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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 RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2022

The board (the “**Board**”) of directors (the “**Directors**”) of Medicskin Holdings Limited (the “**Company**”) is pleased to announce the annual results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 March 2022 together with the comparative figures for the last year. This announcement, containing the full text of the 2021/22 annual report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) in relation to information to accompany preliminary announcement of annual results.

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.medicskinholdings.com). The printed version of the Company’s 2021/2022 annual report will be despatched to the Shareholders and available on the websites of the Company and the Stock Exchange in due course.

By order of the Board
Medicskin Holdings Limited
Dr. Kong Kwok Leung
Chairman and Executive Director

Hong Kong, 20 June 2022

As at the date of this announcement, the executive Directors are Dr. Kong Kwok Leung, Ms. Tsui Kan, Ms. Kong Chung Wai and Ms. Sin Chui Pik Christine; and the independent non-executive Directors are Mr. Chan Cheong Tat, Mr. Lee Ka Lun and Mr. Leung Siu Cheung.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Listed Company Information” page of the Stock Exchange’s website at www.hkexnews.com for a minimum period of 7 days from the date of publication and on the website of the Company at www.medicskinholdings.com.

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board 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 GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Kong Kwok Leung (*Chairman and Chief Executive Officer*)

Ms. Tsui Kan

Ms. Kong Chung Wai

Ms. Sin Chui Pik Christine

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

Ms. Sin Chui Pik Christine

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

Ms. Kong Chung Wai

Ms. Sin Chui Pik Christine

HONG KONG LEGAL ADVISER

Howse Williams

27th Floor, Alexandra House

18 Chater Road

Central

Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited
83 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

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Flat A-C, 16th Floor, Champion Building
287-291 Des Voeux Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR 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 54, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR

Moore Stephens CPA Limited
Certified Public Accountants and Registered Public Interest Entity Auditor
801-806 Silvercord, Tower 1
30 Canton Road, Tsim Sha Tsui
Kowloon, Hong Kong

COMPANY WEBSITE

www.medicsskinholdings.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 this annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2022 to you.

Fiscal year 2021/22 was still a challenging year for us with the prolonged outbreak of the COVID-19 pandemic around the world. In 2021, the local epidemic situation in Hong Kong had become more stabilised and daily social, business and economic activities resumed following the gradual lifting of COVID-19 social distancing measures. Benefited from the easing of the pandemic and the release of consumption vouchers, there was an improvement in local consumer sentiment and the economy of Hong Kong was in recovery. However, the large-scale outbreak of the fifth wave of the pandemic in the first quarter of 2022 had led to the imposition of the strictest social distancing measures by the government of Hong Kong SAR (the "**Government**") and slowed down the local economic activities. The Group's business was inevitably affected. Meanwhile, the Group continued to face intense competition in the industry.

Nevertheless, in response to the severity of the pandemic and to adapt to the new normal, the Group has taken the following measures: continuously improving its online consultation services and e-commerce platform for its proprietary skincare products; offering delivery services for its skincare and certain medical products to meet clients' need; and adopting a more stringent control on operating costs to mitigate the negative impacts of the pandemic on our business operations.

In the interest of safety for both our clients and employees, our skin care centres have taken preventive measures to promote a safe and hygienic environment for clients and every staff is required to undergo rapid antigen tests before entering the Group's centres or offices to minimise the risk of contracting and spreading the pandemic.

During the year under review, revenue of the Group amounted to HK\$49.1 million, representing an increase of 17.8% from HK\$41.7 million of the preceding financial year as a result of improvement in local consumer sentiment in 2021 and a low comparison base of the preceding financial year. The Group recorded a profit attributable to owners of the Company of HK\$3.9 million for the year ended 31 March 2022, representing an increase of 311.5% from that of HK\$1.0 million for the year ended 31 March 2021. The increase in profit for the year attributable to the owners of the Company was mainly attributable to the increase in the Group's revenue by HK\$7.4 million, or 17.8%, partly offset by the absence of gain from disposal of a subsidiary of HK\$0.7 million and subsidies received from the Government of HK\$2.3 million (as compared to the preceding financial year) for the year ended 31 March 2022. Basic earnings per share for the year was HK0.99 cent, representing an increase of 330.4% from that of HK0.23 cent for last year.

As one of the pioneers in the medical skin care industry in Hong Kong, we would make the best use of our advantages and continue to seek opportunities to grow. We believe that the Group's long established reputation as a trustworthy, reliable and quality provider of skin care service, and professionalism in the delivery of services, which includes prioritising safety and well-being of our clients, set us apart from our industry peers. To cope with the challenges ahead, the Group will continue to concentrate on exploring and launching new types of services and products; growing the presence of our existing business; and identifying new business opportunities, in order to deliver value to both our clients and the shareholders of the Company ("**Shareholders**").

CHAIRMAN'S STATEMENT

On behalf of the Board, I wish to take this opportunity to express my sincere gratitude to the Shareholders, business partners, suppliers and clients for their continued support 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 endeavour to provide the highest quality medical skin care services.

Dr. Kong Kwok Leung

Chairman

Hong Kong, 20 June 2022



MANAGEMENT DISCUSSION AND ANALYSIS

STRATEGY

The Group's current business strategy is to strategically expand and strengthen our presence in Hong Kong and Mainland China, continue to enhance the quality and variety of our services and product offering, and maintain and enhance our professional expertise. The Group strives to create value and maximize return for our Shareholders from its business and deliver reliable, high quality and professional services to its clients.

BUSINESS REVIEW

The Group is a medical skin care service provider in Hong Kong. Currently, the Group operates two "Medicskin" branded medical skin care centres ("Medicskin Centre(s)"), at prime locations in Hong Kong, which 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. Most of the clients are long standing clients of the Group and have been with the Group for more than 5 years. These are achieved through the provision of:

- (i) *Medical Consultation Service* – performance of medical examination and making a diagnosis of skin conditions of clients through private consultations and making recommendations on the use of skincare products and/or treatment service based on clients' specific needs, requirements and skin conditions;
- (ii) *Prescription and Dispensing Service* – prescription and dispensing of pharmaceutical products, medicines and/or skincare products to clients; and
- (iii) *Treatment Service* – provision of non-invasive/minimally invasive treatment services for clients, which typically involves the injection of Botulinum Toxin Type A and hyaluronic acid, cauterisation, thread lifting and treatments with the use of devices deploying technologies such as laser, radiofrequency and intense focused ultrasound.

In 2021, although COVID-19 pandemic continued to spread around the world, the local epidemic situation in Hong Kong had become more stabilised, and the vaccination rate was increasing steadily, the Government had further relaxed social distancing measures. Benefited from the easing of the pandemic and the release of consumption vouchers, there was an improvement in local consumer sentiment and the economy of Hong Kong was in recovery. However, the large-scale outbreak of the fifth wave of the pandemic in the first quarter of 2022 had led to the imposition of the strictest social distancing measures by the Government, including closure of beauty parlours and implementation of "vaccine pass" arrangements. Even though the Group's business focuses on medical procedures and medical treatments performed by registered medical practitioners, the Group's skin care services were inevitably affected. Nevertheless, in response to the severity of the pandemic and to adapt to the new normal, the Group has taken the following measures: continuously improving its online consultation services and e-commerce platform for its proprietary skincare products; offering delivery services for its skincare and certain medical products to meet clients' need; and adopting a more stringent control on operating costs to mitigate the negative impacts of the pandemic on our business operations.

Although the outbreak of the fifth wave of the pandemic in the first quarter of 2022 had brought negative impact on the Group's business, as a result of improvement in local consumer sentiment in 2021 and a low comparison base of the preceding financial year, the revenue of the Group for the year ended 31 March 2022, increased by HK\$7.4 million, or 17.8%, from HK\$41.7 million to HK\$49.1 million, when compared to the year ended 31 March 2021. The revenue of Medical Consultation Service, Prescription and Dispensing Service and Treatment Service amounted to HK\$1.1 million, HK\$9.8 million and HK\$38.2 million, which accounted for 2.3%, 19.9%, and 77.8% of the total revenue of the Group respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded a profit attributable to owners of the Company of HK\$3.9 million for the year ended 31 March 2022, representing an increase of 311.5% from that of HK\$1.0 million for the year ended 31 March 2021. The increase in profit for the year attributable to the owners of the Company was mainly attributable to the net effect of (i) the increase in the Group's revenue by HK\$7.4 million, or 17.8%; and (ii) the absence of gain from disposal of a subsidiary of HK\$0.7 million and subsidies received from the Government of HK\$2.3 million (as compared to the preceding financial year) for the year ended 31 March 2022. Basic earnings per share for the year was HK0.99 cent, representing an increase of 330.4% from that of HK0.23 cent for last year.

OUTLOOK

The Group will continue to keep abreast of the latest industry knowledge in order to offer the most suitable and updated services to our clients. The Group continuously performs market research on the development of, and evaluates the effects of the latest products, skills and treatment devices and technology in the market. The Directors believe that the introduction of new types of services and products is one of the driving forces for the growth of the Group's business and is a significant way to maintain the Group's competitiveness and its forefront position in the industry.

Looking forward, although Hong Kong's economy has recently shown signs of recovery, it is expected that the Group will continue to face the uncertainties and challenges of COVID-19 pandemic in 2022 until the spread of the COVID-19 virus has been effectively contained. We will therefore remain cautious on our business strategy. Nevertheless, with the growing emphasis on a person's physical appearance in the society, we are still prudently optimistic about the Group's performance in the future. Leveraging an established customer base and renowned reputation in the industry, and the Group's continued efforts in maximising revenue whilst improving operating efficiency. The Group will continue to use its best endeavours to provide the highest quality medical skin care services and products to its clients, strengthen its market position and identify new business opportunities so as to grow its brand and business and to maximise returns for its investors.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by HK\$7.4 million, or 17.8%, from HK\$41.7 million for the year ended 31 March 2021 to HK\$49.1 million for the year ended 31 March 2022. The increase was primarily attributable to the improvement in local consumer sentiment in 2021 following the gradual lifting of COVID-19 social distancing measures in 2021 and a low comparison base of the preceding financial year.

Other income, gains and losses

Net other income, gains and losses decreased by HK\$2.9 million, or 71.5%, from HK\$4.1 million for the year ended 31 March 2021 to HK\$1.2 million for the year ended 31 March 2022. The decrease was primarily attributable to the absence of gain from disposal of a subsidiary of HK\$0.7 million and subsidies received from the Government of HK\$2.3 million (as compared to the preceding financial year) for the year ended 31 March 2022.

Inventories used

The Group's cost of inventories was HK\$7.0 million and HK\$7.3 million for the years ended 31 March 2022 and 2021 respectively, representing 14.3% and 17.5% of the Group's revenue for the respective years.

Staff costs

Staff costs increased by HK\$1.3 million, or 6.8%, from HK\$19.2 million for the year ended 31 March 2021 to HK\$20.5 million for the year ended 31 March 2022. The increase was primarily attributable to the increase in salaries and allowance paid to staff and performance related incentive payments paid to medical practitioners due to the increase in revenue.



MANAGEMENT DISCUSSION AND ANALYSIS

Depreciation of right-of-use assets

Depreciation of right-of-use assets remained stable at HK\$7.6 million for the years ended 31 March 2022 and 2021 respectively.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment remained stable at HK\$2.2 million for the years ended 31 March 2022 and 2021 respectively.

Other expenses

Other expenses increased by HK\$0.5 million, or 7.3%, from HK\$7.7 million for the year ended 31 March 2021 to HK\$8.2 million for the year 31 March 2022. The increase was attributable to the professional fees incurred for potential business cooperation/acquisitions.

Income tax expense

Income tax expense of HK\$0.3 million for the year ended 31 March 2022 mainly represented provision for Hong Kong profits tax of a major operating subsidiary of the Company of which the assessable profit has been offset by tax losses brought forward and reduced under the two-tiered profit tax rates regime. No assessable profit was generated by the Group in prior year. The income tax credit for the year ended 31 March 2021 of HK\$48,000 represented an overprovision for income tax of prior years.

Profit for the year

As a results of the foregoing, the Group recorded a profit attributable to owners of the Company of HK\$3.9 million for the year ended 31 March 2022, representing an increase of 311.5% from that of HK\$1.0 million for the year ended 31 March 2021.

DIVIDENDS

Details of the dividends declared and distributed by the Company during the year ended 31 March 2022 are set out in note 12 to the consolidated financial statements.

No final dividend was proposed for the Shareholders in respect of the year ended 31 March 2022.

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 2022.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The capital of the Group only comprises ordinary shares.

The total equity of the Group as at 31 March 2022 was HK\$14.2 million (2021: HK\$20.0 million). The Group generally finances its operation with internally generated cash flows. The Group had bank balances and cash of HK\$14.2 million as at 31 March 2022 (2021: HK\$29.4 million), with no external borrowing (2021: Nil). As at 31 March 2022, the Group had net current assets of HK\$0.2 million (2021: HK\$7.7 million).

Cash generated from operations for the year ended 31 March 2022 was HK\$4.3 million (2021: HK\$9.0 million). As at 31 March 2022, the Group had lease liabilities of HK\$18.7 million (2021: HK\$6.4 million). Taking into account the amount of funds expected to be generated internally, the Group will have sufficient financial resources to fund its future plans and to meet its working capital requirement.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

Save as disclosed in notes 17 and 32 to the consolidated financial statements, during the year ended 31 March 2022, there was no other significant investment held by the Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 March 2022, the Group did 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 ended 31 March 2022.

COMMITMENTS

As at 31 March 2022, the Group had capital commitments in respect of capital contribution to subsidiaries of HK\$0.6 million (2021: HK\$0.5 million).

CONTINGENT LIABILITIES

As at 31 March 2022, 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 20 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 dollars. The Group currently does not have significant foreign currency exposure. The management continually assesses and monitors the foreign exchange exposure and, if necessary, may hedge its foreign exchange exposure by entering forward foreign exchange contracts.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board, as assisted by the audit committee of the Board (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 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 these risks, and where appropriate, will monitor the situation closely and adopt any necessary risk mitigation measures.

Business risk

The Group's business is dependent on its ability to attract and retain skilled registered medical practitioners and other competent skin care professionals. The Group's ability to provide its services is reliant on the services of these professionals. The ability to attract and retain them is dependent on several factors such as the Group's reputation, financial remuneration and job satisfaction. In the event that the Group is unable to find suitable and timely replacements should a significant number of the registered medical practitioners resign, our financial position and results, business operations as well as future growth and prospects may be adversely affected. The number of registered medical practitioners with necessary experience and qualifications is limited in the market and the Group is competing for suitable candidates with other medical skin care services providers. We may not be able to attract and retain sufficient suitable registered medical practitioners to enter into or maintain cooperative agreement or employment contract with the Group to keep pace with the growth of the Group.



MANAGEMENT DISCUSSION AND ANALYSIS

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 medical practitioners seek to keep abreast of the latest and most suitable treatment products and technology available.

Regulatory and political risk

The Government has been reviewing existing laws and regulations which may affect compliance standards of certain skin care procedures, such as those carried out by the Group. However, we are committed to health and safety and most of the Treatment Service are only performed by registered medical practitioners.

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/or staff's access to our centres and in turn affect our business performance.

Economy risk

The 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 slows down, 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.

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 service 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 service 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 Mainland China, any outbreak of severe communicable disease in Hong Kong or Mainland China 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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 2022 and 2021, the Group had no external borrowing.

Foreign currency risk

The Group is exposed to foreign currency risk related primarily to cash and cash equivalents that are denominated in a currency other than the functional currency of the operation to which they relate. The currency giving rise to this risk is primarily Renminbi (**RMB**). The Group does not hold any derivative financial instruments for trading purposes or to hedge against fluctuations in foreign exchange rates.

Interest risk

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 interest rate risk exposure and may consider hedging market changes.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2022, the Group employed a total of 31 full-time and 10 part-time employees (2021: 35 full-time and 7 part-time employees). The staff costs, including Directors' emoluments, of the Group were HK\$20.5 million for the year ended 31 March 2022 (2021: HK\$19.2 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. The Company has adopted a share option scheme (the "**Share Option Scheme**") on 3 December 2014 under which the Company may grant share options to eligible employees for subscribing shares of the Company ("**Shares**").



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 2022.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. Details of the principal activities of its subsidiaries are set out in note 34 to the consolidated financial statements.

Details of the business review, including analysis of the Group's performance using financial key performance indicators, principal risks and uncertainties faced by the Group and an indication of likely future developments in the Group's business are set out in the Chairman's Statement and Management Discussion and Analysis on pages 4 to 11.

