

MEDIC SKIN

MEDICSKIN HOLDINGS LIMITED

密迪斯肌控股有限公司

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE : 8307

2023 / 2024 ANNUAL REPORT 年報



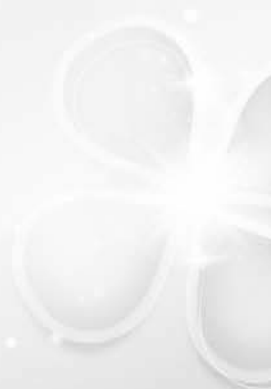
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*This report, for which the directors (the “**Directors**”) of Medicskin Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (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. Leung Siu Cheung

Mr. Lui Sze On

BOARD COMMITTEES

Audit Committee

Mr. Chan Cheong Tat (*Chairman*)

Mr. Leung Siu Cheung

Mr. Lui Sze On

Remuneration Committee

Mr. Leung Siu Cheung (*Chairman*)

Dr. Kong Kwok Leung

Ms. Sin Chui Pik Christine

Mr. Chan Cheong Tat

Mr. Lui Sze On

Nomination Committee

Dr. Kong Kwok Leung (*Chairman*)

Ms. Kong Chung Wai

Mr. Chan Cheong Tat

Mr. Leung Siu Cheung

Mr. Lui Sze On

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 Bank of East Asia Limited
10 Des Voeux Road Central
Hong Kong

REGISTERED OFFICE

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

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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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
17th Floor
Far East Financial Centre
16 Harcourt Road
Hong Kong

AUDITOR

Grant Thornton Hong Kong Limited
11th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay
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 2024 to you.

While the pandemic has receded, the past year has nonetheless been a challenging one for the Group. Reflecting on the financial year 2023/24, we saw a gradual recovery in our business operations following the easing of COVID-19 restrictions and the reopening of borders between Hong Kong and Mainland China. During the first half of the year, we recorded a rebound in revenue, achieving over 20% growth. However, this momentum later slowed, and the growth rate eventually moderated. Nevertheless, the Group still managed to deliver a 7.9% increase in full-year revenue.

The slowdown in the Chinese economy, along with high interest rates and a sluggish local property and stock market, has significantly dampened business confidence. Additionally, the growing preference among the local population for overseas travel and spending in the Greater Bay Area, combined with the slower-than-expected recovery in visitor numbers, has further contributed to this decline in confidence. Consequently, we have observed a more cautious approach to consumer spending and weakening in consumer sentiment, both of which have had a detrimental impact on our industry.

Besides, we continue to face intense competition within the sector, along with rising operating costs. However, we remain steadfast in our commitment to maintaining the standard and competitiveness of our services and products in the industry. During the year under review, the Group diligently procured evidence-based and effective medical skin care treatment devices and products to ensure its services offerings are reliable and capable of delivering desired outcomes and results to our clients. Our unwavering commitment to sourcing the world's top evidence-based treatments remains a priority. By consistently to introduce these cutting-edge solutions to our customers, we aim to uphold our reputation as a top-tier service provider in the industry. To effectively manage the challenges we are facing, we have implemented cost-saving measures and strengthened operational efficiency to improve the performance of the Group.

During the year under review, revenue of the Group amounted to HK\$49.1 million, representing an increase of 7.9% from HK\$45.5 million of the preceding financial year. The Group recorded a loss attributable to owners of the Company of HK\$3.0 million for the year ended 31 March 2024, representing a decrease of HK\$0.5 million, or 13.8%, from that of HK\$3.5 million (as restated) for the year ended 31 March 2023. Basic loss per share for the year was HK0.77 cent, representing a decrease of 13.5% from that of HK0.89 cent (as restated) for last year.

As a trustworthy, reliable and quality skin care service provider, we understand the importance of adapting to the changing market conditions. We will continue to explore ways to strengthen our competitive edge, while maintaining our focus on delivering exceptional value to our clients. We remain committed to exploring and launching new types of services and products; growing the presence of our existing business; and identifying new business opportunities, in order to create value to both our clients and the shareholders of the Company ("**Shareholders**").

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.

Dr. Kong Kwok Leung

Chairman

Hong Kong, 19 June 2024

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)**") and one "facematter" branded medical aesthetics centre, 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.

During previous financial year, the Group's business was still impacted by the COVID-19 pandemic. Following the lifting of all COVID-related restrictions and reopening of borders between Hong Kong and Mainland China during the year under review, the economy of Hong Kong was gradually recovering. Nevertheless, the threat of increasing interest rates and high inflation combined with recession fears weakened consumer sentiment and the Group continued to face intense competition in the industry and rising operating costs. In response, the Group has implemented cost-saving measures and strengthened operational efficiency to improve its performance.

