100	24,229
Depreciation of property, plant and equipment		
— owned assets	2,359	2,097
— leased assets	95	237
	2,454	2,334

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 14. INCOME TAX EXPENSE

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Income tax expense comprises:		
Hong Kong Profits Tax		
Current year	2,656	3,738
Underprovision in prior years	15	10
	<b>2,671</b>	3,748
Deferred tax credit ( <i>note 27</i> )	<b>(115)</b>	(131)
	<b>2,556</b>	3,617

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for the year.

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit before tax	5,884	17,354
Tax at Hong Kong Profits Tax rate of 16.5%	971	2,863
Tax effect of expense that are not deductible	1,675	754
Tax effect of income not taxable for tax purpose	(16)	–
Underprovision in prior years	15	10
Others	(89)	(10)
Income tax expense for the year	<b>2,556</b>	3,617

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 15. DIVIDENDS

No dividend was paid or declared by the Company from its incorporation to the end of the reporting period.

During the year ended 31 March 2015, a dividend of HK\$3,200,000 (2014: HK\$10,550,000) was distributed by Multiple Profit to its then shareholders.

Subsequent to the end of the reporting period, a final dividend of HK0.25 cent per share in respect of the year ended 31 March 2015, amounting to HK\$1,000,000, have been proposed by the Directors and is subject to approval by the shareholders in the forthcoming general meeting.

## 16. EARNINGS PER SHARE

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Earnings:</b>		
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to owners of the Company)	<b>3,328</b>	13,737
	<b>'000</b>	'000
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<b>352,510</b>	333,332

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Reorganisation and the Capitalisation Issue (as defined in note 28) had been effective on 1 April 2013.

No diluted earnings per share for both years were presented as there were no potential ordinary shares in issue for both years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Medical equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST					
At 1 April 2013	4,164	1,519	12,507	450	18,640
Additions	–	297	983	–	1,280
Disposals	–	(73)	–	–	(73)
At 31 March 2014	4,164	1,743	13,490	450	19,847
Additions	33	151	1,489	–	1,673
Write-off	(169)	(9)	(2,158)	–	(2,336)
Disposals	–	–	(1,300)	–	(1,300)
At 31 March 2015	4,028	1,885	11,521	450	17,884
ACCUMULATED DEPRECIATION					
At 1 April 2013	2,348	416	9,529	375	12,668
Provided for the year	743	455	1,061	75	2,334
Eliminated on disposals	–	(72)	–	–	(72)
At 31 March 2014	3,091	799	10,590	450	14,930
Provided for the year	750	479	1,225	–	2,454
Eliminated on write-off	(168)	(8)	(2,158)	–	(2,334)
Eliminated on disposals	–	–	(1,260)	–	(1,260)
At 31 March 2015	3,673	1,270	8,397	450	13,790
CARRYING VALUES					
At 31 March 2015	355	615	3,124	–	4,094
At 31 March 2014	1,073	944	2,900	–	4,917

As at 31 March 2014, the carrying values of property, plant and equipment included HK\$462,000 in respect of assets held under finance leases.

The above items of property, plant and equipment are depreciated on a straight-line basis after taking into account of their residual values at the following rates per annum:

Leasehold improvements	Over the term of the lease
Office equipment	20%–33%
Medical equipment	20%
Motor vehicles	20%

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 18. INVENTORIES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Medication and skincare products	1,750	1,647
Treatment consumables	694	490
	<b>2,444</b>	2,137

## 19. TRADE RECEIVABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade receivables	384	650
Less: Allowance for bad and doubtful debts	(71)	(34)
	<b>313</b>	616

The clients of the Group would usually settle payments by cash, credit cards, Easy Pay System ("EPS") or medical cards. For credit card and EPS payments, the banks will normally settle the amounts a few days after the trade date. Payments by clients using medical cards will normally be settled by the medical card issuing companies within 60 to 90 days from the invoice dates.