Environmental policies and performance

The Group is committed to the long term sustainability of the environment and communities in which it engages. The Group strives to minimise its impact on the environment by reducing its use of electricity and water and encouraging the recycling of office supplies and other materials. The Group has complied with all relevant laws and regulations regarding environmental protection, health and safety, workplace conditions and employment.

Compliance with the laws and regulations

The Group recognises the importance of compliance with regulatory requirements and the risks of non-compliance with the applicable laws and regulations. During the year ended 31 March 2022 and up to the date of this report, the Group has complied in all material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. There was no material breach or non-compliance with the applicable laws and regulations by the Group for the year ended 31 March 2022 and up to the date of this report.

Relationship with employees, clients, suppliers and other stakeholders

The Group understands the success of the Group's business depends on the support from its key stakeholders, including employees, clients, suppliers, banks, regulators and Shareholders. During the year ended 31 March 2022, there were no material and significant disputes between the Group and its key stakeholders. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2022 are set out in the consolidated statement of profit or loss and other comprehensive income on page 58.

No final dividend was proposed for the Shareholders in respect of the year ended 31 March 2022.

ANNUAL GENERAL MEETING

The annual general meeting of the Company for the year ended 31 March 2022 (the "AGM") will be held on Friday, 23 September 2022. A notice convening the meeting will be issued and sent to the Shareholders 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 Tuesday, 20 September 2022 to Friday, 23 September 2022, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (on or after 12 August 2022: 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong) for registration not later than 4:30 p.m. on Monday, 19 September 2022.

REPORT OF THE DIRECTORS

FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the last five financial years is set out on page 122. 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 pages 61 and 121 and note 26 to the consolidated financial statements 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 15 to the consolidated financial statements.

BANK LOANS AND OTHER BORROWINGS

As at 31 March 2022, the Group did not have bank loans or other external borrowings.

SHARE CAPITAL

Details of the movements during the year in the share capital of the Company are set out in note 25 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 March 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles of association of the Company ("**Articles of Association**") or the laws of the Cayman Islands that would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

DISTRIBUTABLE RESERVES OF THE COMPANY

Pursuant to the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Cayman Islands Companies Law**"), share premium and retained profits of the Company are distributable to the Shareholders. As at 31 March 2022, the Company's reserves available for distribution to the Shareholders amounted to HK\$6.9 million, details of which are set out in the movements in the reserves of the Company on page 121.

MAJOR CLIENTS AND SUPPLIERS

For the year ended 31 March 2022, the percentage of revenue derived from our five largest clients in aggregate was less than 2.2% (2021: 2.0%).

For the year ended 31 March 2022, our largest supplier accounted for 24.6% (2021: 17.6%) of our total purchases. For the year ended 31 March 2022, our five largest suppliers in aggregate accounted for 63.5% (2021: 51.0%) of our total purchases.

None of the Directors, their respective close associates or any Shareholders which to the Directors' knowledge own more than 5% of the Company's issued share capital had an interest in any of the Group's five largest suppliers during the year ended 31 March 2022.



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 (*Chairman and Chief Executive Officer*)

Ms. Tsui Kan

Ms. Kong Chung Wai

Ms. Sin Chui Pik Christine

Independent Non-executive Directors

Mr. Chan Cheong Tat

Mr. Lee Ka Lun

Mr. Leung Siu Cheung

Pursuant to the Articles of Association, Ms. Tsui Kan, Ms. Kong Chung Wai and Mr. Chan Cheong Tat 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 of the Shares on GEM of the Stock Exchange ("**Listing**") (and, for Ms. Tsui Kan and Ms. Sin Chui Pik Christine, commencing from 1 March 2018 and 1 January 2017 respectively) 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 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 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 year ended 31 March 2022, and no Directors or any entity connected with any Director are or were 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 year ended 31 March 2022.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force during the year ended 31 March 2022. The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

REMUNERATION POLICY

We have established a remuneration committee of the Board (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 of the Company.

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. No director should be involved in deciding his/her own remuneration.

NON-COMPETITION UNDERTAKINGS

Pursuant to the deed of non-competition dated 11 December 2014, each of Dr. Kong Kwok Leung ("**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 Company and the date on which the Shares 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 Company 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 year ended 31 March 2022.

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 2022, 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 (Cap. 571) (the "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

(a) Ordinary Shares

Name of Director	Capacity/Nature of interest	Number of Shares	Percentage of issued share capital
Dr. Kong (Note)	Interest in a controlled corporation	274,865,400	69.28%

Note: The 274,865,400 Shares are registered in the name of Topline. Under the SFO, Dr. Kong is deemed to be interested in all the Shares registered in the name of Topline.

(b) Options to subscribe for ordinary Shares

Particulars of the Directors' interests in the Share Option Scheme were as follows:

Name of Director	Grant date	Exercise price per Share	Vesting period	Exercise period	Number of share options as at 1.4.2021 and 31.3.2022
Kong Chung Wai	15.08.2018	0.433	N/A	15.08.2018-14.08.2022	200,000
	15.08.2018	0.433	15.08.2018-14.08.2019	15.08.2019-14.08.2022	400,000
	15.08.2018	0.433	15.08.2018-14.08.2020	15.08.2020-14.08.2022	200,000
Sin Chui Pik Christine	15.08.2018	0.433	N/A	15.08.2018-14.08.2022	200,000
	15.08.2018	0.433	15.08.2018-14.08.2019	15.08.2019-14.08.2022	400,000
	15.08.2018	0.433	15.08.2018-14.08.2020	15.08.2020-14.08.2022	200,000
Chan Cheong Tat	15.08.2018	0.433	N/A	15.08.2018-14.08.2022	200,000
	15.08.2018	0.433	15.08.2018-14.08.2019	15.08.2019-14.08.2022	200,000
Lee Ka Lun	15.08.2018	0.433	N/A	15.08.2018-14.08.2022	200,000
	15.08.2018	0.433	15.08.2018-14.08.2019	15.08.2019-14.08.2022	200,000
Leung Siu Cheung	15.08.2018	0.433	N/A	15.08.2018-14.08.2022	200,000
	15.08.2018	0.433	15.08.2018-14.08.2019	15.08.2019-14.08.2022	200,000
					2,800,000

REPORT OF THE DIRECTORS

Save as disclosed above, as at 31 March 2022, 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 2022, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept under Section 336 of the SFO:

Long position in the ordinary Shares

Name	Capacity/Nature of interest	Number of Shares	Percentage of issued share capital
Topline (Note)	Beneficial owner	274,865,400	69.28%

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 held by Topline.

Save as disclosed above, as at 31 March 2022, no other interests or short positions in the Shares or underlying Shares 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 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 Share Option 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 at the date of the Listing, which is 40,000,000 Shares, 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) and shall be paid upon 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 options were exercised, cancelled or lapsed during the year ended 31 March 2022 (2021: Nil). As at 31 March 2022, there were 4,000,000 (2021: 4,000,000) outstanding share options in aggregate, which have vested and are issuable for 4,000,000 (2021: 4,000,000) Shares under the Share Option Scheme.

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. 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 2022 and is of the view that such results have 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 (Cap. 485), the Group has not operated any other retirement benefit schemes for its employees. Particulars of the retirement benefit schemes are set out in note 28 to the consolidated financial statements.

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group during the year ended 31 March 2022 are set out in note 33 to the consolidated financial statements. Such transactions were fully exempt from the reporting, announcement, annual review and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.



REPORT OF THE DIRECTORS

EQUITY-LINKED AGREEMENT

Save as disclosed in the section headed "Share Option Scheme" above, no equity-linked agreements were entered into during the year ended 31 March 2022 or subsisted as at 31 March 2022.

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 was no significant event occurred after the reporting period.

AUDITOR

Messrs. Moore Stephens CPA Limited 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 2022 have been audited by Moore Stephens CPA Limited.

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

20 June 2022

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 the 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, save as disclosed in the section headed "Chairman and Chief Executive" below, the Board is satisfied that the Company had complied with and is not aware of any deviations from the CG Code during the year ended 31 March 2022.

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 year ended 31 March 2022.

BOARD OF DIRECTORS

Board Composition

As at 31 March 2022, the Board comprised of four executive Directors and three independent non-executive Directors. The composition of the Board is as follows:

Executive Directors

Dr. Kong (*Chairman and Chief Executive Officer*)

Ms. Tsui Kan

Ms. Kong Chung Wai

Ms. Sin Chui Pik Christine

Independent Non-executive Directors

Mr. Chan Cheong Tat

Mr. Lee Ka Lun

Mr. Leung Siu Cheung

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.



CORPORATE GOVERNANCE REPORT

The Board delegates the day-to-day management, administration and operation of the Group to the chief executive officer of the Company and senior management within the control and authority set by the Board. In addition, the Board has also delegated various responsibilities to the Audit Committee, the Remuneration Committee and the Nomination Committee. Details of the Board committees are set out below in this report. 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. To retain control of key decisions and ensure that there is a clear division of responsibilities between the Board and the management regarding the daily operations of the Group, the Board has identified certain reserved matters that only the Board can approve. List of matters reserved for the Board for approval is reviewed annually by the Board.

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 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 of the Company (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 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/her interest and abstains from voting.

Directors' Attendance at Board/Board Committee Meetings

A summary of all Directors' attendance at the Board meetings, Board committee meetings and general meeting held during the year ended 31 March 2022 is set out in the following table:

Name of Director	Number of meetings attended				Annual general meeting held on 23 September 2021
	Board meetings	Audit Committee meetings	Remuneration Committee meeting	Nomination Committee meeting	
Executive Directors					
Dr. Kong	4/4	N/A	1/1	1/1	1/1
Ms. Tsui Kan	4/4	N/A	N/A	N/A	0/1
Ms. Kong Chung Wai	4/4	N/A	N/A	1/1	1/1
Ms. Sin Chui Pik Christine	4/4	5/5	1/1	1/1	1/1
Independent Non-executive Directors					
Mr. Chan Cheong Tat	4/4	5/5	1/1	1/1	1/1
Mr. Lee Ka Lun	4/4	5/5	1/1	1/1	1/1
Mr. Leung Siu Cheung	4/4	5/5	1/1	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.



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 and the chief executive officer of the Company 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 of the Board (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 and committee members 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. Being aware of the said deviation from code provision A.2.1, the Board believes that with the support of the management, vesting the roles of both chairman of the Board and the chief executive officer of the Company in Dr. Kong, the founder of the Group, can facilitate the execution of the Group's business strategies and boost effectiveness of its operation. In addition, the Board is also supervised by three independent non-executive Directors. The Board considers that the present structure will not impair the balance of power and authority between the Board and the management of the Group as the Board assumes collective responsibility on the decision-making process of the Company's business strategies and operation. The Directors will meet regularly to consider major matters affecting the operations of the Group.

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 year ended 31 March 2022, two meetings between the chairman of the Board and the non-executive Directors were held. All independent non-executive Directors attended the meetings.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors are mainly responsible for advising on issues such as corporate governance, audit, remuneration and nomination of Directors and senior management. In compliance with the Rules 5.05A, 5.05(1) and (2) of the GEM Listing Rules, the Company has appointed three independent non-executive Directors, representing more than one-third of the Board. The Group has received from each independent non-executive Directors an annual confirmation of independence pursuant to the requirements under Rule 5.09 of the GEM Listing Rules.

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, for Ms. Tsui Kan and Ms. Sin Chui Pik Christine, commencing from 1 March 2018 and 1 January 2017 respectively) 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.

CORPORATE GOVERNANCE REPORT

By virtue of article 16.2 of the Articles of Association, 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 sub-heading "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. If an independent non-executive Director has served more than nine years, such director's further appointment should be subject to a separate resolution to be approved by Shareholders. Furthermore, pursuant to article 16.18 of the Articles of Association, 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 2022, the Company had arranged a training on the update of GEM Listing Rules, the Hong Kong Companies Ordinance (Cap. 622) (the "**Companies Ordinance**") and the SFO for the Directors. All Directors attended the training.

All Directors, namely Dr. Kong, Ms. Tsui Kan, Ms. Kong Chung Wai, Ms. Sin Chui Pik Christine, 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 training/seminars and reading materials during the year ended 31 March 2022, and have provided a record of their training to the Company, in compliance with the code provision A.6.5 of the CG Code.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the 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 and the Company's website at www.medicsskinholdings.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.



CORPORATE GOVERNANCE REPORT

During the year ended 31 March 2022, five meetings of the Audit Committee were held to review and discuss the annual/interim/quarterly results, enterprise risk assessment reports and internal control reports of the Group; to discuss with the external/internal auditor regarding the audit approach, and the nature and scope of the audit for the year ended 31 March 2022; to assess the effectiveness of the risk management and internal control systems of the Group; and to review the effectiveness of the internal audit function. Two meetings were 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. Details of the attendance of the members of the Audit Committee in the said meetings are set out under the sub-heading "Directors' Attendance at Board/Board Committee Meetings" above.

The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 March 2022 and is of the view that the consolidated financial statements have complied with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements, and that adequate disclosure have been made. The Audit Committee has also reviewed the effectiveness of the risk management and internal control systems 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, Ms. Sin Chui Pik Christine, Mr. Chan Cheong Tat, Mr. Lee Ka Lun and Mr. Leung Siu Cheung. Mr. Leung Siu Cheung is the chairman of the Remuneration Committee.

During the year ended 31 March 2022, a meeting of the Remuneration Committee was held. The 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 assess the performance of and 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. Details of the attendance of the members of the Remuneration Committee in the said meeting are set out under the sub-heading "Directors' Attendance at Board/Board Committee Meetings" above.

Senior management are Directors and another member of senior management of the Group. The emoluments for Directors for the year are set out in note 8 to the consolidated financial statements. The emoluments of the member of senior management of the Group were within the band nil to HK\$1 million (2021: nil to HK\$1 million) for the year ended 31 March 2022.

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.

CORPORATE GOVERNANCE REPORT

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 year ended 31 March 2022, a meeting of the Nomination Committee was held. The meeting of the Nomination Committee was held to review the structure and composition of the Board; to review and make recommendations to the nomination policy and on the Board diversity policy; to assess the independence of each independent non-executive Director; and to review and recommend for the Board's approval the re-election of Directors. Details of the attendance of the members of the Nomination Committee in the said meeting are set out under the sub-heading "Directors' Attendance at Board/Board Committee Meetings" above.

Nomination Policy

The Company has adopted a nomination policy in compliance with the CG Code to set out the guidelines to the Nomination Committee to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for selection and appointment of new Directors.

The Board, through the delegation of its authority to the Nomination Committee, has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in business, finance and management skills critical to the Group's business to enable the Board to make sound and well considered decisions. Collectively, they have competencies in areas which are relevant and valuable to the Group.

Nomination Process

The Nomination Committee shall assess whether any vacancy on the Board has been created or is expected on a regular basis or as required. The Nomination Committee utilises various methods for identifying director candidates, including recommendations from Board members, management, and professional search firms. All director candidates are evaluated by the Nomination Committee based upon the director qualifications in the Nomination Committee's meetings. While director candidates will be evaluated on the same criteria through review of resume, personal interview and performance of background checks, the Nomination Committee retains the discretion to establish the relative weighting of such criteria, which may vary based on the composition, skill sets, age, gender and experiences of the collective Board rather than on the individual candidate for the purpose of diversity perspectives appropriate to the requirement of the Company's business. The Nomination Committee shall make recommendations for the Board's consideration and approval.

Selection Criteria

The Nomination Committee will take into account whether a director candidate has the qualifications, skills, experience and gender diversity that add to and complement the range of skills, experience and background of existing Directors. The Nomination Committee will also consider other factors including personal and professional ethics and integrity of the candidate, proven achievement and competence in the nominee's field and the candidate's ability to exercise sound business judgment, whether the candidate possesses skills that are complementary to those of the existing Board, the candidate's ability to assist and support management and make significant contributions to the Company's success, and such other factors as it may deem are in the best interests of the Company and the Shareholders.

Board Diversity Policy

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, talents, 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, establishing a non single gender Board. The Board diversity policy requires the policy to be reviewed at least once annually to ensure its continued effectiveness.