During the year under review, the Group continuously performed market research on the development of, and evaluated the effects of the latest products, skills and treatment devices and technology in the market, and introduced new treatments including "EMFACE® Submentum" treatment and "SYLFIRM X™" treatment. EMFACE® Submentum is the only non-invasive solution to target every layer from muscle to skin to reduce your double chin. EMFACE® is the first procedure to apply patented combination of synchronized radiofrequency (RF) and the HIFES™ muscle stimulation. Stimulation of submental tissues together with radiofrequency heating results in an overall aesthetic improvement of the submental area. Sylfirm X is the world's first and only FDA cleared dual wave RF microneedling system. Unlike the conventional RF microneedling system that only comes with continuous waves (CW), the Sylfirm X also equipped with pulse waves (PW) system for treating pigmented and vascular lesions, such as melasma and rosacea, as well as CW mode targeting skin rejuvenation, tightening, lifting and scar treatments. SYLFIRM X adopted bipolar non-insulated microneedle electrodes to cover all dermal layers with uniform electric field and maximize the treatment result.

MANAGEMENT DISCUSSION AND ANALYSIS

As a result of improvement in local consumer sentiment in 2023, the revenue of the Group for the year ended 31 March 2024 increased by HK\$3.6 million, or 7.9%, to HK\$49.1 million, when compared to the year ended 31 March 2023. The revenue of Medical Consultation Service, Prescription and Dispensing Service and Treatment Service amounted to HK\$1.1 million, HK\$9.4 million and HK\$38.6 million which accounted for 2.3%, 19.2%, and 78.5% of the total revenue of the Group respectively.

The Group recorded a loss attributable to owners of the Company of HK\$3.0 million for the year ended 31 March 2024, representing a decrease of HK\$0.5 million, or 13.8%, from that of HK\$3.5 million (as restated) for the year ended 31 March 2023. The decrease in loss was mainly due to the catch-up adjustment related to the recognition of staff costs of HK\$0.7 million in the consolidated statement of profit or loss for the year ended 31 March 2023, while the staff costs associated with the long service payment (“LSP”) obligations recognised for the year ended 31 March 2024 amounted to \$0.1 million. This adjustment was a result of the change in accounting policy regarding the Group’s LSP obligations following the publication of the “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). For more details, please refer to note 2 to the consolidated financial statements. Basic loss per share for the year was HK0.77 cent, representing a decrease of 13.5% from that of HK0.89 cent (as restated) for last year.

Excluding the impact of the change in accounting policy as stated in note 2 to the consolidated financial statements, the Group recorded a loss attributable to owners of the Company of HK\$3.0 million for the years ended 31 March 2024 and 2023 respectively. An increase in revenue of the Group for the year ended 31 March 2024 as compared to last year of HK\$3.6 million and a decrease in foreign exchange loss arising from translation of bank deposits denominated in Renminbi (“RMB”) of HK\$1.0 million were recorded, however they were accompanied by a corresponding rise in operating costs, including inventory costs, staff costs and other expenses of HK\$4.3 million in aggregate.

OUTLOOK

Looking ahead, our business operations are expected to continue facing headwinds from the unfavorable economic climate. Management has carefully deliberated on the appropriate strategies to navigate the future changes and challenges. We will remain vigilant and adaptive, actively monitoring the evolving market conditions and implementing timely adjustments to our approach. Leveraging on an established customer base and renowned reputation in the industry, 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\$3.6 million, or 7.9%, from HK\$45.5 million for the year ended 31 March 2023 to HK\$49.1 million for the year ended 31 March 2024. The increase was primarily attributable to the improvement in local customer sentiment in 2023 following the lifting of all COVID-related restrictions and reopening of Mainland China borders with Hong Kong.

Other income, gains and losses

Net other income and gains increased by HK\$0.5 million, or 106.4%, from HK\$0.5 million for the year ended 31 March 2023 to HK\$1.0 million for the year ended 31 March 2024. The increase was primarily attributable to the net effect of (i) the decrease in net foreign exchange loss arising from translation of bank deposits denominated in RMB of HK\$1.0 million; and (ii) the absence of subsidies received from the Hong Kong SAR Government (the “Government”) of HK\$0.8 million during the year ended 31 March 2024.

Inventories used

The Group’s cost of inventories was HK\$9.7 million and HK\$8.9 million for the years ended 31 March 2024 and 2023 respectively, representing 19.8% and 19.5% of the Group’s revenue for the respective years.

MANAGEMENT DISCUSSION AND ANALYSIS

Staff costs

Staff costs increased by HK\$1.4 million, or 6.2%, from HK\$23.2 million (as restated) for the year ended 31 March 2023 to HK\$24.6 million for the year ended 31 March 2024. 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 increase in revenue.

Depreciation of right-of-use assets

Depreciation of right-of-use assets remained stable at HK\$7.3 million and HK\$7.1 million for the years ended 31 March 2024 and 2023 respectively.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment remained stable at HK\$2.1 million and HK\$2.2 million for the years ended 31 March 2024 and 2023 respectively.

Other expenses

Other expenses increased by HK\$1.4 million, or 18.4%, from HK\$7.6 million for the year ended 31 March 2023 to HK\$9.0 million for the year ended 31 March 2024. The increase was in line with the increase in revenue.

Income tax credit

No provision for Hong Kong profits tax had been made for the year ended 31 March 2024 and 2023 as the Group had no estimated assessable profit. The income tax credit for the year ended 31 March 2024 and 2023 mainly represented deferred tax assets recognised for deductible temporary differences arising from LSP obligations.