The following is an aged analysis of trade receivables net of allowance for bad and doubtful debts presented based on the trade dates for the receivables from the clients settle payments by credit cards and EPS and invoice dates for the receivables from the clients and medical card issuing companies at the end of the reporting period, which approximate the respective revenue recognition dates.

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0–30 days	292	572
31–60 days	21	1
61–90 days	–	43
Total	<b>313</b>	616

Before accepting any medical cards, the Group assesses the credit quality of the companies issuing the medical cards by evaluating their historical credit records and defines credit limits by corporates. Recoverability and credit limit of the corporates are reviewed by the Group regularly.

The Group's trade receivables were not past due nor impaired at the end of each reporting period and were due from debtors which do not have historical default of payments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 19. TRADE RECEIVABLES (Continued)

### Movement in allowance for bad and doubtful debts

	2015 HK\$'000	2014 HK\$'000
Beginning of the year	34	–
Allowance for bad and doubtful debts	65	34
Bad debt written off against allowance	(28)	–
At the end of the year	71	34

During the year ended 31 March 2015, the Group made an allowance of approximately HK\$65,000 (2014: HK\$34,000) in respect of the trade receivables which was past due at the end of the reporting period. Management of the Group considered the related receivables may be impaired due to no settlement after the follow-up actions being taken by the Group to recover the overdue debts and specific allowance is made. In determining the recoverability of a trade receivable, the Group considers any change in credit quality of the trade receivables from the date credit was initially granted up to the end of each reporting period. Management of the Group believes that no further credit provision is required in excess of the allowance for bad and doubtful debts.

## 20. AMOUNT DUE FROM A DIRECTOR

Particulars of amount due from a director are as follows:

	2015 HK\$'000	2014 HK\$'000	Maximum amount outstanding during the year ended 31 March 2015 HK\$'000
Dr. Kong	–	3,488	3,488

Amount due from a director was non-trading in nature, unsecured, non-interest bearing and repayable on demand.

## 21. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits at variable market interest rates with an original maturity of three months or less. For the year ended 31 March 2015, the deposits carried an average effective interest rate of 0.37% (2014: 0.001%) per annum.

As at 31 March 2015, a bank balance of approximately HK\$4,544,000 (2014: HK\$4,133,000) was denominated in RMB.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

### 22. TRADE PAYABLES

The average credit period on purchase of goods is 30 days. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0–30 days	418	272
31–60 days	–	157
	<hr/> 418	<hr/> 429

### 23. ACCRUED LIABILITIES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Accrued staff costs	1,432	1,222
Other accruals	1,768	1,293
	<hr/> 3,200	<hr/> 2,515

### 24. DEFERRED REVENUE

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
The movement of deferred revenue is as follows:		
Beginning of the year	6,389	3,989
Receipts from sales of prepaid treatment packages	16,738	15,575
Revenue recognised upon provision of Treatment Service	(15,476)	(12,995)
Revenue recognised upon the second anniversary of the contractual expiry date of prepaid treatment packages	(256)	(180)
	<hr/> 7,395	<hr/> 6,389

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 25. BORROWINGS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Unsecured floating-rate bank loans	–	17,774
Unsecured fixed-rate loans from a financial institution other than a bank	–	57
	–	17,831
<hr/>		
Carrying amount repayable*:		
Within one year	–	6,684
More than one year, but not exceeding two years	–	3,813
More than two years, but not more than five two years	–	7,334
	–	17,831
<hr/>		

\* The amount due was presented based on scheduled repayment dates set out in the loan agreement.

During the year ended 31 March 2015, the borrowings were repaid following the Listing. As at 31 March 2014, all the borrowings contained a repayment on demand clause and accordingly are shown under current liabilities.

As at 31 March 2014, the Group's floating-rate bank loans carried interest at HK\$ prime rate quoted by the lending bank less 1.25%, 1.5% and 2% per annum. The range of effective interest rates on the bank loans was 3.0% to 3.8% per annum and the effective interest rate (which also equaled to contracted interest rate) on the Group's fixed-rate loans from a financial institute other than a bank was 3.8% per annum.