CORPORATE GOVERNANCE REPORT

The Board currently has three women Directors out of seven Directors, 43% of the Directors are female. As at 31 March 2022, we maintained a 27:73 ratio of women to men in the workplace. For details of our hiring practices, please refer to the Environment, Social and Governance (“**ESG**”) Report. As one of the principal services of the Group is Treatment Service, which is a traditionally female dominated industry, the female ratio in the workplace is substantially higher than that of men. The Group is committed to improving gender diversity as and when suitable candidates are identified. In striving to maintain gender diversity, similar considerations are used when recruiting and selecting key management and other personnel across the Group’s operations. In order to achieve gender diversity among the workforce, gender diversity will be taken into account during the staff promotion and recruitment which, however, may be mitigated since individual performance and ability always outweigh the other factors.

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 flows 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.

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 endeavour to ensure a balanced, clear and understandable assessment of the Group’s position and prospects in the annual reports, interim reports, quarterly 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 Hong Kong Institute of Certified Public Accountants (“**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. Moore Stephens CPA Limited, is set out in the section headed “Independent Auditor’s Report” on pages 54 to 57 of this 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 the Audit Committee to assist the Board by overseeing the audit process and providing independent view on the effectiveness of the financial reporting process and internal control and risk management systems. However, such systems are designed to manage rather than to eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not obsolete assurance against material misstatements or loss.

CORPORATE GOVERNANCE REPORT

The Board convenes meetings periodically to discuss business risk, financial risk, compliance risks and operation and other risks. The Audit Committee, through the engagement of Shinewing Risk Services Limited (“**Shinewing**”), the outsourced internal auditor of the Company, has conducted a review of the effectiveness of the risk management and internal control systems of the Group, covering all material controls such as financial, operational and compliance controls and risk management functions. Shinewing has reported to the Audit Committee that they have identified, evaluated and managed risks through: (i) risk identification, (ii) risk analysis, (iii) risk evaluation, (iv) risk treatment and (v) risk monitoring and reporting, and considered that the risk management and internal control systems 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, were adequate and effective and had complied with the provisions of the CG Code during the year ended 31 March 2022.

The Company will perform ongoing assessment on all material risk factors on a regular basis. In any case, review on risk management and internal control systems will be conducted annually.

Internal Audit

During the year ended 31 March 2022, the Company had engaged Shinewing as the internal auditor of the Group to review the Group’s risk management and internal control systems and to give recommendations to make any enhancement. Such review covered material controls, including controls on operation cycle in relation to bank and cash management, human resources and payroll management, skin care services and skincare products, data security and corporate governance and did not reveal any significant defects. Shinewing has reported the findings and recommendations concerning areas for improvement to the Audit Committee. The Audit Committee has reviewed the internal control review report issued by Shinewing on the Group’s risk management and internal control systems in respect of the year ended 31 March 2022 and considered that such systems are effective and adequate. The Board has assessed the effectiveness of internal control systems by considering the internal control review report and reviews performed by the Audit Committee and concurred the same. The Board is of the view that the internal control measures of the Group were adequately and effectively monitored our business operations for the year ended 31 March 2022.

Inside Information

The Group conducts its affairs having close regard to the disclosure requirements under the GEM Listing Rules and the SFO. The Group has established procedures to identify and evaluate events or circumstances which potentially involve or constitute inside information and restrict dissemination of such information to a need-to-know basis. The Company’s disclosure policies provide the procedures and internal controls for the handling and dissemination of inside information by publication of announcements to the websites of the Stock Exchange and the Company on a timely basis to enable the public, namely the Shareholders, institutional investors, potential investors and other stakeholders of the Company to access the latest information of the Group, unless such information fall within the safe harbours with the SFO. Prior to disclosure, the Board is responsible for ensuring that any inside information relating to the Group is kept strictly confidential. The Group has also designated persons to be responsible for making any necessary announcement in respect of such inside information to ensure consistent and timely disclosure and to respond to external enquiries about the affairs of the Group.



CORPORATE GOVERNANCE REPORT

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. Moore Stephens CPA Limited was appointed by the Board as the auditor of the Company. The remuneration paid or payable to Moore Stephens CPA Limited for services rendered for the year ended 31 March 2022 was as follows:

	<i>HK\$'000</i>
Audit services	440
Non-audit services	
– other services (review of preliminary results announcement and review of working capital sufficiency)	62

COMPANY SECRETARY

Ms. Sin Chui Pik Christine (“**Ms. Sin**”) was appointed by the Board as the 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” in this report.

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 2022, in compliance with Rule 5.15 of the GEM Listing Rules.

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. The shareholders communication policy requires the policy to be reviewed at least annually to ensure its continued effectiveness and compliance with the prevailing regulatory and other requirements.

Shareholders and potential investors are encouraged to access to the Company's website at www.medicsskinholdings.com which has provided more comprehensive information to enhance the transparency and communication effectiveness between the Company, Shareholders and investment community. The Company has established a number of channels to maintain an on-going dialogue with its Shareholders as follows:

CORPORATE GOVERNANCE REPORT

- corporate information, including the Articles of Association, key corporate governance policies and terms of reference of the Board committees, is made available on the Company's website;
- announcements and notices are made through the Stock Exchange and published on the respective website of the Company and website of the Stock Exchange at www.hkex.com.hk;
- corporate communications such as directors' report, annual reports, interim reports, quarterly reports and circulars are issued in printed form and are available on the websites of the Company and the Stock Exchange;
- Annual general meeting of the Company gives opportunities for Shareholders to meet with the Directors and senior management and to raise questions at the meeting every year;
- the Company's share registrar serves the Shareholders in respect of share registration, dividend payment, change of Shareholders' particulars and related matters; and
- Shareholders and the investment community may at any time give feedback to and communicate with the Directors or management through the Company Secretary by post to the principal place of business of the Company in Hong Kong or by e-mail to enquiry@medicskinholdings.com.

With the above measures in place, the shareholders communication policy is considered to have been effectively implemented.

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 the 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 the Shareholders at the commencement of the AGM to ensure that the Shareholders are familiar with such procedures.



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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. 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, the Nomination Committee and the 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 meeting to answer relevant questions if necessary.

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

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 in Hong Kong at Flat A-C, 16th Floor, Champion Building, 287-291 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; and
- (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.

CORPORATE GOVERNANCE REPORT

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 enquiry@medicskinholdings.com for the attention of the Company Secretary.

Right to Put Forward Proposals at General Meetings

There are no provisions allowing the Shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law. However, the 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.

CONSTITUTIONAL DOCUMENTS

For the year ended 31 March 2022, there had been no significant change in the Company's constitutional documents.

DIVIDEND POLICY

The Company has adopted a dividend policy in compliance with the CG Code to set out the Company's procedures on declaring and recommending the dividend payment of the Company. The Company may distribute dividends to the Shareholders by way of cash or shares and any distribution of dividends shall be in accordance with the Articles of Association.

The declaration and payment of dividends and the amount of dividends will be at the discretion of the Board and will depend on, inter alia, the Group's earnings, financial condition, capital requirements and surplus and any other factors that the Board may consider relevant.

Any declaration of dividends will be subject to the approval of the Board, having considered the above factors, and, Shareholders' approval, where applicable. Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. The Board may also consider declaring special dividends from time to time, in addition to interim and/or final dividends.

The Company shall review and reassess its dividend policy and its effectiveness on a regular basis or as required.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Scope and Reporting Period

This ESG Report is presented by the Company, highlighting its ESG performance, with disclosure reference made to the ESG Reporting Guide contained in Appendix 20 of the GEM Listing Rules (the “**ESG Reporting Guide**”).

The Group is a medical skin care service provider in Hong Kong and is principally engaged in the provision of Medical Consultation Service, Prescription and Dispensing Service, and Treatment Service. This ESG report covers the Group’s overall performance in two subject areas, namely environmental and social performance of its business operations, from 1 April 2021 to 31 March 2022 (“**Reporting Period**”) in:

- 1) the Group’s medical skin care centres located in Hong Kong; and
- 2) the back office located in Sheung Wan.

Other business operations with insignificant contributions to the Group’s revenue and environmental and social impacts are excluded from the reporting scope.

Reporting Principles

Materiality – materiality assessments have been carried out to identify material environmental and social issues, a description of the Group’s materiality assessment processes can be found in the section headed “Stakeholders Engagement and Materiality” and its results are presented in the section “Materiality Assessment” in the Report.

Quantitative – key performance indicators (“**KPI**”) have been established, and are measurable and applicable to make valid comparisons under appropriate conditions; information on the standards, methodologies, assumptions and/or calculation tools used, and sources of conversion factors used, have been disclosed when applicable.

Consistency – consistent statistical methodologies of KPI are employed for a meaningful comparison of related data over time.

The Group’s Vision on Environment, Social, and Governance

The Board and the management team of the Group believe that continuing to keep abreast of the latest industry knowledge is one of the most important factors that make a business successful. The Group also emphasizes the importance of corporate social responsibility in addition to its economic value. The Group will do its best to fulfill its corporate social responsibility and be responsible to individuals, the community, and the environment.

The Board of the Company acknowledged that it has the overall responsibility for the Group’s ESG risk management and internal control. The Board reviews ESG performance and identifies related risks annually.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Sustainability Governance

During the Report Period, environmental targets have been set to ensure fulfillment of the Group's overall objectives in environmental protection. The Board reviews the Group's ESG performance, management and targets annually and adjusts as needed to align with the long-term business strategy of the Group.

The Chairman's Statement

The global health and economic crisis resulting from the outbreak of COVID-19 pandemic has intensified investors and corporate stakeholders' concern about their interest regarding environmental, social, and governance matters. At the same time, the Group has learned the lessons from macroeconomics effects of COVID-19 and recognizes sustainability is key to success.

The ESG performance of the Group is inevitably one of the key indicators to demonstrate the Group's corporate social responsibility and its sustainability in the future. This report sets out our sustainability practices and approaches throughout the Reporting Period. We hope this report will provide our stakeholders an overview of our sustainability performance. Going forward, the Group will continue to integrate sustainability into our business core value and the Board will continue to review the progress made against ESG-related goals to ensure effectiveness of measures implemented.

The Company also complied with the "comply or explain" provisions set out in Part C of the ESG Reporting Guide during the year ended 31 March 2022.

Board approval

This ESG report was reviewed and approved by the Board on 20 June 2022.

Contact information

The Group welcomes comments and suggestions from stakeholders. If you have any opinions on this report or the Group's performance in sustainable development, please feel free to contact us via the following channels:

Website: www.medicskinholdings.com

E-mail: enquiry@medicskinholdings.com

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDERS ENGAGEMENT AND MATERIALITY

The Company has identified six stakeholder groups that are key to the Company's business and operations, including Shareholders and investors, government and regulators, business partners and suppliers, customers, employees and general public. Ongoing communication with stakeholders is an essential component of the Company's day-to-day operations.

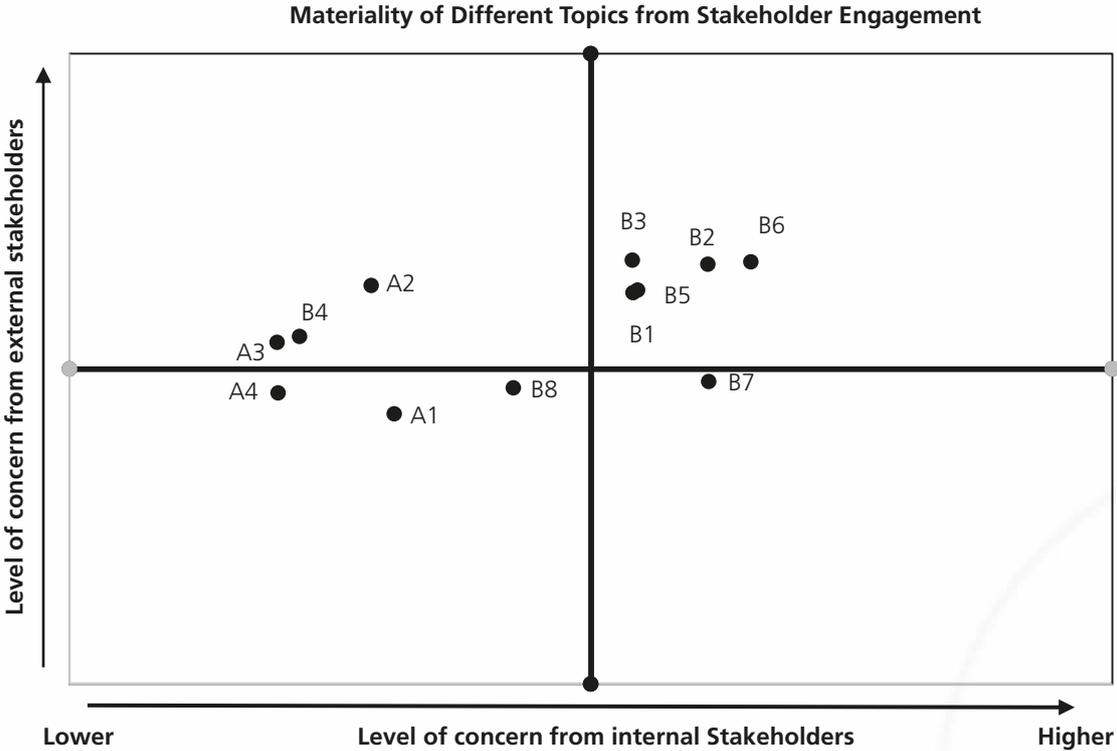
Communication channels between the Group and stakeholders together with their expectations and concerns are as follows:

	Areas of concerns	Communication Channels
Shareholders and investors	<ul style="list-style-type: none">- Investment return- Corporate governance- Information disclosure and transparency	<ul style="list-style-type: none">- Regular reports and announcements- General meetings- Company website
Government and regulators	<ul style="list-style-type: none">- Compliance with laws and regulations	<ul style="list-style-type: none">- Routine reports- Symposium- Workshop
Business partners and suppliers	<ul style="list-style-type: none">- Fair and open procurement- Contract fulfillment morality	<ul style="list-style-type: none">- Meetings- Telephone and mails
Customers	<ul style="list-style-type: none">- Product safety and quality control- Privacy data handling	<ul style="list-style-type: none">- Customer service hotline and email- Newsletters- Company website- Face-to-face meetings
Employees	<ul style="list-style-type: none">- Employees compensation and benefit- Career development- Working environment	<ul style="list-style-type: none">- Meetings- Performance appraisal- Training- Email, notice board, multimedia communications
General Public	<ul style="list-style-type: none">- Community involvement	<ul style="list-style-type: none">- Cooperation with communities- Communication with non-government organisations

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Materiality Assessment

The Group performs annual review in identifying and understanding our stakeholders’ main concerns for the ESG reports by conducting a materiality assessment survey. The selected stakeholders were invited to express their views and concerns on a list of sustainability issues via a survey. The results of materiality assessment obtained by the Group during the Reporting Period are set out in the following materiality matrix.



Environmental concerns	Social concerns	Operating Practices	Community
A1 Greenhouse Gas and Air Emissions	B1 Employment	B5 Supply Chain Management	B8 Community Investment
A2 Energy Consumption	B2 Health and Safety	B6 Product Safety, Quality and Data Privacy	
A3 The Environmental and Natural Resources	B3 Development and Training	B7 Anti-corruption	
A4 Climate Change	B4 Labour Standard		



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Materiality Analysis

According to the Materiality Assessment the five most material aspects to the Group are:

Materiality Ranking	ESG important issues
1	Product Safety, Quality and Data Privacy
2	Health and Safety
3	Development and Training
4	Supply Chain Management
5	Employment

The Group has strictly complied with the statutory requirements in respect of the identified material aspects. The Group aims to keep close communication with its stakeholders and continue to improve its ESG performance.

A. ENVIRONMENT ASPECTS

Environmental Protection Policy

The Group regularly follows the latest environmental protection laws and regulations in Hong Kong, including but not limited to Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong), the Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong), the Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong). The Group was not subject to any environmental claims, lawsuits, penalties or administrative sanctions during the Reporting Period. The Group's business does not involve in the production-related air, water, or land pollution which are regulated under the laws and regulations of Hong Kong. There was no material non-compliance relating to air and greenhouse gas ("GHG") emissions, discharges into water and land, and generation of hazardous and non-hazardous waste during the Reporting Period.

Emission

Air Emission

As the Group's main business activities focused on the provision of medical skin care services, there was no material gaseous fuel consumption involved. However, electricity consumption in our office and Medicskin Centres can cause indirect GHG emission.

Petrol used in vehicle owned by the Group by Directors for business purpose contributed to the emission of 0.03 kg (0.02kg for the corresponding period in 2021) of sulphur oxides. Due to the lack of related data, emissions of nitrogen oxides and respiratory suspended particles were not calculated, but it is noteworthy that the aspect of air emissions was considered immaterial to the Group's operation.