Loss for the year

As a result of the foregoing, the Group recorded a loss attributable to owners of the Company of HK\$3.0 million for the year ended 31 March 2024, representing a decrease of HK\$0.5 million, or 13.8%, from that of HK\$3.5 million (as restated) for the year ended 31 March 2023.

DIVIDENDS

No final dividend was proposed for the Shareholders in respect of the year ended 31 March 2024.

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 2024.

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 2024 was HK\$7.6 million (2023 (restated): HK\$10.6 million). The Group generally finances its operation with internally generated cash flows. The Group had bank balances and cash of HK\$6.9 million as at 31 March 2024 (2023: HK\$5.0 million), among which over 96% (2023: 92%) was held in Hong Kong dollars, with no external borrowing (2023: Nil). As at 31 March 2024, the Group also had pledged bank deposits of HK\$13.9 million (2023: HK\$13.9 million), among which 50% (2023: 48%) was held in Hong Kong dollars and 50% (2023: 52%) was held in Renminbi, for the purpose of the Group's merchant services and banking facilities. As at 31 March 2024, the Group had net current liabilities of HK\$2.1 million (2023: HK\$2.6 million).

Gearing ratio is calculated based on the total debt (of which debt represents interest-bearing borrowings) divided by the total equity as at the end of the reporting period. As at 31 March 2024 and 2023, the Group had no interest-bearing borrowings and hence the gearing ratio was nil.

MANAGEMENT DISCUSSION AND ANALYSIS

Cash generated from operations for the year ended 31 March 2024 was HK\$11.0 million (2023: HK\$4.3 million). As at 31 March 2024, the Group had lease liabilities of HK\$5.8 million (2023: HK\$11.9 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. As at 31 March 2024, the Group had unused banking facilities of HK\$18.0 million (2023: HK\$18.0 million) under the Small and Medium Enterprises Financing Guarantee Scheme operated by Hong Kong Mortgage Corporation Insurance Limited (“**HKMCI**”), which is guaranteed by personal guarantee of Dr. Kong Kwok Leung (“**Dr. Kong**”), a controlling Shareholder, and HK\$14.4 million of the banking facilities is also guaranteed by HKMCI.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

Information on the significant investments held by the Group is set out in notes 18 and 32 to the consolidated financial statements. All listed equity securities held for trading were disposed of during the year ended 31 March 2024, resulting in sale proceeds of HK\$1.4 million. Consequently, a gain on disposal of financial assets at FVTPL of HK\$18,000 was recognized during the year. Save as disclosed, during the year ended 31 March 2024, there was no other significant investment held by the Group.

The Group adopts a balanced risk-managed investment strategy which aims to generate an appropriate return while prioritizing capital preservation, liquidity, and alignment with the Group’s risk tolerance.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 March 2024, 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 2024.

COMMITMENTS

As at 31 March 2024, the Group had capital commitments in respect of capital contribution to subsidiaries of HK\$0.4 million (2023: HK\$0.5 million).

CONTINGENT LIABILITIES

As at 31 March 2024, 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 21 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 the 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 any key registered medical practitioners or 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.

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. Such review or amendment of the existing legislation may introduce a change in compliance standards in connection with delivery of treatments. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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 2024 and 2023, the Group had no external borrowing. As at 31 March 2024, the Group had unused banking facilities of HK\$18.0 million (2023: HK\$18.0 million).

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 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 2024, the Group employed a total of 29 full-time and 14 part-time employees (2023: 28 full-time and 15 part-time employees). The staff costs, including Directors' emoluments, of the Group were HK\$24.6 million for the year ended 31 March 2024 (2023 (as restated): HK\$23.2 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 2024.

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 10.

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 2024 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 2024 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 the Shareholders. During the year ended 31 March 2024, 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 2024 are set out in the consolidated statement of profit or loss and other comprehensive income on page 61.

No final dividend was proposed for the Shareholders in respect of the year ended 31 March 2024 (2023: Nil).

ANNUAL GENERAL MEETING

The annual general meeting of the Company for the year ended 31 March 2024 (the "AGM") will be held on Friday, 6 September 2024. 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, 3 September 2024 to Friday, 6 September 2024, 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 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Monday, 2 September 2024.

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 120. 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 and statement of financial position and reserves of the Company on pages 64 and 118 and note 29 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 16 to the consolidated financial statements.

BANK LOANS AND OTHER BORROWINGS

As at 31 March 2024, the Group did not have bank loans or other external borrowings.

SHARE CAPITAL

There was no movement in the share capital of the Company during the year ended 31 March 2024. Details of the share capital of the Company are set out in note 28 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 March 2024, 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 Act (as revised), Chapter 22 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 2024, the Company's reserves available for distribution to the Shareholders amounted to HK\$1.1 million, details of which are set out in the movement in reserves of the Company on page 119.

MAJOR CLIENTS AND SUPPLIERS

For the year ended 31 March 2024, the percentage of revenue derived from our five largest clients in aggregate was less than 2.0% (2023: 2.2%).

For the year ended 31 March 2024, our largest supplier accounted for 16.8% (2023: 31.5%) of our total purchases. For the year ended 31 March 2024, our five largest suppliers in aggregate accounted for 58.8% (2023: 73.4%) 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 2024.