All of the Group's borrowings were guaranteed by Dr. Kong. As at 31 March 2014, amount of HK\$3,197,000 was also guaranteed by the Government of the Hong Kong Special Administrative Region (the "HKSAR") under the Special Loan Guarantee Scheme implemented by the Trade and Industry Department of the HKSAR, and borrowings of approximately HK\$9,513,000 was guaranteed by the Hong Kong Mortgage Corporation Limited under SME Financing Guarantee Scheme.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 26. OBLIGATIONS UNDER FINANCE LEASES

	Maximum lease payments		Present value of minimum lease payments	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Amounts payable under finance leases:				
Within one year	–	223	–	212
In more than one year but not more than two years	–	111	–	110
In more than two years but not more than five years	–	–	–	–
	–	334	–	322
Less: Future finance charges	–	(12)	–	N/A
Present value of lease obligations	–	322	–	322
Less: Amounts due for settlement within one year (shown as current liabilities)			–	(212)
Amounts due for settlement after one year			–	110

The Group leased certain of its medical equipment under finance leases. The average lease term was 3 years. As at 31 March 2014, interest rates underlying all obligations under finance leases were fixed at respective contract dates ranging from 3.8% to 4.8% per annum. During the year ended 31 March 2015, all obligations under finance leases were repaid following the Listing. All leases were on a fixed repayment basis and no arrangements had been entered into for contingent rental payments.

The Group's obligations under finance leases were secured by the lessor's charge over the leased assets and personal guarantee provided by a Director as set out in note 33(a). As at the date of issuance of these financial statements, the guarantees provided by Dr. Kong have been released.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 27. DEFERRED TAXATION

The deferred tax liability recognised and movements thereon during the year are as follows:

	<b>Accelerated tax depreciation</b> <i>HK\$'000</i>
At 31 March 2013	373
Credit to profit or loss ( <i>note 14</i> )	(131)
At 31 March 2014	<b>242</b>
Credit to profit or loss ( <i>note 14</i> )	<b>(115)</b>
At 31 March 2015	<b>127</b>

## 28. SHARE CAPITAL

The share capital at 31 March 2014 represented the issued and fully paid share capital of Multiple Profit. As at 1 April 2013 and 31 March 2014, 1 share of US\$1 each was issued by Multiple Profit and the share was fully paid by the shareholder.

The share capital at 31 March 2015 represented the issued share capital of the Company as detailed below.

	<b>Number of shares</b>	<b>Share capital</b> <i>HK\$'000</i>
<b>Ordinary shares of HK\$0.01 each</b>		
Authorised:		
On date of incorporation on 20 June 2014 ( <i>note a</i> )	38,000,000	380
Increase on 3 December 2014 ( <i>note b</i> )	962,000,000	9,620
At 31 March 2015	1,000,000,000	10,000
Issued:		
1 share allotted and issued, fully paid at par on the date of incorporation ( <i>note a</i> )	1	–
Issue of shares on 12 July 2014 pursuant to the Reorganisation ( <i>note c</i> )	99	–
Issue of shares ( <i>note d</i> )	66,668,000	667
Capitalisation issue ( <i>note e</i> )	333,331,900	3,333
At 31 March 2015	400,000,000	4,000

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 28. SHARE CAPITAL *(Continued)*

Notes:

- (a) The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. On 20 June 2014, one subscriber share was allotted and issued.
- (b) Pursuant to the written resolutions passed by the shareholders on 3 December 2014, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 ordinary shares to HK\$10,000,000 divided into 1,000,000,000 ordinary shares by the creation of additional 962,000,000 new ordinary shares which shall, when issued, rank *pari passu* in all respects with the existing issued ordinary shares.
- (c) On 12 July 2014, the Company issued and allotted a further 99 shares of which 97 of such shares were issued and allotted to Topline and 2 of such shares were issued and allotted to Attractive Beauty (as defined in note 30) pursuant to the Reorganisation.
- (d) On 17 December 2014, the Company placed 66,668,000 new shares at HK\$0.6 per share for a total gross proceeds of approximately HK\$40,001,000. The proceeds will be used to finance the implementation plan as set forth in the section headed "Statement of Business Objective and Use of Proceeds" of the Prospectus.
- (e) Pursuant to the written resolutions passed by the shareholders of the Company on 3 December 2014, after the share premium account of the Company being credited as a result of the Placing of the Company's shares, the Directors were authorised to capitalise the amount of HK\$3,333,319 from the share premium account of the Company and to apply such amount as to pay up in full at par a total 333,331,900 ordinary shares of HK\$0.01 each for allotment and issue to the persons whose names appear on the register of members of the Company at the close of business on 3 December 2014 in proportion to their then existing shareholdings in the Company (the "**Capitalisation Issue**").

## 29. RETIREMENT BENEFITS PLANS

The Group operates a defined contribution scheme, MPF Scheme, for all qualifying employees in Hong Kong. The MPF Scheme was established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees. The maximum monthly contribution made by the Group is limited to HK\$1,250 per employee from 1 April 2013 to 30 May 2014 and HK\$1,500 per employee from 1 June 2014, while an employee can contribute more than HK\$1,250 per month from 1 April 2013 to 30 May 2014 and HK\$1,500 per employee from 1 June 2014 if the employee is willing to do so.

For the year ended 31 March 2015, the total cost of HK\$693,000 (2014: HK\$574,000) charged to the consolidated statement of profit or loss and other comprehensive income represented contributions paid or payable to the MPF Scheme by the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 30. SHARE-BASED PAYMENT TRANSACTIONS

On 8 August 2012, a service agreement (the "**Service Agreement**") was entered into between Medicskin and Dr. Lam Yee Ming Alice ("**Dr. Lam**") pursuant to which Medicskin employed Dr. Lam as an employee for a term of 5 years commencing from 1 September 2012 and ending on 31 August 2017 (the "**5 Year Term**").

On 20 August 2012, Topline, which was wholly owned by the Group's controlling shareholder, Dr. Kong, had entered into an agreement with Attractive Beauty Limited ("**Attractive Beauty**", a company wholly owned by Dr. Lam) pursuant to which Attractive Beauty acquired two ordinary shares of Tally Scholar (representing 2% of the then issued share capital of Tally Scholar) for a consideration of HK\$1,600,000 (the "**S&P Agreement**").

Also, Dr. Kong, Topline, Dr. Lam and Attractive Beauty entered into a supplemental agreement on 20 August 2012 (the "**Share Reward Agreement**") and a deed of amendment and restatement on 28 June 2014 (the "**Deed**") which supplemented the above mentioned agreements. The major terms of the Share Reward Agreement as amended and restated pursuant to the Deed are summarised below:

1. In consideration of the satisfactory service by Dr. Lam and Dr. Lam & Co (a sole proprietorship established by Dr. Lam) to Medicskin during the 5 Year Term pursuant to the Service Agreement and the relevant Cooperation Agreement which was entered into among Medicskin, Dr. Lam and Dr. Lam & Co ("**Dr. Lam Cooperation Agreement**"), Dr. Lam shall be entitled to purchase up to 5% of the existing issued share capital of Tally Scholar or the Company (the "**5% Share Entitlement**", calculated on a time proportional basis by reference to the aggregate length of service provided over the 5 Year Term) from Dr. Kong and/or Topline. The purchase of such 5% Share Entitlement by Dr. Lam shall be fully financed by Dr. Kong (the "**Financing**") as follows:
  - (a) subject to the terms relating to the early termination of the Service Agreement or Dr. Lam Cooperation Agreement as discussed below, 2% of the existing issued share capital of Tally Scholar will be transferred to Dr. Lam pursuant to the S&P Agreement, while the related Financing shall become without recourse at the end of the first two years in the 5 Year Term (the "**First 2 Year Term**", that is, on 31 August 2014);
  - (b) subject to the terms relating to the early termination of the Service Agreement or Dr. Lam Cooperation Agreement as discussed below, the next 1% of the existing issued share capital of Tally Scholar or equivalent percent of share capital of the Company will be transferred to Dr. Lam upon Listing or completion of First 2 Year Term, whichever is earlier, while the related Financing shall become without recourse at the end of the anniversary of the First 2 Year Term (that is, on 31 August 2015);
  - (c) the remaining 2% of the existing issued share capital of Tally Scholar or equivalent percent of share capital of the Company will be transferred to Dr. Lam at the completion of the 5 Year Term and the related Financing shall become without recourse at the end of the 5 Year Term (that is, on 31 August 2017);