GHG Emission

To cope with the climate change challenge that the world is facing, the Group is committed to take sustainable, long-term actions to manage the carbon footprint of our own operations. The most significant GHG emission source of the Group was from the electricity consumption. In light of reducing GHG emissions, we continue to encourage our employees to conduct conference calls or video conferences instead of face-to-face meetings. Electronic documents, both-side printing and recycle paper are also encouraged to be used. We also equip our office and Medicskin Centres with more environmental-friendly lighting to reduce the electricity consumed.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GHG Emission Sources	GHG Emission (kg)	GHG Emission (kg)
	(Equivalent CO ₂) 2022	(Equivalent CO ₂) 2021
Scope 1 Direct emissions from vehicle owned by the Group	5,045	2,799
Scope 2 Energy indirect emission from purchased electricity	42,792	45,380
Scope 3 Other indirect emission from paper waste disposal at landfills	576	360
Total	48,413	48,539
GHG emission intensity per employee	1,181	1,156
GHG emission intensity per million HK\$ of total revenue	986	1,164

Note: GHG emission due to electricity used for fresh water/sewage processing were not included in the calculation as relevant data was not available to the Group.

Hazardous Waste

Clinical Waste

In the course of business operation of the Group, in addition to the general emission of GHG, clinical waste is discharged during the provision of medical skin care services which causes potential influence on the environment and may expose the Group to relevant compliance risk. The Group exercises the greatest care possible in managing any clinical waste it may produce. The Group has policies and procedures in place for waste treatment in accordance with the Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong) and the Waste Disposal (Clinical Waste) (General) Regulation (Chapter 354O of the Laws of Hong Kong). To comply with the relevant laws of Hong Kong, employees dispose of clinical waste into specific containers which are carefully coded and sealed with ties separately. They are then collected by a licensed clinical waste collector and delivered to a licensed disposal facility. A detailed record of waste production and collection is also maintained in-house and be inspected by management on a regular basis.

During the Reporting Period, approximately 41kg (intensity 1kg per employee) compared to 42kg (intensity 1kg per employee) for the corresponding period in 2021 of clinical waste have been generated as a result of the Group's business operations. The Group complied with all applicable laws and regulation in relation to clinical waste in Hong Kong.

Chemical Waste – Expired Medicine

The Group follows the "first in, first out" method when storing and dispensing medicines to customers to ensure that the oldest items are consumed first to avoid wastage. Our inventory is monitored and updated by assigned staff through the enterprise resources planning system. Any expired medicines will be sent back to purchasing department for further handling, which will be either collected by respective suppliers for exchange or chemical waste collector for disposal (as the case may be). During the year of reporting, no expired medication has been sent to waste collector for disposal for the years ended 31 March 2022 and 2021 respectively.

Non-Hazardous Waste

The Group generates general non-hazardous waste during its operation, including paper, paper towels, masks and plastic gloves. After collection and classification, such wastes will eventually be collected and disposed by property management office. Recyclable waste (such as paper) will be recycled for reuse. With a view to minimise the environmental impact brought by these emission and wastes, the Group strives to reduce, reuse and recycle throughout its operations to minimise the disposal of waste to the landfill by:



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Recycle

- Separating the paper waste from other waste for easier recycling;

Reuse

- Using recycled papers, and 100% recycling rate of ink and toner cartridges;
- Providing recycling boxes beside the photocopier, collecting used paper (blank on one side) for potential reuse;
- Setting duplex printing as the default mode for most network printers;

Reduce

- Reminding employees to practice photocopying wisely;
- Encouraging the employees to use both sides of paper; and
- Using office automation system for increasing administration efficiency and reducing paper use.

During the Reporting Period, a total of approximately 4.19 tonnes (2021: 3.87 tonnes) of non-hazardous waste was generated with an intensity of 85.33 kg/million HK\$ of total revenue (2021: 92.8 kg/million HK\$ of total revenue).

Measures to Mitigate Emissions and efficiency initiatives

The principal GHG emissions of the Group are generated from purchased electricity. Our goal is a reduction of 5% to 10% emission over five years compared with 2018. The Group actively adopts electricity conservation and energy saving measures as well as other measures to achieve this goal:

1. The room temperature in Group's premises is monitored and regulated at 25 degree Celsius to maintain a balance between thermal comfort and electricity consumption.
2. To clean air-conditioning systems and dust filters regularly.
3. The lighting of our two Medicskin Centres and back office were upgraded from traditional lighting to energy saving LED lights.
4. Turn off facilities, lights, air-conditioning when not in use.
5. To activate "sleep" mode in some of office equipment during office hours, including photocopiers and printers.
6. Turn off unnecessary equipment completely including computers.
7. Encouraging our senior employees to schedule regular meeting with conference calls or use of other electronic media to reduce travelling for business meetings when applicable.
8. All other paper saving measures described in the Section A "Non-Hazardous Waste" above in this report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Moving Forward on Environmental Protection

To create a greener future, the Group will regularly assess the environmental protection measures to save energy and reduce waste. We believe that the implementation of these policies and procedures will bring about a win-win situation for both the environment and the Group's operation.

Resources Consumption

Consumption of Energy

Energy consumption by the Group during the Reporting Period as compared to the corresponding period last year is set out below:

Type of energy	Quantity 2022	Quantity 2021	Unit
Petrol	20,718	11,496	kWh
Purchased electricity	62,913	67,128	kWh
Total	83,631	78,624	kWh
Energy intensity per employee	2,039	1,872	kWh
Energy intensity per million HK\$ of total revenue	1,703	1,885	kWh

The energy consumption has increased by 6.4% during the Reporting Period. It was mainly due to the increased consumption of petrol of vehicle during the Reporting Period. The energy consumption intensity was, however, reduced by 9.7% mainly due to an increase of the Group's revenue during the Reporting Period.

Water consumption and efficiency initiatives

Payment for water usage has been included in the management fee to the landlords. Thus, consumption data of water cannot be obtained. Nevertheless, the Group regularly reminds and encourages its employees to use water efficiently. The Group implements water saving policies by:

- posting reminders in premises to reduce waste on water usage;
- controlling tap flow; and
- reporting any dripping taps or water leakage to relevant department promptly.

Packaging Materials

The major packaging materials used in our business are mainly plastic bottles and ointment jars. The consumption of those materials during the Reporting Period is summarised below.

	Consumption in 2022	Consumption in 2021
Packaging materials	316kg	295kg
Intensity (million HK\$ of total revenue)	6.43kg	7.07kg



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Environment and natural resources

The Group's business activities do not generate major impacts on the environment. According to the Group's "Environmental and Social Sustainability Policy", the Group integrates environmental consideration into business decision in line with our commitment to environmental sustainability so as to raise our employee's awareness of environmental issues, encouraging environmentally responsible behavior to enable them to play a full role in implementing our environmental policy.

The Group did not receive any complaints from the surrounding community regarding air pollution, odour, noise, or other environmental pollution incidents during the Reporting Period. The Group will continue to monitor its air emissions, solid waste generation, wastewater discharge to ensure the minimal impacts on the surrounding environment.

Climate Change

The Group has no policy regarding climate change but it recognizes that extreme weather events may negatively impact daily operations and has prepared contingency plans for these situations. The Group, however, regularly reminds employees to avoid unnecessary use of energy, water and paper through internal communication channel regarding environmental protection policies.

B. SOCIAL

Employment

The Group has Code of Conduct Policy distributed to employees outlining expectations for employee's conduct, employee's right and benefit. We also set up relevant policies and arrangements for employees including but not limited to recruitment and promotion, compensation and dismissal, benefit programs and performance evaluation.

Compensation And Benefits Package

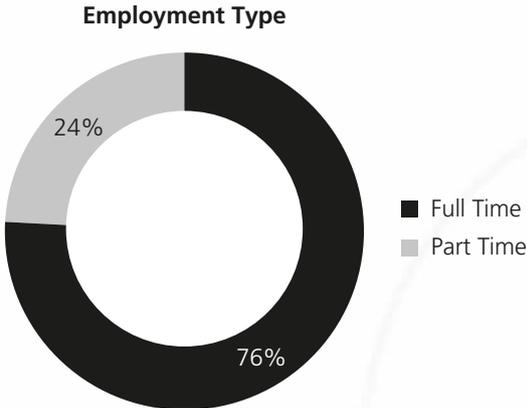
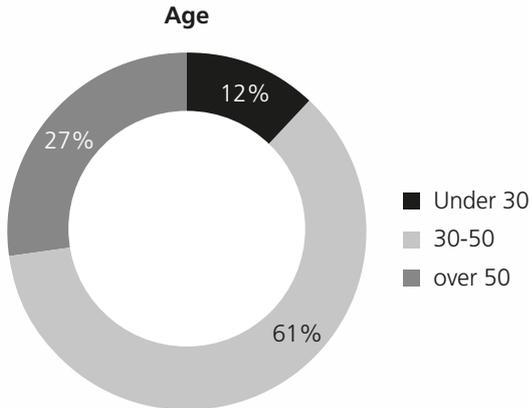
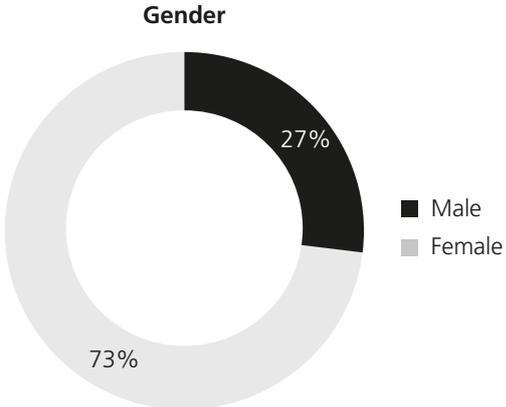
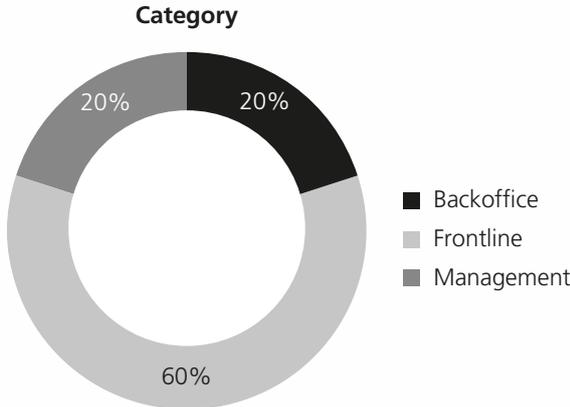
To attract, retain and motivate employees, the Group has devised a competitive compensation and benefits packages. In addition to the basic package, for instance annual leave, paid sick leave, severance payment, mandatory provident fund, employment compensation insurance, the Group also offers additional compensation and benefits such as paid leaves (study leave, personal emergency leave, marriage leave), group life insurance, year-end bonus, free skincare products, education sponsorship, medical treatments, festive foods to employees during certain traditional festivals and beauty products discount to its employees. In addition, the Group has established the Share Option Scheme to provide incentives and rewards to eligible employees who have made significant contributions to the Group.

Our employees in China entitled to basic salary and the Group provides social insurance in accordance with the Social Insurance Law of the People's Republic of China ("**PRC**"). Various types of leaves are provided and the Group reviews the salary package annually. The Group complies with the employment regulation of the PRC and the local government on the working hours, leaves and other benefits.

The Group carries out regular performance assessment on a yearly basis, enabling employees to gain an accurate sense of their prospects and of potential future paths. Salaries are reviewed annually for each grade of employees by the management, to ensure that its remuneration packages remain competitive. This enables the Group to retain high quality employees and provide them with strong initiatives for performing well. As of 31 March 2022, the Group had a total of 41 (2021: 42) employees of which 40 (2021: 41) were based in Hong Kong and 1 (2021: 1) was based in Shenzhen, the PRC. 6 employees left the Group through natural wastage during the Reporting Period as compared to 7 employees for the corresponding period of 2021 due to disposal of a subsidiary.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

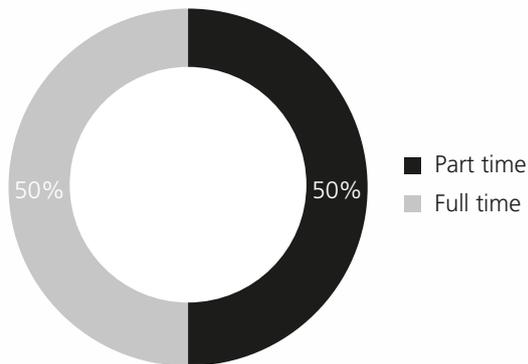
Workforce distribution details are shown below:



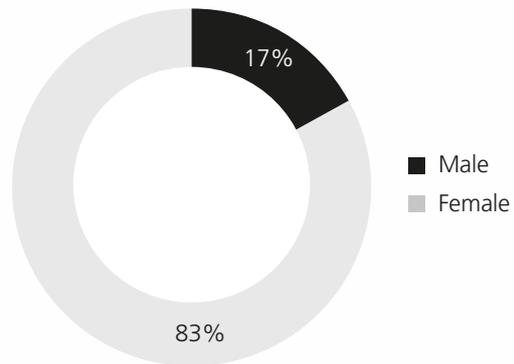
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employee turnover by gender, age group and employment type

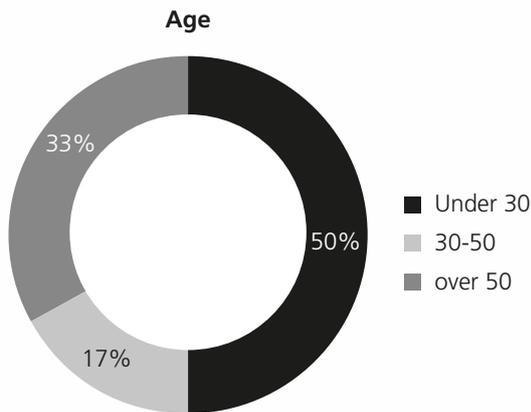
Turnover by Employment Type



Staff Turnover by Gender



Employee Turnover by Age



During the Reporting Period, no non-compliance relating to compensation and dismissal, recruitment and promotion, working hours and rest periods or other benefits and welfare were found: and the Group complied with all applicable employment and labour related laws and regulations of Hong Kong and the PRC including but not limited to:

- Employment Ordinance, Chapter 57 of the Laws of Hong Kong;
- Minimum Wage Ordinance, Chapter 608 of the Laws of Hong Kong;
- Employees' Compensation Ordinance, Chapter 282 of the Laws of Hong Kong;
- Occupational Safety and Health Ordinance, Chapter 509 of the Laws of Hong Kong; and
- Labour laws of the PRC.

Recruitment, promotion and dismissal

The Group has both internal and external channels for recruitment including online job boards, headhunting agencies, an internal referral scheme etc. The Group is committed to creating an open and fair recruitment and promotion mechanism. Internal promotion and salary increment are offered to existing employees and selection is based on reviewed work capability, attitude, and quality of work. All new employees are required to sign the "employment agreement" in which employment terms are clearly stated.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Equal Opportunity

The Group provides equal opportunities for employees in respect of recruitment, development and training, job advancement, and compensation and benefits. The employees are not discriminated or deprived of such opportunities on the basis of gender, ethnic background, colour, sexual orientation, age, marital status, family status, retirement, disability, pregnancy or any other discrimination prohibited by applicable laws. The Group appreciates the importance of cultural diversity in the development of the Group, and employs employees in a wide range of ages, genders, and ethnicities.

During the Reporting Period, the Group complied with all applicable employment and labour related laws and regulations of Hong Kong including but not limited to:

- Sex Discrimination Ordinance, Chapter 480 of the Laws of Hong Kong;
- Family Status Discrimination Ordinance, Chapter 527 of the Laws of Hong Kong;
- Race Discrimination Ordinance, Chapter 602 of the Laws of Hong Kong; and
- Disability Discrimination Ordinance, Chapter 487 of the Laws of Hong Kong.

Working Environment

The Group places a strong emphasis on work-life balance seeking to enhance employees' sense of belonging and morale. As a caring employer, the Group caters the needs and schedules of its employees, offering flexible work-hour arrangements for employees. Complementing these are social activities such as Christmas party, monthly departmental tea meal and birthday celebration for each staff, which can help foster a sense of belonging and loyalty.