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. Leung Siu Cheung

Mr. Lui Sze On (*appointed on 6 September 2023*)

Mr. Fu Frank Tsun Yin (*resigned on 7 June 2023*)

Pursuant to the Articles of Association, Ms. Sin Chui Pik Christine, Mr. Chan Cheong Tat and Mr. Leung Siu Cheung will retire and, being eligible, offer themselves for re-election at the forthcoming AGM. Mr. Lui Sze On will hold office until the AGM and, being eligible, offer himself for re-election at the 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 (the "**Listing**") (and, for Ms. Tsui Kan and Ms. Sin Chui Pik Christine, commencing from 1 March 2018 and 1 January 2017 respectively) and continue 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 (and, for Mr. Lui Sze On, commencing from 6 September 2023), 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, there were no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with him/her has or had a material interest, whether direct or indirect, subsisting at the end of or at any time during the year ended 31 March 2024.

CONTRACT OF SIGNIFICANCE

Save as disclosed, no contract of significance in relation to the Group's business (i) has been entered into between the Company, or any of its subsidiaries, and a controlling Shareholder or any entity connected with him/her; or (ii) has been entered into for the provision of services to the Company or any of its subsidiaries by a controlling Shareholder or any entity connected with him/her.

REPORT OF THE DIRECTORS

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. Particular consideration is paid in assessing the independence of each of the independent non-executive Directors who has been serving on the Board for more than 9 years and will be seeking to be re-elected in the forthcoming AGM. When appropriate, reasons will be given in the circular to explain why the Board believes each of them is still independent and should be re-elected.

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 2024.

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 2024. 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 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, 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 2024.

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 2024, 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 (Chapter 571 of the Laws of Hong Kong) (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

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.

Save as disclosed above, as at 31 March 2024, 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 2024, 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 2024, 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. As the existing Share Option Scheme was adopted before the effective date of the new Chapter 23 of the GEM Listing Rules (effective on 1 January 2023), the Company has complied and will continue to comply with Chapter 23 of the GEM Listing Rules to the extent required by the transitional arrangements for the existing share scheme. 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, representing approximately 10% of the total issued Shares as at the date of this report, 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 the date of 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/her 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.

There were 4,000,000 share options lapsed during the year ended 31 March 2023. Accordingly, the share-based payments previously recognised in share options reserve of HK\$733,000 was transferred to retained profits during the year ended 31 March 2023. During the year ended 31 March 2024, no share options were granted, exercised, lapsed or cancelled. As at 31 March 2024 and 2023, there was no outstanding share options under the Share Option Scheme.

As at 1 April 2023 and 31 March 2024, options in respect of 34,000,000 Shares are available for grant under the Share Option Scheme. The total number of Shares that may be issued in respect of options granted under all schemes of the Company during the Year divided by the weighted average number of Shares in issue for the Year was nil.

The existing Share Option Scheme will expire on 3 December 2024.

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 2024 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

The Group operates a Mandatory Provident Fund Scheme under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). In addition, the employees employed under the Hong Kong Employment Ordinance (Chapter 57 of the Laws of Hong Kong) are also entitled to LSP if the eligibility criteria are met. Particulars of the long service payment obligations are set out in note 27 to the consolidated financial statements.

At 31 March 2024 and 2023, there were no forfeited contributions which arose upon employees leaving the scheme before they are fully vested in the contributions and which are available to reduce the contributions payable by the Group in the future.

REPORT OF THE DIRECTORS

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group during the year ended 31 March 2024 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.

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 2024 or subsisted as at 31 March 2024.

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

On 21 May 2024, Medicskin Laboratories Limited (as the lessee) and an independent third party (as the lessor) entered into a lease agreement in relation to the lease renewal of Suit 1201 (12th Floor) of Ocean Centre, Harbour City, Tsim Sha Tsui, Kowloon commencing from 1 September 2024 to 31 August 2027 (both days inclusive) (the "**Lease Agreement**") for use as one of the Group's medical skin care centres in Hong Kong. Pursuant to HKFRS 16, as a result of the entering into the Lease Agreement, the Group shall recognise the right-of-use asset in connection with the Lease Agreement on the consolidated financial statements. The estimated value of the right-of-use asset to be recognised by the Company under the Lease Agreement shall amount to HK\$7.0 million.

Save as disclosed above, there was no significant event occurred after the reporting period.

AUDITOR

Messrs. Grant Thornton Hong Kong 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 2024 have been audited by Grant Thornton Hong Kong Limited.

On 20 December 2022, Messrs. Moore Stephens (CPA) Limited resigned and Messrs. Grant Thornton Hong Kong Limited was appointed as the auditor of the Company. Save as disclosed, there has been no change to the auditor of the Company in any of the preceding three years.

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

19 June 2024

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 C1 to the GEM Listing Rules as its own code of corporate governance and, save for the deviations from the CG Code as described 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 2024.

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 2024.

BOARD OF DIRECTORS

Board Composition

As at 31 March 2024, 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. Leung Siu Cheung

Mr. Lui Sze On (*appointed on 6 September 2023*)

Mr. Fu Frank Tsun Yin (*resigned on 7 June 2023*)

Mr. Lui Sze On was appointed as an independent non-executive Director on 6 September 2023. Mr. Lui Sze On obtained legal advice from a firm of solicitors qualified to advise on Hong Kong law as regards the requirements under the GEM Listing Rules that are applicable to him as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to the Stock Exchange on 6 September 2023. He has confirmed he understood his obligations as a director of a listed issuer.