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 30. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

- Pursuant to the terms of Share Reward Agreement as amended and restated pursuant to the Deed, upon the occurrence of early termination of the Service Agreement or Dr. Lam Cooperation Agreement for whatever reason during the 5 Year Term, the proportion of shares transferred to Dr. Lam or Attractive Beauty in advance which Dr. Lam is not entitled to receive as a result of early termination of Service Agreement or Dr. Lam Cooperation Agreement shall be transferred back to Dr. Kong or Topline and the related Financing will also be returned to Dr. Kong.

Hereinafter, the above-mentioned share entitlement is referred to as “**Share Reward**”.

The following table discloses movements of the Share Reward held by Dr. Lam during the year:

	<b>Outstanding at 1 April 2014</b>	<b>Vested during the year</b>	<b>Outstanding at 31 March 2015</b>
Share Reward	3.42%	1.00%	2.42%

  

	<b>Outstanding at 1 April 2013</b>	<b>Vested during the year</b>	<b>Outstanding at 31 March 2014</b>
Share Reward	4.42%	1.00%	3.42%

Fair value of the Share Reward granted is expensed over the vesting period, with a corresponding credit to the Group’s capital reserve. For the year ended 31 March 2015, share-based payment expense of HK\$999,000 (2014: HK\$999,000) was recognised with a corresponding credit recognised in the Group’s capital reserve.

On 31 August 2014, pursuant to the terms of Share Reward Agreement as amended and restated pursuant to the Deed, 1 ordinary share of the Company (representing 1% of the issued share capital of the Company) was transferred to Dr. Lam by Topline for a consideration of HK\$800,000.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 31. OPERATING LEASE COMMITMENTS

### The Group as lessee

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Minimum lease payments paid under operating leases during the year in respect of rented premises included in other expenses	<b>4,594</b>	4,391

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

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within one year	<b>3,388</b>	4,594
In the second to fifth year inclusive	–	3,388
	<b>3,388</b>	7,982

Operating lease payments represent rentals payable by the Group for its office premises and Medicskin Centres. Leases are negotiated for the lease terms of two to three years and rentals are fixed throughout the lease terms.

## 32. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 March 2015, an interim dividend declared by Multiple Profit amounting to HK\$2,983,000 was settled by offsetting the same amount in the current account with Dr. Kong.

During the year ended 31 March 2014, interim dividends declared by Multiple Profit amounting to HK\$5,000,000 and HK\$1,720,000 were settled by offsetting the same amount in the current account with Dr. Kong and the current account with Tally Scholar respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 33. RELATED PARTY TRANSACTIONS

### (a) Transactions

During the year, the Group entered into the following transactions with related parties:

Name of related party	Nature of transactions	2015 HK\$'000	2014 HK\$'000
Beauty Tech Investment Limited	Purchase of goods	774	1,634

Beauty Tech Investment Limited is a fellow subsidiary of the Company and ultimately controlled by Dr. Kong.