Health and Safety

The Group values health and safety as of paramount importance and strives to provide a safe working environment to all employees. The Group implements internal policies including procedures and guidelines to handling equipment, needle sticks, sharp objects and medical waste. Employees are required to put on personal protective equipment, including protective gown, surgical masks, protective goggles and gloves when engaging in medical treatment. Sharp equipment is required to be handled in accordance with the policies guidelines. The Group also arranges regular training for employees on operation safety, handling of emergency and accidents to enhance their safety awareness and regularly reviews the employee's health and safety procedures to safeguard their well-being.

During the COVID-19 pandemic, we put strict measures in place to keep our employees safe. The Group ensures employees have enough personal protective equipment to protect themselves and increase the frequency of cleaning and sanitization in the facilities to ensure a clean environment. Temperature screening and hand sanitizing are required for any person entering our centres. The Group has a contingency plan in response to scenarios where employees has a confirmed COVID-19 case or has been exposed to a person with a confirmed COVID-19 case.

The occupation health and safety data during the reporting period is shown below:

Health and Safety Data	2022	2021	2020
Work related fatality	0	0	0
Lost day due to work injury	0	0	0

During the Reporting Period, the Group complied with the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), and there was no work related injuries or fatalities and no legal case regarding health and safety brought against the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Development and Training

The Group provides its employees with clear and viable opportunities for self-development and career advancement within the Group. It supports its employees to develop and enhance their professional knowledge and skills to cope with the evolving market environment and compliance level. By providing the following in-house training programs, its employee's competency can be developed further:

Trainings on service-related knowledge, such as, skincare products available at our centres, training courses in relation to latest medical and/or skin care technology, skin, treatment theories, functions, operations, safety precautions of medical equipment (provided by suppliers of such devices), client handling skills and complaint management skills are provided from time to time.

All newly-hired employees attend employment orientation to understand the Group operations, working atmosphere, code of conduct and work safety, in which they are ensured to be properly trained. Employees are also encouraged to take external professional trainings to strengthen their work-related expertise, subject to the management's approval, where we offer education sponsorship to employees in the form of job-related courses provided by external institutions.

We believe the above activities will not only enhance employees professional knowledge and improve their efficiency, but also increase their sense of belonging and reduce employees turnover rate.

During the Reporting Period, we provided staff training with a total of 171.5 (2021: 221.5) hours. Statistics related to development and training is detailed as follows:

Percentage of employees trained	Male	Female
Medical practitioners	100%	100%
Doctor's assistants	N/A	100%
Senior management	100%	100%
General staff	67%	100%

Average training hours completed per employee	Male	Female
Medical practitioners	8	6
Doctor's assistants	N/A	5.5
Senior management	N/A	9.3
General staff	0.67	1

Labour Standard

The Group's recruitment process is strictly adhered to the Group's Human Resources Policies and Procedures. Job applicants must complete an "Employment Application Form" with personnel information for internal record keeping and legal compliance. Review and verification of applicant's identity information is required during the recruitment process, and recruitment of child labour is strictly prohibited. Applicants are also required to provide document proofs of academic qualifications and working experience for verifications, applicant who is suspected to have false academic qualifications and working experience will not be employed. If child or forced labour is discovered in the Group's operation, the Group will immediately terminate the contract with such labour. The management of the Group reviews its measures implemented on labour standard on timely manner to ensure effectiveness of its management approach. The Group enters employment contract with each of its employees in accordance with relevant laws in Hong Kong. For those employees who are registered medical practitioners in Hong Kong, they have registered with the Medical Council of Hong Kong in accordance with the provision of Medical Registration Ordinance (Chapter 161 of the Laws of Hong Kong).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the reporting period, employees or contractors who practice medicine and surgery have registered with the Medical Council of Hong Kong in accordance with the provisions of the Medical Registration Ordinance, Chapter 161 of the Laws of Hong Kong. There was no child nor forced labor employed in the Group's operation, and the Group complied with Employment of Children Regulations (Chapter 57B of the Laws of Hong Kong).

Supply Chain Management

The source of medications of the Group are from licensed drug dealers (i.e qualified pharmaceutical or medical manufacturers and/or distributors) in Hong Kong.

The quality and safety of skincare products are among the top priorities of the Group. The Group has policies and procedures for selecting suitable pharmaceutical products and medicine, skincare products and treatment consumables, as well as selecting reliable and quality suppliers. The Group has been continuously evaluating the performance of its suppliers. Evaluation of a supplier mainly includes background, qualification (for example, holding necessary license to provide such services), quality control of service, past performance and fulfillment of contract. The Group has performed the evaluation on its suppliers on timely basis to ensure the social and the environmental risks along the supply chain are monitored and identified.

Although the Group does not have specify policies on managing environmental and social risks with respect to the supply chain, when it selects suppliers, preference is placed to suppliers that meet our requirements without adversely impacting the environment.

Apart from the above measures, to ensure the supply chain of the Group is operating as accurately and efficiently, purchased medicine and skincare products are registered with traceable suppliers and their distribution are shown clearly in our real time inventory system. Inventory review and inventory count are also carried out regularly in each centre.

Given the Group's solid and steady relationships with suppliers, the Group believes that it maintains a good and long-term relationship with selected suppliers by successfully establishing mutual trust and understanding. Generally, the Group has the right to reject goods, to require replacement and the payment of damages from its suppliers if the goods are defective or non-conforming.

During the year ended 31 March 2022, The Group made its purchases from 73 (2021: 78) suppliers from Hong Kong and 4 (2021: 2) suppliers from the United States of America and Korea respectively. It did not encounter any material problem in sourcing pharmaceutical products and medicine, skincare products or treatment consumables based on the needs of Medicskin Centres, did not experience any material delays in receiving supplies from suppliers that would have had material impact on our business, financial condition or results of operations.

Service and Product Responsibility

Pharmaceutical Handling & labelling

The Group has standard procedures for storage of pharmaceutical and skincare products. Labels of pharmaceutical products to customers must show name of customers, date of dispensing, name and address of the medical practitioner, name of medicine, dosage per unit, method and dosage of administration and precaution, where applicable.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Advertisement

During the year ended 31 March 2022, the Group complied with the Undesirable Medical Advertisements Ordinance (Chapter 231 of the Laws of Hong Kong) to protect public health without publication of advertisements for medicine, surgical appliance or treatment that may induce the seeking of improper management of certain health conditions. Information on advertisement is reviewed before publication to ensure that the advertisement has no misleading information. Patients can choose whether to receive updated healthcare news and promotions.

Health and safety

Quality and safety of the pharmaceutical products are ensured through certifications and qualifications from its suppliers.

All cleaning procedures, guidelines and quality requirements are standardised across the Group.

Our employees are trained in relation to the knowledge and practice of safety and hygiene from time to time.

All treatment devices used to perform treatments on clients are evaluated and assessed by the Group's medical practitioners, with reference to the medical practitioners' clinical knowledge and experience as well as by certain selection criteria including whether the devices are evidenced-based, i.e whether the use, effectiveness or technology of the devices are approved by national government agencies such as Food and Drug Administration of the US (FDA) or Ministry of Food and Drug Safety of Korea (MFDS) and/or supported by independent medical journals, to ensure that they are reliable and are capable of delivering desired outcomes and results of clients.

Customer Complaints

During the year ended 31 March 2022, we did not encounter any quality issue on our purchases nor receive any defective products that would have had material impact on our business, financial condition or results of operations. No products were subject to recalls for safety or health reasons. If any products from suppliers are subject to recall the Group will immediately remove the defective products from its operation upon notice from suppliers.

Due to the service nature of our business, we consider the receipt and consideration of customer's feedback are critical for the improvement of our services. Where a customer has made a complaint, our staff are required to follow standard policies and procedures to deal with such complaint.

Under our client feedback handling policy, unfavourable feedback is received from our clients either in person by our front-line staff members or via our customer suggestion boxes. The feedback will be recorded and referred to the relevant person-in-charge for further action and reply. If considered appropriate, we will take follow-up action(s) or timely remedial action(s) after our investigation, including offering a refund, re-treatment or exchange of products. Our management will discuss the feedback during regular meetings and we will promptly review the feedback and make necessary improvements if desirable.

During the Reporting Period, a total of 6 unfavourable feedback were received by the Group relating to products and services. All unfavourable feedback has been resolved.

Protecting Intellectual Property Rights

The Group owned and registered several trademarks and domain names in Hong Kong and Mainland China. During the Reporting Period, the Group had complied with the laws and regulations regarding intellectual property right in Hong Kong and Mainland China. A trademark register is maintained and updated by the legal and compliance officer of the Group on a regular basis, the register contains the details of the trademarks owned by the Group such as trademark number, expiry date and registration status etc.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Data Protection and Privacy

The Group has policy in place to provide adequate protection and confidentiality of all corporate data and information. Security measures are in place to ensure adequate protection and confidentiality of all corporate data and information. Information collected would only be used for the purpose for which it has been collected and clients would be told about how the data collected would be used in the Group's business. The Group prohibits the provision of client information to a third party without authorisation from the clients. Clients reserve the rights to review and revise their data, and also reserve the rights to opt out from any direct marketing activities. All collected personal data is treated confidentially, kept secure and accessible by designated personnel only. Through internal trainings and confidential agreements with employees, the Group emphasizes on confidentiality obligations and the legal consequences for the breaches of obligations. During the Reporting Period, the Group has complied with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Anti-corruption

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

Code of Conduct Policy

- Neither directors nor employees shall obtain or provide benefit to clients, contractors, suppliers or people with business relationship with the Group.
- Employees should avoid any conflict of interest situation, when actual or potential conflict of interest arises, the directors or employees shall make a declaration to the management.
- Accepting voluntary gifts must be declared. All directors and employees are required to strictly follow the "Gift and Entertainment Policy" and have to undergone the approval process as stipulated in that policy.

Whistleblowing Policy

The Whistleblowing Policy provides the necessary mechanism for employees who report misconduct within the organization. All cases will be investigated and followed by the legal and compliance officer of the Group and Company Secretary, they will then report the investigation result to the Chairman of Audit Committee. The Chairman of the Audit Committee is an independent non-executive Director. If the legal and compliance officer of the Group and Company Secretary are involved in the suspected misconduct, the whistleblower can report directly to the chief executive officer of the Company. All cases will be treated in a highly confidential manner and whistleblowers will be protected from unfair treatment. Whistleblowers can make a report verbally or in writing.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Purchasing and Stock Control Policies

- Preventing and managing possible abuse of power and authority, conflict of interest and bribery.

To facilitate enforcement of our anti-corruption policies, the Group has clear disciplinary procedures for employees who violate any establish procedures or other applicable laws or rules. Relevant directors and staff attended the anti-corruption training provided by Independent Committee Against Corruption of Hong Kong and the Group from time to time.

During the year ended 31 March 2022, the Group was in compliance with the Prevention of Bribery Ordinance (Cap. 201) and there were no legal cases regarding corrupt practices brought against the Group or its directors or employees.

Community Investment

The Group is fully aware of the importance of interacting with the wider community in fulfilling corporate social responsibility. In this aspect, the Group would explore the possibility to identify suitable partners and support community and environmental programmes that align with the Group's missions and values.

The Group has been supporting Medecins Sans Frontieres ("MSF") and placed MSF's donation boxes in the Group's Medicskin Centres to support MSF's worldwide relief work.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS AND COMPANY SECRETARY

Dr. Kong Kwok Leung (江覺亮), aged 68, is an executive Director, the chairman and chief executive officer of the Company as well as the founder of the Group. Dr. Kong is a person cohabiting as spouse with Ms. Tsui Kan, an executive Director. 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, a member of the Remuneration Committee and a director of certain subsidiaries of the Company. 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 four decades and has over 26 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 the first "Medicskin" branded medical skin care centre to provide skin treatment services.

Ms. Tsui Kan (徐勤), aged 38, is an executive Director and the vice-president of the Group. Ms. Tsui is a person cohabiting as spouse with Dr. Kong. She joined the Group in January 2016 and is responsible for overseeing the product development and marketing strategies of the Group. She is also a director of certain subsidiaries of the Company. Ms. Tsui obtained her bachelor's degree of Laws from Zhejiang University in June 2004.

Ms. Kong Chung Wai (江聰慧), aged 44, is an executive Director and the legal and compliance officer of the Group. Ms. Kong is the niece of Dr. Kong. 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 and a director of certain subsidiaries of the Company. 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 21 years of accounting, auditing and compliance experience.

Ms. Sin Chui Pik Christine (冼翠碧), aged 43, is an executive Director, the chief financial officer of the Group and the Company Secretary. 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. She is also a member of the Remuneration Committee and a director of certain subsidiaries of 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 20 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Cheong Tat (陳昌達), aged 72, 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. 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 32 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. He also serves as an independent non-executive director of the following listed companies in Hong Kong:

Name of company	Stock code	Date of appointment
Hyfusin Group Holdings Limited	8512	June 2018
Chong Fai Jewellery Group Holdings Company Limited	8537	March 2019
Accel Group Holdings Limited	1283	September 2019
Ye Xing Group Holdings Limited	1941	February 2020
Wasion Holdings Limited	3393	June 2020

He was an independent non-executive director of Guangdong Tannery Limited (stock code: 1058) from March 2006 to June 2020, Noble Jewelry Holdings Limited (currently known as Central Development Holdings Limited) (stock code: 475) from October 2006 to December 2011 and Man Sang International Limited (stock code: 938) from January 2015 to December 2016.

Mr. Lee Ka Lun (李家麟), aged 67, 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 26 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 was also 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 from July 2008 to January 2021. He also serves as an independent non-executive director of the following 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
Ever Harvest Group Holdings Limited	1549	June 2016
Best Mart 360 Holdings Limited	2360	December 2018

He was an independent non-executive director of Chong Hing Bank Limited (stock code: 1111) (which was delisted from the Stock Exchange in September 2021 following its privatization) from February 2014 to September 2021 and remains as a director of the bank.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Leung Siu Cheung (梁兆祥), aged 70, 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 38 years of professional experience in the legal field and his major area of practice is banking and finance, civil litigation and conveyancing.

SENIOR MANAGEMENT

Ms. Sze Betty Suet Ling (施雪玲), aged 42, 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 19 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.

INDEPENDENT AUDITOR'S REPORT



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Independent Auditor's Report to the Shareholders of Medicskin Holdings Limited

(incorporated in the Cayman Islands with limited liability)

OPINION

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 58 to 121, which comprise the consolidated statement of financial position as at 31 March 2022, and 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matter is that matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Recognition of revenue from provision of treatment services ("Treatment Service")

For the year ended 31 March 2022, the revenue of the Group amounted to approximately HK\$49,147,000. Out of this HK\$49,147,000, provision of Treatment Service is amounted to HK\$38,231,000. Treatment Service is recognised when services are rendered.

We have identified the recognition of revenue of Treatment Service as a key audit matter because revenue is one of the key performance indicators of the Group and because there is an inherent risk of manipulation of the timing of recognition of revenue by the management to meet specific targets or expectations.

Our audit procedures to address the matter included:

- understanding the key controls and management's process over the revenue recognition in respect of the application of HKFRS 15 Revenue from Contracts with Customers;
- Evaluating the terms set out in the contract signed with customers and inspecting supporting documents of customers' acceptance of contract terms on a sample basis;
- Checking the accuracy of revenue by agreeing the contract sums stipulated in the Treatment Service to the bank receipt records, the amount to billings issued to customers and the number and type of Treatment Service to utilisation records on a sample basis; and
- Assessing the appropriateness of the recognition of expiry of Treatment Service and recalculating the amount of revenue recognised from expiry of unutilised prepaid treatment packages as at the end of the reporting period.



INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

Moore Stephens CPA Limited
Certified Public Accountants

Law Yuen Man, Ida
Practising Certificate Number: P05878

Hong Kong, 20 June 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Revenue	5 & 6	49,147	41,713
Other income, gains and losses	7	1,175	4,117
Inventories used		(7,010)	(7,313)
Staff costs		(20,543)	(19,233)
Depreciation of right-of-use assets		(7,563)	(7,624)
Depreciation of property, plant and equipment		(2,168)	(2,190)
Other expenses		(8,221)	(7,665)
Interest expenses on lease liabilities		(396)	(491)
Profit before tax	10	4,421	1,314
Income tax (expense) credit	11	(276)	48
Profit for the year		4,145	1,362
Other comprehensive (loss) income for the year			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising from translation of foreign operations		(39)	57
		4,106	1,419
Profit for the year attributable to:			
Owners of the Company		3,922	953
Non-controlling interests		223	409
		4,145	1,362
Total comprehensive income attributable to:			
Owners of the Company		3,904	972
Non-controlling interests		202	447
		4,106	1,419
Profit per share, basic (HK cent)	13	0.99	0.23
Profit per share, diluted (HK cent)	13	0.99	0.23

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Non-current assets			
Right-of-use assets	14	18,897	6,196
Property, plant and equipment	15	5,249	5,255
Rental deposits	19	2,432	1,530
		26,578	12,981
Current assets			
Inventories	16	2,682	2,825
Financial assets at fair value through profit or loss ("FVTPL")	17	1,316	902
Trade receivables	18	294	321
Deposits and prepayments	19	926	2,100
Tax recoverable		–	32
Pledged bank deposits	20	10,715	10,253
Bank balances and cash	20	14,158	29,424
		30,091	45,857
Current liabilities			
Provision for reinstatement costs	21	100	300
Lease liabilities	14	6,739	6,058
Contract liabilities	22	19,683	27,537
Trade payables	23	246	643
Other payables and accrued liabilities	24	2,813	3,642
Tax payable		282	6
		29,863	38,186
Net current assets		228	7,671
Total assets less current liabilities		26,806	20,652
Non-current liabilities			
Provision for reinstatement costs	21	700	300
Lease liabilities	14	11,927	361
		12,627	661
Net assets		14,179	19,991



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	Notes	2022 HK\$'000	2021 <i>HK\$'000</i>
Capital and reserves			
Share capital	25	3,967	3,967
Reserves	26	13,464	19,478
<hr/>			
Equity attributable to owners of the Company		17,431	23,445
Non-controlling interests	35	(3,252)	(3,454)
<hr/>			
Total equity		14,179	19,991

The consolidated financial statements on pages 58 to 121 were approved and authorised for issue by the Board of Directors on 20 June 2022 and are signed on its behalf by:

Kong Kwok Leung
DIRECTOR

Tsui Kan
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2022

	Attributable to owners of the Company							Non-controlling interests	Total
	Share capital	Share premium	Share options reserve	Exchange reserve	(Accumulated losses)/ retained profits	Total			
	HK\$'000	HK\$'000 (Note 26)	HK\$'000 (Note 26)	HK\$'000 (Note 26)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2020	4,857	31,781	707	(19)	(1,838)	35,488	(5,087)	30,401	
Profit for the year	-	-	-	-	953	953	409	1,362	
Other comprehensive income for the year	-	-	-	19	-	19	38	57	
Total comprehensive income for the year	-	-	-	19	953	972	447	1,419	
Recognition of equity-settled share-based payments (Note 27)	-	-	26	-	-	26	-	26	
Repurchase of shares (Note 25)	(890)	(12,151)	-	-	-	(13,041)	-	(13,041)	
Disposal of a subsidiary (Note 29)	-	-	-	-	-	-	1,186	1,186	
At 31 March 2021	3,967	19,630	733	-	(885)	23,445	(3,454)	19,991	
Profit for the year	-	-	-	-	3,922	3,922	223	4,145	
Other comprehensive loss for the year	-	-	-	(18)	-	(18)	(21)	(39)	
Total comprehensive income for the year	-	-	-	(18)	3,922	3,904	202	4,106	
Dividend recognised as distribution (Note 12)	-	(9,918)	-	-	-	(9,918)	-	(9,918)	
As at 31 March 2022	3,967	9,712	733	(18)	3,037	17,431	(3,252)	14,179	

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2022

	Notes	2022 HK\$'000	2021 HK\$'000
OPERATING ACTIVITIES			
Profit before tax		4,421	1,314
Adjustments for:			
Interest expenses on lease liabilities		396	491
Interest income on bank deposits	7	(304)	(466)
Interest income on rental deposits	7	(142)	(142)
Share-based payment expenses	27	–	26
Depreciation of right-of-use assets	14	7,563	7,624
Depreciation of property, plant and equipment	15	2,168	2,190
Net unrealised foreign exchange gain		(546)	(465)
Allowance for expected credit loss (“ECL”) of trade receivables	7	4	–
Allowance for inventories	10	–	289
Gain on disposal of property, plant and equipment	7	–	(196)
Loss on write-off of property, plant and equipment	7	3	22
Net fair value changes in financial assets at FVTPL	7	(122)	106
Gain on disposal of financial assets at FVTPL	7	(3)	–
Gain on disposal of a subsidiary	29	–	(687)
Operating cash flows before movements in working capital		13,438	10,106
Decrease (increase) in inventories		143	(203)
Decrease in trade receivables		23	19
Decrease in deposits and prepayments		27	343
Purchase of financial assets at FVTPL		(388)	(1,008)
Proceeds from disposal of financial assets at FVTPL		99	–
(Decrease) increase in trade payables		(397)	251
(Decrease) increase in other payables and accrued liabilities		(829)	1,845
Decrease in contract liabilities		(7,854)	(2,343)
Cash generated from operations		4,262	9,010
Net income tax refunded		32	137
NET CASH FROM OPERATING ACTIVITIES		4,294	9,147
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,965)	(2,306)
Placement of pledged bank deposits		(159)	(227)
Proceeds from disposal of property, plant and equipment		–	200
Net proceeds from disposal of a subsidiary	29	–	213
Interest received		304	466
NET CASH USED IN INVESTING ACTIVITIES		(1,820)	(1,654)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2022

	<i>Notes</i>	2022 HK\$'000	2021 HK\$'000
FINANCING ACTIVITIES			
Repurchase of shares	25	–	(13,041)
Repayments of lease liabilities		(8,026)	(7,990)
Dividend paid	12	(9,918)	–
NET CASH USED IN FINANCING ACTIVITIES		(17,944)	(21,031)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(15,470)	(13,538)
Effect of foreign exchange rate changes, net		204	57
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		29,424	42,905
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY Bank balances and cash		14,158	29,424



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

1. GENERAL

The Company is a limited company incorporated in the Cayman Islands and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Its immediate and ultimate holding company is Topline Worldwide Limited, a company incorporated in the British Virgin Islands (“**BVI**”) with limited liability. Its ultimate controlling party is Dr. Kong Kwok Leung (“**Dr. Kong**”), who is also the Chairman, Chief Executive Officer and an executive director of the Company. 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. Details of the principal activities of its subsidiaries are set out in Note 34.

The functional currency of the Company is Hong Kong dollars (“**HK\$**”), which is the same as the presentation currency of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ²
Amendment to AG 5	Accounting Guideline 5 Merger Accounting for Common Control Combinations (Revised) ²

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 January 2022

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

The directors of the Company (the “**Directors**”) anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared in accordance with HKFRSs issued by HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical basis at the end of each reporting period except for the financial assets at fair value through profit or loss (“**FVTPL**”) which have been measured at fair value, as explained in the accounting policies set out below.

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

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

The principal accounting policies adopted are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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.

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

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities, assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangement of the acquiree or share-based payment arrangement of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amounts of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers

Under HKFRS 15 Revenue from Contracts with Customers (“**HKFRS 15**”), the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

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

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

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9 Financial Instruments (“**HKFRS 9**”). In contrast, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

Incremental costs of obtaining a contract

The Group recognises such costs (commission paid/payable to employees in connection with obtaining Prepaid Treatment Packages with customers) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. During the year ended 31 March 2022, incremental costs of obtaining contracts have had no material financial impact on the Group’s financial position and performance.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

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

Output method

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

Revenue from provision of medical consultation services ("**Medical Consultation Service**") is recognised when the related services are rendered. Payment of transaction price is due immediately after customer receives the service.

Revenue from provision of treatment services ("**Treatment Service**") is recognised over time using output method by reference to the progress towards complete satisfaction of relevant performance obligation. The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. Prepaid Treatment Packages are sold to customers and the receipts in respect of which are deferred and recognised as contract liabilities in the consolidated statement of financial position initially and subsequently recognised as revenue when the services are provided to customers. Customers may not exercise all of their contractual rights within the valid service periods. Those expected unexercised rights are referred to as "breakage". The expected unexercised rights on Treatment Service is recognised as revenue when the likelihood of the customer exercising its remaining rights become remote. Any contract liabilities outstanding at the expiry of Treatment Service period are fully recognised in profit or loss.

Revenue from provision of prescription and dispensing of medication and/or skincare products including sale of skin care products ("**Prescription and Dispensing Service**") is recognised when control of the goods has transferred, being at the point the customers takes possession of and accepts the medication and/or skincare products at the Group's service centres/upon delivery. Payment of transaction price is due immediately at the point the customer purchases the goods.

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.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to subsidy income from government for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Property, plant and equipment

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

Depreciation is recognised so as to write off the cost of assets 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.

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.

Reinstatement costs are provided for and included in property, plant and equipment and charged to profit or loss on a straight-line basis over the lease term.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment on 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 these 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.

The recoverable amount of tangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

Leases

Definition of a lease

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

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Short-term leases

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee *(Continued)*

Right-of-use assets

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

The cost of right-of-use asset includes:

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

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

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

Refundable rental deposits

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee *(Continued)*

Lease liabilities

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

The lease payments include:

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

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee *(Continued)*

Lease modifications

Except for COVID-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. 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.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into presentation currency (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (and attributed to non-controlling interests as appropriate).

Short-term employee benefits

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

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

Retirement benefits costs

Payments to defined contribution retirement benefit plans and state-managed retirement benefit 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

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 27 to the Group's consolidated financial statements.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of options expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. 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/loss 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 years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable 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 deferred assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled, 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 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, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Provisions

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

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

Financial instruments

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

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

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees 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 financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

Classification and subsequent measurement of financial assets

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term;
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or fair value through other comprehensive income (“**FVTOCI**”) as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

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

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

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of the reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the “other income, gains and losses” line item.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (Continued)

Amortised cost and interest income

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset (i.e. the gross carrying amount after deducting the impairment). If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Impairment of financial assets

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

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

The Group always recognise lifetime ECL for trade receivables. The ECL on these financial assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(i) Significant increase in credit risk

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

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

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

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

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

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

(iii) Credit-impaired financial assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

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

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

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

Debt and equity instruments 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.

Financial liabilities at amortised cost

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

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 sum of 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 have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Group's parent;

or

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

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependents of that person or that person's spouse or domestic partner.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. SIGNIFICANT JUDGEMENTS AND ESTIMATES

The preparation of the financial statements requires the directors of the Company to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

The directors of the Company have considered the development, selection and disclosure of the Group's critical accounting judgements and estimates.

Judgements

In the process of applying the Group's accounting policies, the directors of the Company have made the following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements:–

Determination on lease term of contracts with extension options

The Group applies judgement to determine the lease term for lease contracts in which it is a lessee that include extension option, specifically, the lease relating to office of the Group. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable. Leases are considered no longer enforceable when the Group as the lessee and the relevant lessor both have the right to terminate the lease without permission from the other party with no more than an insignificant contractual penalty.

The assessment of whether the Group is reasonably certain to exercise extension options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised. Re-assessment is performed upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the Group and that affects the assessment.

When assessing reasonable certainty, the Group considers all relevant facts and circumstances including economic incentives/penalties for not exercising the options as of 31 March 2022. Factors considered include:

- contractual terms and conditions for the optional periods compared with market rates (e.g. whether the amount of payments in the optional periods is below the market rates);
- the extent of leasehold improvements undertaken by Group; and
- costs relating to termination of the lease (e.g. relocation costs, costs of identifying another underlying asset suitable for the Group's needs).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

5. REVENUE

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

Disaggregation of revenue from contracts with customers:

	2022	2021
	HK\$'000	HK\$'000
Medical Consultation Service	1,121	1,121
Prescription and Dispensing Service	9,795	9,825
Treatment Service	38,231	30,767
	49,147	41,713

(a) Revenue from contracts with customers within the scope of HKFRS 15 by timing of revenue recognition:

	Medical Consultation Service		Prescription and Dispensing Service		Treatment Service		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At a point in time	–	–	9,795	9,825	–	–	9,795	9,825
Over time	1,121	1,121	–	–	38,231	30,767	39,352	31,888
	1,121	1,121	9,795	9,825	38,231	30,767	49,147	41,713

(b) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

As at 31 March 2022, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts was HK\$19,683,000 (2021: HK\$27,537,000). This amount represents revenue expected to be recognised in the future from contracts for Treatment Service entered into by the customers with the Group. The Group will recognise the expected revenue in future when or as the service is rendered, which is expected to occur over the next 12 to 36 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

6. SEGMENT INFORMATION

The Group's operating activities are attributable to a single operating segment focusing on Medical 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 3. Dr. Kong has been identified as the chief operating decision maker ("CODM"). The CODM reviews 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.

Geographical information

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

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

Information about major customers

During each of the years ended 31 March 2022 and 2021, there was no revenue from any customer who individually contributing over 10% of the total revenue of the Group.

7. OTHER INCOME, GAINS AND LOSSES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Government subsidies (<i>Note</i>)	–	2,285
Interest income on bank deposits	304	466
Interest income on rental deposits	142	142
Allowance for ECL of trade receivables	(4)	–
Net foreign exchange gain	542	465
Gain on disposal of property, plant and equipment	–	196
Loss on write-off of property, plant and equipment	(3)	(22)
Dividend income on financial assets at FVTPL	6	–
Net fair value changes in financial assets at FVTPL	122	(106)
Gain on disposal of financial assets at FVTPL	3	–
Gain on disposal of a subsidiary (<i>Note 29</i>)	–	687
Others	63	4
	1,175	4,117

Note: The government subsidies included both the Anti-epidemic Fund and Employment Support Scheme ("ESS") from the Government of the Hong Kong Special Administrative Region of the People's Republic of China (the "Government") to provide relief to the Group affected by COVID-19 pandemic. Under the ESS, the Group was required to undertake and warrant that the Group did not implement redundancies during the subsidy period and spent all the wages subsidies on paying wages to the employees. These conditions had been satisfied as of 31 March 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

8. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

	Executive Directors				Independent non-executive Directors			Total HK\$'000
	Dr. Kong HK\$'000	Ms. Tsui Kan HK\$'000	Ms. Kong Chung Wai HK\$'000	Ms. Sin Chui Pik Christine HK\$'000	Mr. Chan Cheong Tat HK\$'000	Mr. Lee Ka Lun HK\$'000	Mr. Leung Siu Cheung HK\$'000	
For the year ended 31 March 2022								
Fee	60	60	60	60	180	180	180	780
Other emoluments:								
Salaries	4,569	461	556	877	-	-	-	6,463
Performance bonus (Note)	1,329	74	48	72	-	-	-	1,523
Contributions to retirement benefits scheme	-	18	18	18	-	-	-	54
Total emoluments	5,958	613	682	1,027	180	180	180	8,820

	Executive Directors				Independent non-executive Directors			Total HK\$'000
	Dr. Kong HK\$'000	Ms. Tsui Kan HK\$'000	Ms. Kong Chung Wai HK\$'000	Ms. Sin Chui Pik Christine HK\$'000	Mr. Chan Cheong Tat HK\$'000	Mr. Lee Ka Lun HK\$'000	Mr. Leung Siu Cheung HK\$'000	
For the year ended 31 March 2021								
Fee	60	60	60	60	180	180	180	780
Other emoluments:								
Salaries	3,533	418	507	795	-	-	-	5,253
Performance bonus (Note)	1,144	42	-	-	-	-	-	1,186
Share-based payments (Note 27)	-	-	7	7	-	-	-	14
Contributions to retirement benefits scheme	-	18	18	18	-	-	-	54
Total emoluments	4,737	538	592	880	180	180	180	7,287

Notes: The performance bonuses are determined by reference to the performance of the individual Directors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

8. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

The executive Directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and its subsidiaries.

The independent non-executive Directors' emoluments shown above were for their services as Directors.

During each of the years ended 31 March 2022 and 2021, 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.