Ms. Tsui Kan is a person cohabiting as spouse with Dr. Kong and Ms. Kong Chung Wai is the niece of Dr. Kong. The detailed relationships among members of the Board are disclosed under the section headed "Biographical Details of Directors and Senior Management" on page 54.

CORPORATE GOVERNANCE REPORT

Save as disclosed above, there are no financial, business, family or other material/relevant relationships among the members of the Board as of the date of this report.

Functions, Roles and Responsibilities of the Board

The Board is responsible for leadership and control of the Group and is collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's overall strategies, authorising the development plan and budget; monitoring financial and operating performance; reviewing the effectiveness of the internal control systems; supervising and managing management's performance of the Group; and setting the Group's values and standards.

The Board delegates the day-to-day management, administration and operation of the Group to the chief executive officer 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 of the Board (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 by providing 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.

CORPORATE GOVERNANCE REPORT

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.

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 2024 is set out in the following table:

Name of Director	Number of meetings attended				Annual general meeting held on
	Board meetings	Audit Committee meetings	Remuneration Committee meeting	Nomination Committee meeting	22 September 2023
Executive Directors					
Dr. Kong	4/4	N/A	2/2	2/2	1/1
Ms. Tsui Kan	3/4	N/A	N/A	N/A	0/1
Ms. Kong Chung Wai	4/4	N/A	N/A	2/2	0/1
Ms. Sin Chui Pik Christine	4/4	3/3	2/2	2/2	1/1
Independent Non-executive Directors					
Mr. Chan Cheong Tat	4/4	3/3	2/2	2/2	1/1
Mr. Leung Siu Cheung	4/4	3/3	2/2	2/2	1/1
Mr. Lui Sze On	1/1	1/1	N/A	N/A	1/1
Mr. Fu Frank Tsun Yin	N/A	N/A	N/A	N/A	N/A

CORPORATE GOVERNANCE REPORT

Under code provision C.1.6 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Due to other work commitment, Ms. Tsui Kan and Ms. Kong Chung Wai did not attend the annual general meeting held during the year ended 31 March 2024.

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee of the Company has been established. In compliance with code provision A.2.1 of the CG Code, the Board as a whole is responsible for performing the corporate governance duties including: (a) to develop and review the Company's policies and practices on corporate governance; (b) to review and monitor the training and continuous professional development of Directors and senior management; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and (e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

CHAIRMAN AND CHIEF EXECUTIVE

In accordance with provision C.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 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 C.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 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 C.2.7 of the CG Code requires the chairman of the Board to hold meetings at least annually with the independent non-executive Directors without the presence of other Directors. During the year ended 31 March 2024, three meetings between the chairman of the Board and the independent non-executive Directors were held. All independent non-executive Directors attended the meetings.

CORPORATE GOVERNANCE REPORT

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 Rule 5.05(1) of the GEM Listing Rules, the Company must appoint at least three independent non-executive Directors. Furthermore, Rule 5.28 of the GEM Listing Rules requires that the Company must establish an audit committee comprising a minimum of three members and a majority of the audit committee members must be independent non-executive directors of the Company; Rule 5.34 of the GEM Listing Rules requires that the Company must establish a remuneration committee chaired by an independent non-executive director and comprising a majority of independent non-executive directors; and Rule 5.36A of the GEM Listing Rules requires that establish a nomination committee chaired by the chairman of the Board or an independent non-executive director and comprising a majority of independent non-executive directors.

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 (and, for Mr. Lui Sze On, commencing from 6 September 2023), provided that either the Company or the independent non-executive Directors may terminate such appointment at any time by giving at least three months' notice in writing to the other.

By virtue of article 16.2 of the Articles of Association, 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. 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 B.2.2 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.

CORPORATE GOVERNANCE REPORT

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

According to the code provision C.1.4 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 2024, the Company had arranged a training on the update of GEM Listing Rules, the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (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. Leung Siu Cheung and Mr. Lui Sze On, have confirmed that they had participated in continuous professional development by attending training/seminars and reading materials during the year ended 31 March 2024, and have provided a record of their training to the Company, in compliance with the code provision C.1.4 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.medicskinholdings.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, risk management and internal control systems 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. Leung Siu Cheung and Mr. Lui Sze On. Mr. Chan Cheong Tat is the chairman of the Audit Committee.

During the year ended 31 March 2024, three 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 2024; 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.

CORPORATE GOVERNANCE REPORT

The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 March 2024 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 has 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 remuneration package of individual Director and senior management and the Share Option Scheme.

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. Leung Siu Cheung and Mr. Lui Sze On. Mr. Leung Siu Cheung is the chairman of the Remuneration Committee.

During the year ended 31 March 2024, two meetings of the Remuneration Committee were held. The meetings of the Remuneration Committee were 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 make recommendations on 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 other members of senior management of the Group. The emoluments for Directors for the year are set out in note 9 to the consolidated financial statements. The emoluments of the other members of senior management of the Group were within the band Nil to HK\$1 million (2023: Nil to HK\$1 million) for the year ended 31 March 2024.