As at 31 March 2014, borrowings and obligations under finance leases of approximately HK\$18,153,000 in aggregate were guaranteed by Dr. Kong. During the year ended 31 March 2015, pursuant to the agreement entered among a bank and the Group for the credit card settlement services to the Group, Dr. Kong provided a guarantee to the bank. Dr. Kong did not charge the Group for the guarantees provided. As at the date of issuance of these financial statements, the guarantees have been released.

During the year ended 31 March 2015, pursuant to the Cooperation Agreement entered into by the Group with Dr. Kong and his sole proprietorship, the total professional fees paid to Dr. Kong's sole proprietorship amounted to approximately HK\$5,205,000 (2014: nil).

### (b) Non-trade balances

Details of the Group's outstanding balance with a related party are set out on the consolidated statement of financial position and in note 20.

### (c) Compensation of key management personnel

	2015 HK\$'000	2014 HK\$'000
Short-term benefits	3,048	1,732
Post-employment benefits	71	45
	<b>3,119</b>	<b>1,777</b>

The remuneration of Directors and key executives is determined having regard to the performance of the individuals.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 34. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries of the Company at 31 March 2015 and 2014 are as follows:

Name of subsidiary	Date and place of incorporation	Principal country of operation	Type of legal entity	Issued and fully paid up share capital	Proportion of nominal value of share capital held by the Company				Principal activities
					Directly		Indirectly		
					2015	2014	2015	2014	
Multiple Profit	1 February 2012 BVI	Hong Kong	BVI business company	Ordinary share US\$1	100%	100%	-	-	Investment holding
Medicskin	12 July 2000 Hong Kong	Hong Kong	Private limited company	Ordinary share HK\$10,000	-	-	100%	100%	Provision of medical skin care services
Beauty Snow Development Limited	1 September 2014 BVI	Hong Kong	BVI business company	Ordinary share US\$1	100%	-	-	-	Investment holding
Beauty Choice Investment Limited	19 September 2014 Hong Kong	Hong Kong	Private limited company	Ordinary share HK\$1	-	-	100%	-	Not yet commence business

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

# STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2015 HK\$'000
<b>Non-current asset</b>	
Unlisted investment in a subsidiary	2,461
<b>Current assets</b>	
Deposit and prepayments	179
Amounts due from subsidiaries	45,081
	45,260
<b>Current liabilities</b>	
Accrued liabilities	708
<b>Net current assets</b>	44,552
<b>Total assets less current liabilities</b>	47,013
<b>Capital and reserves</b>	
Share capital	4,000
Reserves	43,013
<b>Total equity</b>	47,013

## MOVEMENT IN RESERVES

	Share premium HK\$'000	Retained earnings HK\$'000	Other reserve HK\$'000 (note)	Total HK\$'000
At 20 June 2014 (date of incorporation)	–	–	–	–
Profit for the period	–	8,882	–	8,882
Arising on the reorganisation	–	–	2,461	2,461
Issue of shares	39,334	–	–	39,334
Capitalisation issue	(3,333)	–	–	(3,333)
Transaction costs attributable to issue of shares	(4,331)	–	–	(4,331)
<b>At 31 March 2015</b>	<b>31,670</b>	<b>8,882</b>	<b>2,461</b>	<b>43,013</b>

Note: The other reserve represents the total equity of Multiple Profit upon the Company became the holding company of Multiple Profit.

## FINANCIAL SUMMARY

	For the year ended 31 March		
	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>RESULTS</b>			
Revenue	51,607	65,041	<b>66,738</b>
Profit before taxation	17,440	17,354	<b>5,884</b>
Income tax expenses	(2,908)	(3,617)	<b>(2,556)</b>
Profit for the year	14,532	13,737	<b>3,328</b>
	As at 31 March		
	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>			
Total assets	22,779	39,713	<b>58,323</b>
Total liabilities	(16,579)	(29,327)	<b>(11,140)</b>
Total equity	6,200	10,386	<b>47,183</b>