9. EMPLOYEES' EMOLUMENTS

The five highest paid employees of the Group during the year included three (2021: three) Directors, details of whose remuneration are set out in Note 8 above. Details of the remuneration for the year of the remaining two (2021: two) highest paid employees who are neither a Director nor the chief executive officer of the Company are as follows:

	2022	2021
	HK\$'000	HK\$'000
Salaries, allowances and other benefits	2,717	2,274
Performance bonus	1,026	310
Share-based payments	–	4
Contributions to retirement benefits scheme	36	36
	3,779	2,624

Their emoluments were within the following bands:

	2022	2021
	Number of individuals	Number of individuals
Nil to HK\$1,000,000	–	–
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$1,500,001 to HK\$2,000,000	–	1
HK\$2,000,001 to HK\$2,500,000	1	–

During each of the years ended 31 March 2022 and 2021, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

10. PROFIT BEFORE TAX

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit before tax has been arrived at after charging:		
Auditors' remuneration		
– current year	457	427
– underprovision in prior years	10	20
	467	447
Cost of inventories recognised as an expense	7,010	7,313
Allowance for inventories (included in cost of inventories)	–	289
Staff costs		
Directors' emoluments (Note 8)	8,820	7,287
Other staff costs		
– salaries, allowance and other benefits	11,330	11,573
– share-based payments (Note 27)	–	12
– contributions to retirement benefits schemes	393	361
	20,543	19,233
Depreciation		
– right-of-use assets (Note 14)	7,563	7,624
– property, plant and equipment (Note 15)	2,168	2,190
	9,731	9,814

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

11. INCOME TAX EXPENSE (CREDIT)

Under the two-tiered profits tax rates regime in Hong Kong, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

	2022	2021
	HK\$'000	HK\$'000
Income tax credit comprises of:		
Hong Kong Profits Tax		
Current year	274	–
Under (over) provision in prior years	2	(48)
	276	(48)

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and the subsidiaries are domiciled to the tax credit at the effective tax rate is as follows:

	2022	2021
	HK\$'000	HK\$'000
Profit before tax	4,421	1,314
Tax at applicable rates	729	217
Tax effect of expenses that are not deductible	336	316
Tax effect of income not taxable for tax purpose	(225)	(524)
Tax losses not recognised	3	346
Utilisation of tax losses previously not recognised	(442)	(216)
Tax effect of two-tiered tax rates	(165)	–
Under (over) provision in prior years	2	(48)
Tax effect of deductible temporary differences not recognised	38	(139)
Income tax expense (credit) for the year	276	(48)

As at 31 March 2022, the Group has unused tax losses of HK\$6,582,000 (2021: HK\$9,240,000) available for offset against future profits from certain subsidiaries. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams from these subsidiaries. The unrecognised tax losses may be carried forward indefinitely.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

12. DIVIDENDS

On 21 June 2021, the board of Directors (the “**Board**”) resolved to declare the payment of a special dividend of HK2.5 cents per share of the Company, amounting to HK\$9,918,000, which was distributed by the Company to the shareholders of the Company (the “**Shareholders**”) on 26 July 2021.

The Board does not recommend the payment of a final dividend for the year ended 31 March 2022 (2021: Nil).

13. EARNINGS PER SHARE

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

	2022	2021
	HK\$'000	HK\$'000
Profit for the purpose of calculating basic and diluted earnings per share (profit for the year attributable to owners of the Company)	3,922	953
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	396,736	421,223
Effect of diluting potential ordinary shares:		
Share options issued by the Company	–	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	396,736	421,223

For the years ended 31 March 2022 and 2021, the computation of diluted earnings per share does not assume the exercise of the Company's share options since their exercise price is higher than the average market prices for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

14. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

	Leased properties <i>HK\$'000</i>
COST	
At 1 April 2020	20,390
Additions	1,063
Derecognition upon expiry	(931)
<hr/>	
At 31 March 2021	20,522
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Additions	20,264
Derecognition upon expiry	(19,460)
<hr/>	
At 31 March 2022	21,326
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ACCUMULATED DEPRECIATION AND IMPAIRMENT	
At 1 April 2020	7,633
Provided for the year	7,624
Derecognition upon expiry	(931)
<hr/>	
At 31 March 2021	14,326
<hr/>	
Provided for the year	7,563
Derecognition upon expiry	(19,460)
<hr/>	
At 31 March 2022	2,429
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CARRYING VALUES	
At 31 March 2022	18,897
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At 31 March 2021	6,196
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

14. RIGHT-OF-USE ASSETS/LEASE LIABILITIES *(Continued)*

(i) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to the leases:

	2022 HK\$'000	2021 HK\$'000
Right-of-use assets		
Leased properties	18,897	6,196
Lease liabilities		
Within one year	6,739	6,058
Within a period of more than one year but not more than two years	6,705	361
Within a period of more than two years but not more than five years	5,222	—
	18,666	6,419
Less: portion classified as current liabilities	(6,739)	(6,058)
Non-current liabilities	11,927	361

(ii) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income

The consolidated statement of profit or loss and other comprehensive income shows the following amounts relating to leases:

	Note	2022 HK\$'000	2021 HK\$'000
Depreciation charges of right-of-use assets			
Leased properties	10	7,563	7,624
Interest expenses on lease liabilities		396	491
Expenses relating to short-term leases (included in other expenses)		56	150
		8,015	8,265

The total cash outflow lease rentals paid during the year ended 31 March 2022 was HK\$8,082,000 (2021: HK\$8,140,000). Amount includes payments of principal and interest portion of lease liabilities and short-term leases.

For both years, the Group leases various office premises and skin care centres for its operations. Lease contracts are entered into for fixed term of 12 months to 3 years. Lease terms are negotiated on an individual basis and contain different terms and conditions.

The Group regularly enters into short-term leases for certain office premises. As at 31 March 2022 and 2021, the portfolio of short-term leases was similar to the portfolio of short-term leases to which the short-term leases expense disclosed above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

14. RIGHT-OF-USE ASSETS/LEASE LIABILITIES (Continued)

(iii) Extension option

The Group has extension option in a lease for an office premise (2021: an office premise). This is used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The extension option held are exercisable only by the Group.

The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension option. The potential exposures to these future lease payments for extension option in which the Group is not reasonably certain to exercise is summarised below:

	Lease liabilities recognised as at 31 March 2022	Potential future lease payments not included in lease liabilities as at 31 March 2022	Lease liabilities recognised as at 31 March 2021	Potential future lease payments not included in lease liabilities as at 31 March 2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Office premise – Hong Kong	361	1,104	881	1,104

In addition, the Group reassesses whether it is reasonably certain to exercise an extension option upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the Group. During the year ended 31 March 2022, there is no such triggering event (2021: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Office equipment HK\$'000	Medical equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST					
At 1 April 2020	6,872	2,590	19,226	759	29,447
Additions	200	118	1,489	699	2,506
Disposal of a subsidiary (Note 29)	(667)	(16)	(236)	-	(919)
Disposals	-	(6)	-	(759)	(765)
Write-off	-	(45)	(827)	-	(872)
At 31 March 2021	6,405	2,641	19,652	699	29,397
Additions	200	165	1,800	-	2,165
Write-off	-	(157)	-	-	(157)
At 31 March 2022	6,605	2,649	21,452	699	31,405
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 April 2020	6,600	2,070	14,915	733	24,318
Provided for the year	232	228	1,588	142	2,190
Disposal of a subsidiary (Note 29)	(667)	(7)	(81)	-	(755)
Eliminated on disposals	-	(2)	-	(759)	(761)
Eliminated on write-off	-	(30)	(820)	-	(850)
At 31 March 2021	6,165	2,259	15,602	116	24,142
Provided for the year	170	154	1,704	140	2,168
Eliminated on write-off	-	(154)	-	-	(154)
At 31 March 2022	6,335	2,259	17,306	256	26,156
CARRYING VALUES					
At 31 March 2022	270	390	4,146	443	5,249
At 31 March 2021	240	382	4,050	583	5,255

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%
Medical equipment	20%
Motor vehicles	20%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

16. INVENTORIES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Medication and skincare products	1,273	1,733
Treatment consumables	1,409	1,092
	2,682	2,825

17. FINANCIAL ASSETS AT FVTPL

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Financial assets at FVTPL		
Listed equity securities held for trading	1,316	902

The fair values of listed securities are determined based on the quoted market bid prices available on the Stock Exchange at the end of the reporting period.

18. TRADE RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	298	321
Less: Allowance for ECL	(4)	–
	294	321

The customers 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 from a few days to 60 days after the trade date. Payments by customers 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 ECL presented based on the trade dates for the receivables from the customers settling payments by credit cards and EPS and invoice dates for the receivables from the customers and medical card issuing companies at the end of the reporting period, which approximate the respective revenue recognition dates.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0–30 days	273	302
31–60 days	–	6
61–90 days	21	13
	294	321

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

18. TRADE RECEIVABLES *(Continued)*

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 the reporting period and were due from debtors which do not have historical default of payments.

Movement in allowance for ECL

	2022 HK\$'000	2021 HK\$'000
Beginning of the year	–	–
Additions	4	–
<hr/>		
At the end of the year	4	–

During the years ended 31 March 2022, the Group made an allowance for ECL of HK\$4,000 (2021: Nil) 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 receivable from the date credit was initially granted up to the end of each reporting period. Management of the Group believes that no further provision for impairment is necessary in respect of the trade receivables as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

19. DEPOSITS AND PREPAYMENTS

Breakdown of deposits and prepayments

	2022 HK\$'000	2021 HK\$'000
Rental deposits	2,582	2,910
Other deposits	94	43
Prepayments	682	677
<hr/>		
Total deposits and prepayments	3,358	3,630
<hr/>		
	2022 HK\$'000	2021 HK\$'000
Analysed as: –		
Non-current portion	2,432	1,530
Current portion	926	2,100
<hr/>		
	3,358	3,630

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

20. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

Pledged bank deposits and 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 2022, the deposits carried an average effective interest rate of 1.13% (2021: 1.13%) per annum.

As at 31 March 2022, time deposits amounted to HK\$10,715,000 (2021: HK\$10,253,000) were pledged to a bank for card settlement services.

As the end of the reporting period, the bank balances and cash of the Group denominated in Renminbi (“RMB”) amounted to HK\$14,093,000 (2021: HK\$13,266,000). The RMB is not freely convertible into other currencies, however, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

21. PROVISION FOR REINSTATEMENT COSTS

	2022 HK\$'000	2021 HK\$'000
At 1 April	600	400
Provision during the year	200	200
<hr/>		
At 31 March	800	600
<hr/>		
Represented by:		
– Non-current	700	300
– Current	100	300
<hr/>		
	800	600
<hr/>		

Under the terms of operating leases in respect of properties entered into by the Group, the Group is required to reinstate the properties to the original physical conditions at the end of the respective leases. Provision is therefore made for the best estimate of the expected costs that related to the restoration of the alternations made to the properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

22. CONTRACT LIABILITIES

	2022 HK\$'000	2021 HK\$'000
Prepaid treatment packages (<i>Note</i>)	19,683	27,537

The following table shows movements in contract liabilities:

	HK\$'000
1 April 2020	31,341
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	(15,344)
Net increase in contract liabilities as a result of receiving deposits	11,540
31 March 2021	27,537
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	(23,025)
Net increase in contract liabilities as a result of receiving deposits	15,171
31 March 2022	19,683

Note: As customers are able to exercise their contractual rights in relation to these prepaid treatment packages at their discretion, the amount is presented as current liabilities in the consolidated statement of financial position.

23. 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:

	2022 HK\$'000	2021 HK\$'000
0–30 days	246	362
31–60 days	–	19
Over 90 days	–	262
	246	643

24. OTHER PAYABLES AND ACCRUED LIABILITIES

	2022 HK\$'000	2021 HK\$'000
Other payables	14	25
Accrued staff costs	1,122	2,429
Other accruals	1,677	1,188
	2,813	3,642

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

25. SHARE CAPITAL

The share capital at 31 March 2022 and 2021 represented the issued share capital of the Company as detailed below:

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2020, 31 March 2021 and 2022	1,000,000,000	10,000
Issued:		
As at 1 April 2020	485,736,000	4,857
Repurchase of shares (<i>Notes a & b</i>)	(89,000,000)	(890)
At 31 March 2021 and 2022	396,736,000	3,967

Notes:

- (a) On 19 March 2020, the Company entered into a share buy-back agreement (the “**Share Buy-back Agreement**”) with Rich Unicorn Holdings Limited (“**Rich Unicorn**”) pursuant to which Rich Unicorn had agreed to sell, and the Company had agreed to repurchase for cancellation, a total of 80,000,000 ordinary shares of the Company (the “**Buy-back Shares**”) at the total consideration of HK\$10,000,000, equivalent to HK\$0.125 per share. All conditions under the Share Buy-back Agreement had been fulfilled and completion took place on 9 June 2020. The Buy-back Shares had been cancelled by the Company on 16 June 2020. Details of the share buy-back are set out in the Company’s announcement dated 19 March 2020 and the Company’s circular dated 8 May 2020 respectively.
- (b) During the year ended 31 March 2021, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares repurchased	Consideration per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
2020				
July	188,000	0.145	0.145	27
November	1,780,000	0.193	0.182	331
December	2,740,000	0.220	0.195	554
2021				
January	1,020,000	0.260	0.240	261
February	1,400,000	0.265	0.250	361
March	1,872,000	0.265	0.248	482
	9,000,000			2,016

The repurchased shares had been cancelled as at 31 March 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

26. RESERVES

(a) Movements in components of equity

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 61 of the consolidated financial statements.

(b) Nature and purpose of Group's reserves

(i) *Share premium*

Share premium account represents the excess of the proceeds received over the nominal value of the Company's shares issued.

(ii) *Share option reserve*

The share option reserve represents the share-based payment reserves with respect to share options granted by the Company.

(iii) *Exchange reserve*

The exchange reserve represents the exchange differences relating to the translation of the net assets of the Group's foreign operations from its functional currency to the Group's presentation currency in Hong Kong dollars. The exchange differences are recognised directly in other comprehensive income and accumulated in the exchange reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

27. SHARE-BASED PAYMENT TRANSACTIONS

Share Option Scheme

The Company adopted a share option scheme (“**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 Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at the date of Listing, without prior approval from the Shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Shareholders. Options granted to a Director, chief executive or substantial Shareholder (or any of their respective associates) of the Company shall not be valid unless it has been approved by the independent non-executive Directors, excluding any independent non-executive Director who is a prospective grantee of the option. Options granted to substantial Shareholders or independent non-executive Directors in excess of 0.1% of the Company’s share capital or with a value in excess of HK\$5 million must be approved in advance by the Shareholders.

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 ten years after the date of adoption of the Share Option Scheme. A consideration of HK\$1.00 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.

The exercise price is determined by the Directors, and will not be less than the higher of (i) the closing price of the Company’s shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company’s share.

A summary of the share options granted under the Share Option Scheme are as follows:

Type of Participants	Grant date	Exercise price per share	Vesting period	Exercise period	Number of share options outstanding at 1.4.2020, 31.3.2021 and 2022
Directors	15.08.2018	0.433	N/A	15.08.2018 – 14.08.2022	1,000,000
	15.08.2018	0.433	15.08.2018 – 14.08.2019	15.08.2019 – 14.08.2022	1,400,000
	15.08.2018	0.433	15.08.2018 – 14.08.2020	15.08.2020 – 14.08.2022	400,000
Employees	15.08.2018	0.433	N/A	15.08.2018 – 14.08.2022	300,000
	15.08.2018	0.433	15.08.2018 – 14.08.2019	15.08.2019 – 14.08.2022	600,000
	15.08.2018	0.433	15.08.2018 – 14.08.2020	15.08.2020 – 14.08.2022	300,000
					4,000,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

27. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Share Option Scheme *(Continued)*

On 15 August 2018, an aggregate of 4,000,000 share options were granted to certain Directors and certain employees of the Group. The closing price of the shares as stated in the Stock Exchange's daily quotations sheet immediately before the date on which the options are granted (i.e. 14 August 2018) was HK\$0.360. The granted share options are vested over the relevant vesting periods commencing from 15 August 2018 to 14 August 2020.

The estimated fair value of the share options granted on 15 August 2018 was HK\$733,000. The fair value was calculated using the binomial option pricing model.

The inputs into the model were as follows:

	15 August 2018
Closing share price at date of grant	HK\$0.360
Exercise price	HK\$0.433
Option life	4 years
Expected volatility	85.03%
Dividend yield	0.417%
Risk free interest rate	1.962%

The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimates. Changes in variables and assumptions may result in changes in the fair value of the options. Expected volatility was determined by historical daily volatilities of the Company's share prices as at the valuation date.

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For the year ended 31 March 2022

27. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Share Option Scheme *(Continued)*

Share option outstanding under Share Option Scheme is presented in the table below:

	2022		2021	
	No. of shares	Weighted average exercise price	No. of shares	Weighted average exercise price
At 1 April and 31 March	4,000,000	HK\$0.433	4,000,000	HK\$0.433
Exercisable at the year end date	4,000,000	HK\$0.433	4,000,000	HK\$0.433

During the year ended 31 March 2022, the Group did not recognise any expense in the consolidated statement of profit or loss and other comprehensive income in relation to share options granted by the Company (2021: HK\$26,000).