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; to assess the independence of independent non-executive Directors; and to make recommendations to the Board on the appointment and re-appointment of Directors and succession planning for Directors.

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. Leung Siu Cheung and Mr. Lui Sze On. Dr. Kong is the chairman of the Nomination Committee.

CORPORATE GOVERNANCE REPORT

During the year ended 31 March 2024, two meetings of the Nomination Committee were held. The meetings of the Nomination Committee were 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; to make recommendations to the Board on the appointment of Directors; 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.

CORPORATE GOVERNANCE REPORT

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.

The Board currently has three women Directors out of seven Directors whereby 43% of the Directors are female. Accordingly, the Board is satisfied with the current gender ratio of the Board and hence the Company did not set any numerical targets or timeline for achieving gender diversity on the Board or adopted any measures to develop a pipeline of potential successors to the Board to achieve gender diversity. As at 31 March 2024, we maintained a 23:77 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 and 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 (if any), 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 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.

CORPORATE GOVERNANCE REPORT

The responsibility of the Company's auditor, Messrs. Grant Thornton Hong Kong Limited, is set out in the section headed "Independent Auditor's Report" on pages 57 to 60 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.

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 the Board 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 2024.

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 2024, 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 revenue and accounts receivables, bank and cash management, operation cycle in relation to skin care services and skincare products 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 2024 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 2024.

CORPORATE GOVERNANCE REPORT

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.

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. Grant Thornton Hong Kong Limited was appointed by the Board as the auditor of the Company. The remuneration paid or payable to Grant Thornton Hong Kong Limited for services rendered for the year ended 31 March 2024 was as follows:

	HK\$'000
Audit services	390
Non-audit services	
– other services (review of preliminary results announcement)	10

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 2024, in compliance with Rule 5.15 of the GEM Listing Rules.

CORPORATE GOVERNANCE REPORT

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.medicskinholdings.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 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.hkexnews.hk;
- corporate communications such as directors' report, annual reports, interim reports, quarterly reports (if any) and circulars are available on the websites of the Company and the Stock Exchange; and printed form of corporate communications will be sent to Shareholders free of charge upon receipt of request (details of the arrangements (i) for dissemination of corporate communications and (ii) for requesting printed copy of corporate communications are published under the section "Corporate Governance" in the Company's website (www.medicskinholdings.com));
- 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").

CORPORATE GOVERNANCE REPORT

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.

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

On 22 September 2023, the Shareholders approved the amendments to the amended and restated memorandum and articles of association of the Company, and the adopted of the second amended and restated memorandum and articles of association of the Company, by way of special resolution. For details, please refer to the announcements of the Company dated 22 September 2023 and 21 June 2023.

Save as disclosed, there were no other changes to the Company's constitution documents during the year ended 31 March 2024.

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 C2 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 2023 to 31 March 2024 (“**Reporting Period**”) in:

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

The above business operations contributed nearly all of the Group’s revenue.

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 this ESG 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.

Balance – This ESG Report presents the Group’s performance during the Reporting Period in an impartial manner, avoiding choices, omissions or presentation formats that may unduly influence readers’ decisions or judgements.

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 makes 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

The Board's Statement

Although the COVID-19 outbreak has passed, its effects still linger. Combined with the ongoing economic downturn, this continues to pose significant challenges to our business, particularly in the service industry. However, this does not excuse us from emphasizing sustainability governance. We believe that sustainability governance is fundamental to successful operations not only because it helps manage ESG risks, ensure regulatory compliance, and promote cost savings through efficient resource use, but also attracts eco-conscious customers and investors, and boosts employee engagement. Ultimately it fosters long-term viability and trust with stakeholders, ensuring the overall success and resilience of our operations.

The Board is responsible for guiding the Group's overall strategy and development direction and undertakes all responsibility for the Groups' strategies and reporting for sustainability. The Board also oversees overall matters of sustainability governance through our ESG working teams. The ESG working teams consist of the selected members of the Board and representatives from different departments, chaired by the chief executive officer of the Company. Each member of the ESG working teams is responsible for a target and providing a regular update to the chairman of the Company on progress made. Our ESG working teams collect the data for the preparation of ESG reports, supervise and guide the progress of each department in implementing ESG policies, make recommendation to the Board on improving the Group's ESG performance and regularly hold meetings to discuss and review the risks, performance and progress of the Group's sustainability development.

The Group's ESG performance during the Reporting Period was compared with the historical data to measure the progress towards the targets and to analyse the result. If any significant ESG-related issues have been identified, the ESG task force team shall report to the Board for further discussion.

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. We hope this ESG 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 the sustainable and responsible growth and operation of the Group.

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 2024.

Board approval

This ESG Report was reviewed and approved by the Board on 19 June 2024.