No share options were exercised, cancelled or lapsed during the years ended 31 March 2022 and 2021. As at the date of this report, there were 4,000,000 outstanding share options in aggregate which have vested and are issuable for 4,000,000 ordinary shares of the Company under the Share Option Scheme.

28. 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\$1,500 per employee, while an employee can contribute more than HK\$1,500 per month if the employee is willing to do so.

For the year ended 31 March 2022, the total cost of HK\$447,000 (2021: HK\$415,000) 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. There was no forfeited contribution throughout the year ended in 31 March 2022 (2021: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

29. DISPOSAL OF A SUBSIDIARY

On 15 May 2020, the Group entered into a sale and purchase agreement (“**S&P Agreement**”) with an independent third party, pursuant to which the Group had agreed to sell its 51% equity interest in an indirectly held subsidiary of the Company, Success Guide Limited (“**Success Guide**”), the holding company of MS Medicspa Limited (“**MS Medicspa**”) which is engaged in the provision of beauty spa services, and the independent third party had agreed to acquire the same for a consideration of HK\$216,000 (being consideration of HK\$60,000 adjusted by the unaudited value of certain assets of Success Guide as at 1 June 2020 in accordance with the terms of the S&P Agreement). The transaction was completed on 1 June 2020.

	2021 HK\$'000
Consideration received:	
Cash	216

Assets and liabilities at the date of disposal were as follows:

	2021 HK\$'000
Cash	3
Property, plant and equipment	164
Inventories	18
Trade receivables	32
Deposits and prepayments	323
Accrued liabilities	(1)
Amount due to a non-controlling shareholder of a subsidiary	(735)
Contract liabilities	(1,461)
Non-controlling interests	1,186
Net liabilities disposed	(471)
Gain on disposal	687

The gain on disposal of subsidiary is included in “other income, gains and losses” in the consolidated statement of profit or loss and other comprehensive income.

Net cash inflow arising from the disposal:

	2021 HK\$'000
Cash consideration received	216
Cash and cash equivalents disposed of	(3)
Net inflow of cash and cash equivalents included in cash flows from investing activities	213

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For the year ended 31 March 2022

30. COMMITMENTS

Capital commitment

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Capital expenditure contracted for but not provided for in the consolidated financial statements in respect of capital contribution to subsidiaries	559	548

31. 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 during the year.

The existing capital structure of the Group consists of 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.

32. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<i>Financial assets</i>		
Amortised cost	27,843	42,951
Financial assets at FVTPL	1,316	902
	29,159	43,853
<i>Financial liabilities</i>		
Amortised cost	18,926	7,087

Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, deposits, pledged bank deposits, bank balances and cash, trade payables, other payables and lease liabilities. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (foreign currency risk and interest rate risk), credit risk, liquidity risk and equity price risk. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

32. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group is exposed to foreign currency risk related primarily to cash and cash equivalents that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily RMB. The Group does not hold or issue any derivative financial instruments for trading purposes or to hedge against fluctuations in foreign exchange rates.

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised monetary assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2022	2021
	HK\$'000	HK\$'000
Bank balances and cash in RMB	13,927	13,091

As at 31 March 2022, if the HK\$ had weakened/strengthened 10% against the RMB with all other variables held constant, the Group's profit after tax for the year would have been HK\$1,163,000 (2021: HK\$1,093,000) higher/lower.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to floating-rate bank balances (see Note 20 for details of these bank balances).

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.

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 years ended 31 March 2022 and 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

32. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment

At the end of the reporting period, 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 credit quality 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. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 Financial Instruments on trade balances individually or based on provision matrix. For trade receivables with gross carrying amount of HK\$298,000 (2021: HK\$321,000), the Group has applied the simplified approach under HKFRS 9 to measure the loss allowance at lifetime ECL. No trade receivables at 31 March 2022 and 2021 is identified as credit-impaired based on historical credit loss experience adjusted by forward-looking estimates without undue cost or effort. The Group considered that the counterparties have a low risk of default and do not have any material past-due amounts because the counterparties are banks and financial institutions with high credit ratings assigned by international credit-rating agencies. The Group made an allowance for ECL for trade receivables of HK\$4,000 during the year ended 31 March 2022 (2021: Nil).

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

2022

	Expected loss rate	Gross carrying amount HK\$'000	Loss allowance HK\$'000
Current (not past due)	0%	294	–
More than 6 months past due	100%	4	(4)
		298	(4)

2021

	Expected loss rate	Gross carrying amount HK\$'000	Loss allowance HK\$'000
Current (not past due)	0%	321	–

Expected loss rates are based on actual loss experience. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

32. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The credit risk of deposits are managed through an internal process. The Group also actively monitors the outstanding amounts owed by each debtor and identifies any credit risks in a timely manner in order to reduce the risk of a credit loss. The Group performs impairment assessment under ECL model upon application of HKFRS 9 on these outstanding balance.

For deposits with gross carrying amount of HK\$2,676,000 (2021: HK\$2,953,000), the Group measures the loss allowance at 12m ECL. There has been no significant increase in credit risk since initial recognition. The balances are monitored on an ongoing basis and the Group's exposure to ECL is not significant since the Group trades only with recognised and creditworthy third parties.

Where applicable, an impairment analysis on deposits is performed at each reporting date by considering the probability of default of comparable companies with published credit ratings, if any. In the situation where no comparable companies with credit ratings can be identified, ECL are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. As at 31 March 2022 and 2021, the Group has not provided ECL for deposits due to its immaterial effect to the consolidated financial statements as a whole.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

32. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

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.

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.

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 within 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at the end of the reporting date HK\$'000
At 31 March 2022					
Non-derivative financial liabilities					
Trade payables	N/A	246	–	246	246
Other payables	N/A	14	–	14	14
Lease liabilities	5.13%	7,517	12,491	20,008	18,666
		7,777	12,491	20,268	18,926
At 31 March 2021					
Non-derivative financial liabilities					
Trade payables	N/A	643	–	643	643
Other payables	N/A	25	–	25	25
Lease liabilities	5.13%	6,217	368	6,585	6,419
		6,885	368	7,253	7,087

Equity price risk

The Group is exposed to equity price risk through its investments in listed equity securities classified as financial assets at FVTPL. The Directors manage this exposure by closely monitor the risk of the investments. At the end of the reporting period, the exposure to listed equity securities at fair value was HK\$1,316,000 (2021: HK\$902,000). A decrease of 10% on share prices would have an impact of approximately HK\$110,000 (2021: HK\$75,000) on the Group's profit after tax.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

32. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Fair value measurements of financial instruments

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value as at 31.3.2022 HK\$'000	Fair value as at 31.3.2021 HK\$'000	Fair value hierarchy	Valuation techniques and key input(s)
Financial assets at FVTPL – Listed equity investments	1,316	902	Level 1	Quoted bid prices in an active market

There were no transfers amongst Level 1, Level 2 and Level 3 in the reporting period.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

33. RELATED PARTY TRANSACTIONS

(a) Transactions

During the years ended 31 March 2022 and 2021, the Group did not entered into any transactions with related parties.

(b) Outstanding balances

As at 31 March 2022 and 2021, the Group had no outstanding balance with related parties.

(c) Compensation of key management personnel

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Short-term benefits	9,208	7,588
Post-employment benefits	71	71
	<hr/> 9,279	<hr/> 7,659

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 2022

34. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries of the Company at 31 March 2022 and 2021 are as follows:

Name of subsidiary	Date and place of incorporation/ establishment	Principal country of operation	Type of legal entity	Issued and fully paid up share capital/ registered capital	Proportion of nominal value of share capital/registered capital held by the Company				Principal activities
					Directly		Indirectly		
					2022	2021	2022	2021	
Multiple Profit Enterprise Limited ("Multiple Profit")	1 February 2012 BVI	Hong Kong	BVI business company	Ordinary share US\$1	100%	100%	-	-	Investment holding
Medicskin Laboratories Limited ("Medicskin Laboratories")	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%	100%	-	-	Investment holding
Beauty Choice Investment Limited	19 September 2014 Hong Kong	Hong Kong	Private limited company	Ordinary share HK\$1	-	-	100%	100%	Sale of skincare products
Active Turemark Limited	22 April 2015 BVI	Hong Kong	BVI business company	Ordinary share US\$1	100%	100%	-	-	Investment holding
Amazing Queen Limited	30 January 2015 Hong Kong	Hong Kong	Private limited company	Ordinary share HK\$1	-	-	100%	100%	Investment holding
Internet Plus Beauty (Shenzhen) Trading Company Limited ("Internet Plus")	19 August 2015 Shenzhen	People's Republic of China ("PRC")	Wholly foreign owned enterprise	RMB500,000*	-	-	100%	100%	Sale of skincare products
High Rank Ventures Limited	1 July 2015 BVI	Hong Kong	BVI business company	Ordinary share US\$1	100%	100%	-	-	Investment holding
Hong Kong Precision and Preventive Medicine Centre Limited	31 March 2017 Hong Kong	Hong Kong	Private limited company	Ordinary share HK\$1	-	-	100%	100%	Provision of medical consultancy services

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For the year ended 31 March 2022

34. PARTICULARS OF SUBSIDIARIES (Continued)

Particulars of the subsidiaries of the Company at 31 March 2022 and 2021 are as follows:

Name of subsidiary	Date and place of incorporation/ establishment	Principal country of operation	Type of legal entity	Issued and fully paid up share capital/ registered capital	Proportion of nominal value of share capital/registered capital held by the Company				Principal activities
					Directly		Indirectly		
					2022	2021	2022	2021	
Right Success Investment Development Limited	18 September 2017 BVI	Hong Kong	BVI business company	Ordinary share US\$1	100%	100%	-	-	Investment holding
Rightway Honour Holdings Limited ("Rightway Honour")	18 September 2017 BVI	Hong Kong	BVI business company	Ordinary share US\$200,000	-	-	51%	51%	Investment holding
Ray Lui's Anti-aging & Health Management Centre Limited	9 October 2017 Hong Kong	Hong Kong	Private limited Company	Ordinary share HK\$100	-	-	51%	51%	Provision of skin care and health management services
Wealthy Plenty Limited	19 September 2017 Hong Kong	Hong Kong	BVI business company	Ordinary share US\$1	100%	100%	-	-	Investment holding
偉之健抗衰老健康管理(廣州)有限公司	1 June 2018 Guangzhou	PRC	Wholly foreign owned enterprise	HK\$1,500,000*	-	-	51%	51%	Sale of skincare products

* As at 31 March 2022, registered capital of RMB291,000 (2021: RMB291,000) was paid. The Group is required to pay the registered capital up to RMB500,000 on or before 19 August 2045.

As at 31 March 2022, registered capital of HK\$1,200,000 (2021: HK\$1,200,000) was paid. The Group is required to pay the registered capital up to HK\$1,500,000 on or before 30 April 2038.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

35. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Total comprehensive income allocated to non-controlling interests		Non-controlling interests	
		2022	2021	2022	2021	2022	2021
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Rightway Honour and its subsidiaries	Hong Kong	49%	49%	202	516	(3,252)	(3,454)
Individual immaterial subsidiaries with non-controlling interests						-	-
						(3,252)	(3,454)

Summarised financial information in respect of the Group's subsidiaries that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Rightway Honour and its subsidiaries

	2022 HK\$'000	2021 HK\$'000
Current assets	284	292
Non-current assets	10	17
Current liabilities	(6,930)	(7,357)
Equity attributable to owners of the Company	(3,384)	(3,594)
Non-controlling interests	(3,252)	(3,454)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

35. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS *(Continued)* Rightway Honour and its subsidiaries *(Continued)*

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	592	1,485
Expenses	(136)	(509)
Profit for the year	456	976
Other comprehensive (loss) income for the year <i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising from translation of a foreign operation	(43)	78
	413	1,054
Profit attributable to		
– owners of the Company	233	498
– non-controlling interests	223	478
Profit for the year	456	976
Total comprehensive income attributable to		
– owners of the Company	211	538
– non-controlling interests	202	516
	413	1,054
Net cash outflow from operating activities	(16)	(177)
Net cash (outflow) inflow from investing activities	(2)	72
Net cash inflow from financing activities	29	85
Net cash inflow (outflow)	11	(20)

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36. CASH FLOW INFORMATION

Reconciliation of liabilities from financing activities

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

	Amount due to a non- controlling shareholder of a subsidiary <i>HK\$'000</i>	Lease liabilities <i>HK\$'000</i> (Note 14)	Total <i>HK\$'000</i>
At 1 April 2020	735	12,870	13,605
Changes from financing cash flows:			
Capital elements of lease rentals paid	–	(7,499)	(7,499)
Interest elements of lease rentals paid	–	(491)	(491)
Total change from financing cash flows	–	(7,990)	(7,990)
Other changes:			
Interest expenses (Note 14(ii))	–	491	491
Disposal of a subsidiary (Note 29)	(735)	–	(735)
Recognition of lease liabilities	–	1,048	1,048
Total other changes	(735)	1,539	804
At 31 March 2021	–	6,419	6,419
Changes from financing cash flows:			
Capital elements of lease rentals paid	–	(7,630)	(7,630)
Interest elements of lease rentals paid	–	(396)	(396)
Total change from financing cash flows	–	(8,026)	(8,026)
Other changes:			
Interest expenses (Note 14 (ii))	–	396	396
Recognition of lease liabilities	–	19,877	19,877
Total other changes	–	20,273	20,273
At 31 March 2022	–	18,666	18,666

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

37. EVENTS AFTER THE REPORTING PERIOD

There was no significant event occurred after the reporting period.

38. STATEMENT OF FINANCIAL POSITION OF AND RESERVES OF THE COMPANY

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets		
Interests in subsidiaries	3,980	6,737
Amounts due from subsidiaries	–	7,818
	3,980	14,555
Current assets		
Financial assets at FVTPL	1,037	902
Deposits and prepayments	103	136
Amounts due from subsidiaries	8,667	6,142
Bank balances	470	1,123
	10,277	8,303
Current liabilities		
Accrued liabilities	225	108
Net current assets	10,052	8,195
Total assets less current liabilities	14,032	22,750
Capital and reserves		
Share capital	3,967	3,967
Reserves	10,065	18,783
Total equity	14,032	22,750

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For the year ended 31 March 2022

38. STATEMENT OF FINANCIAL POSITION OF AND RESERVES OF THE COMPANY

(Continued)

Movement in reserves

	Share premium <i>HK\$'000</i> <i>(Note 26)</i>	Accumulated losses <i>HK\$'000</i>	Share options reserve <i>HK\$'000</i> <i>(Note 26)</i>	Other reserve <i>HK\$'000</i> <i>(Note)</i>	Total <i>HK\$'000</i>
At 1 April 2020	31,781	(2,729)	707	2,461	32,220
Loss for the year	-	(1,312)	-	-	(1,312)
Recognition of equity-settled share-based payments <i>(Note 27)</i>	-	-	26	-	26
Repurchase of shares	(12,151)	-	-	-	(12,151)
At 31 March 2021	19,630	(4,041)	733	2,461	18,783
Profit for the year	-	1,200	-	-	1,200
Dividends recognised as distribution <i>(Note 12)</i>	(9,918)	-	-	-	(9,918)
At 31 March 2022	9,712	(2,841)	733	2,461	10,065

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				
	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
RESULTS					
Revenue	49,147	41,713	48,046	51,449	57,793
Profit (loss) before tax	4,421	1,314	(5,313)	(8,727)	3,528
Income tax (expense) credit	(276)	48	(86)	(177)	(1,241)
Profit (loss) for the year	4,145	1,362	(5,399)	(8,904)	2,287
Profit (loss) for the year attributable to:					
Owners of the Company	3,922	953	(3,237)	(5,480)	2,533
Non-controlling interests	223	409	(2,162)	(3,424)	(246)
	4,145	1,362	(5,399)	(8,904)	2,287
As at 31 March					
	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
ASSETS AND LIABILITIES					
Total assets	56,669	58,838	77,943	88,313	79,989
Total liabilities	(42,490)	(38,847)	(47,542)	(33,224)	(18,901)
	14,179	19,991	30,401	55,089	61,088
Total equity attributable to:					
Owners of the Company	17,431	23,445	35,488	57,982	60,569
Non-controlling interests	(3,252)	(3,454)	(5,087)	(2,893)	519
	14,179	19,991	30,401	55,089	61,088