Contact information

The Group welcomes comments and suggestions from stakeholders. If you have any opinion on this ESG 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 Board 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:

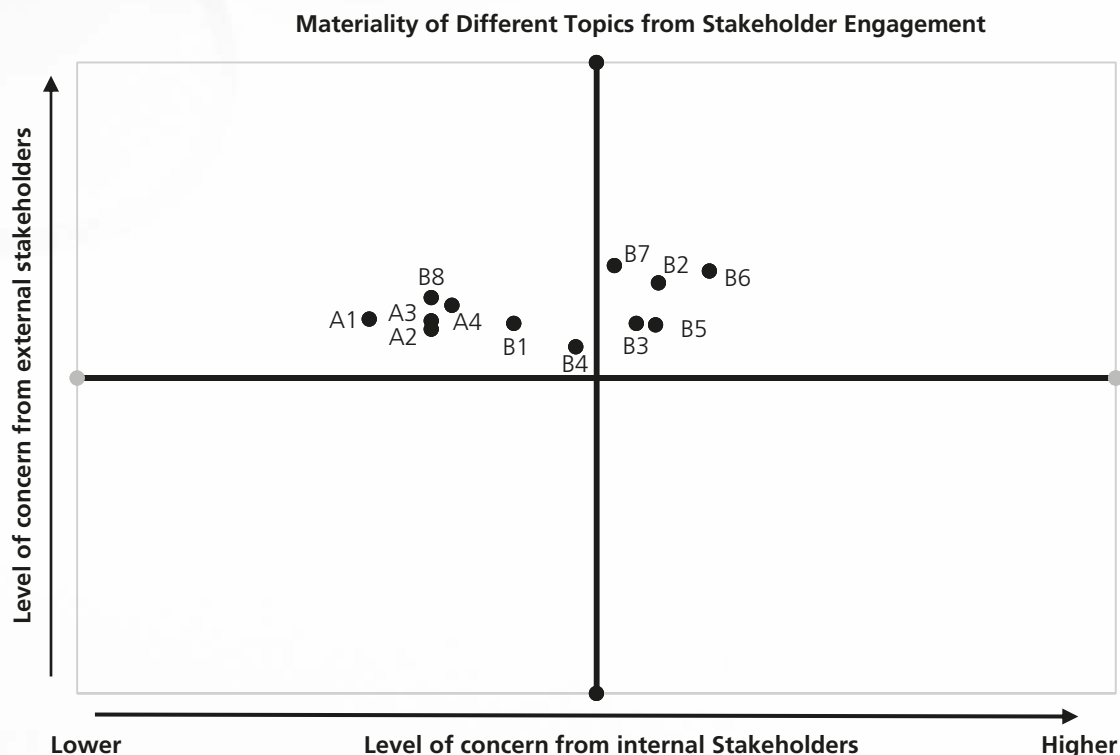
	Areas of concerns	Communication Channels
Shareholders and investors	<ul style="list-style-type: none">– Investment return– Corporate governance– Information disclosure and transparency	<ul style="list-style-type: none">– Regular reports and announcements– General meetings– Company website
Government 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

Through regular communication and interaction with both internal and external stakeholders, the Group can better integrate their sustainability concerns into its business philosophy, result in creating a greater value for the stakeholders and society.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Materiality Assessment

The Group performs annual review in identifying and understanding our stakeholders' main concerns for this ESG Report by conducting a materiality assessment survey. Stakeholders in various groups 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	Anti-Corruption
4	Supply Chain Management
5	Development and Training

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. The Group strictly complied with all material aspects of applicable environmental protection laws and regulations and pollution control 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 0.04kg (0.04kg for the corresponding period in 2023) of sulphur oxides. Due to the lack of reliable 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GHG Emission

GHG Emission Sources	GHG Emission (kg) (Equivalent CO ₂)	GHG Emission (kg) (Equivalent CO ₂)
	2024	2023
Scope 1 Direct emissions from vehicle owned by the Group	6,807	6,101
Scope 2 Energy indirect emission from purchased electricity	43,181	45,363
Scope 3 Other indirect emission from paper waste disposal at landfills	648	672
Total	50,636	52,136
GHG emission intensity per employee	1,178	1,212
GHG emission intensity per million HK\$ of total revenue	1,031	1,145

Note: 1 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.

Note: 2 Emission factors were made by reference to Appendix C2 to the GEM Listing Rules and their referred documentation as set out by the Stock Exchange unless stated otherwise.

Measures to Mitigate Emissions, Energy Consumption, Efficiency Initiatives and Emission Target

To cope with the climate change challenge that the world is facing, the Group is committed to taking sustainable, long-term actions to manage the carbon footprint of our own operations. The most significant GHG emission source of the Group was from electricity consumption. 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 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; and
8. All other paper saving measures described in the section "Non-Hazardous Waste" in this ESG Report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Last year, the Group had set the target of achieving the same level of GHG emission intensity by 2025, tracking against the GHG emission during the reporting period in 2023. The results are encouraging, with a drop of about 10% in GHG emission intensity (from 1,145 kg CO₂e per million HK\$ of total revenue to 1,031 kg CO₂e per million HK\$ of total revenue). This reduction is primarily due to decreased electricity consumption in our centres, driven by increased staff awareness of efficient power use and the replacement of appliances with energy-saving alternatives. The Group will continue to educate our staff on energy-saving practices and prioritize purchasing energy-efficient electrical appliances for our centres.

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 43 kg (intensity 1 kg per employee) compared to 39 kg (intensity 0.9 kg per employee) for the corresponding period in 2023 of clinical waste have been generated as a result of the Group's business operations. The overall clinical waste generation intensity during this Reporting Period was 0.9 kg (2023: 0.9 kg) per million HK\$ of total revenue. 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). No expired medication has been sent to waste collector for disposal for the years ended 31 March 2024 and 2023 respectively.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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:

Recycle

- Separating the paper waste from other waste for easier recycling;
- Using paper products made from recycled materials;

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;
- Using office automation system for increasing administration efficiency and reducing paper use;
- Digital Transformation: Encouraging the use of digital documents and communication to minimize paper usage by implementing electronic invoicing, digital signatures, and online forms;
- Paperless Meetings: Promoting paperless meetings by using digital agendas, notes, and presentations; and
- Digital Marketing: Shifting marketing efforts from printed materials to digital platforms to reduce paper usage.

During the Reporting Period, a total of approximately 4.40 tonnes (2023: 6.38 tonnes) of non-hazardous waste was generated with an intensity of 90 kg/million HK\$ of total revenue (2023: 140 kg/million HK\$ of total revenue).

The Group did not set any target to reduce hazardous waste. Setting specific targets for reducing hazardous waste in the medical industry may not be necessary. The nature of hazardous waste generated in healthcare settings is largely protective, and setting targets for its reduction could compromise essential safety practices. Additionally, the medical industry already follows strict regulations and best practices to manage waste effectively. Setting targets to reduce hazardous waste could inadvertently lead to practices that compromise safety and hygiene. Rather than setting reduction targets, the focus should be on adhering to best practices in waste management. This approach ensures that patient care and safety remain the top priority.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Measures to Mitigate Hazardous and Non-hazardous Waste and Targets

Balancing hygiene and environmental sustainability is a key consideration in waste management. The Group sets a goal of reducing intensity for non-hazardous waste by 2% by 2025 by using the non-hazardous waste data in the financial year ended 31 March 2023 as the baseline year. In terms of non-hazardous waste reduction, the Group has achieved the target. Our centres strive to minimize the negative impact on environment. This can be achieved by adopting waste reduction strategies, promoting recycling and waste segregation, and using environmentally friendly disposal methods wherever possible. By maintaining a balance between waste management and hygiene, we target to create a safe and healthy environment not only for our customers, staff, but also everyone in the society. Effective waste management practices, along with robust infection control measures, contribute to the overall quality of care provided in medical skin and healthcare settings.

Moving Forward on Environmental Protection

To create a greener future, the Group regularly assesses 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 2024	Quantity 2023	Unit
Petrol	27,954	25,055	kWh
Purchased electricity	66,663	67,280	kWh
Total	94,617	92,335	kWh
Energy intensity per employee	2,200	2,147	kWh
Energy intensity per million HK\$ of total revenue	1,926	2,028	kWh

During the Reporting Period, energy consumption increased slightly by 2.5% primarily due to higher petrol usage. However, this increase was partially offset by a slight decrease in electricity consumption.

Energy Consumption Targets

The Group has adopted various measures (which is already covered in the section "Measures to Mitigate Emissions, Energy Consumption, Efficiency Initiatives and Emission Target") to reduce electricity consumption in its operations, leading to a decrease in electricity consumption intensity per million HK\$ of total revenue by 5.0% compared to the last financial year. The Group targets to achieve 1% reduction in energy consumption intensity by 2025, using the energy consumption data in the financial year ended 31 March 2023 as a baseline.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Water Consumption And Efficiency Initiatives And Targets

Payment for water usage has been included in the management fee to the landlords. Thus, consumption data of water cannot be obtained and the Group had not set any quantitative targets for reducing water use. 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.

As water usage is used mainly for domestic purpose at the Medicskin Centres and office, the Group does not have any concern in sourcing water that is fit for such purpose.

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 2024	Consumption in 2023
Packaging materials	300kg	329kg
Intensity (million HK\$ of total revenue)	6.11kg	7.22kg

The decrease in total packaging material consumption, despite an increase in turnover, is mainly due to the increased proportion of turnover from the type of skin care treatments provided by the Group, which does not require anesthetic cream, and thus avoiding the use of plastic containers. Additionally, turnover from prescriptions has remained steady. This combination has resulted in a reduction in both total consumption of packaging materials and its intensity per million HK\$ of total revenue during the Reporting Period by 8.8% and 15.4% respectively. The Group also encourages customers to recycle packaging materials. Our Group provides clear and concise instruction on how clients can recycle the packaging materials. The Board sets the direction and strategies to incorporate ESG principles into our daily business practices: not only to stay informed about the emerging technologies, materials and sustainable packaging trends but also optimize packaging design to minimize material usage and waste.

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

Governance

Climate change impacts all businesses, and the Group is not an exception. The Group has no policy regarding climate change but the Board has identified the climate risks which may affect the Group. Strategies on climate change are considered to be ESG-related issues, and thus its management is delegated to ESG working teams.

	Climate Risk	Potential Financial Impact
Physical Risks	Acute	Extreme weather events with increased severity during cyclones, hurricanes, storm surges and floods can cause supply chain interruption by disrupting service operations and compromise the safety of both staff and customers.
	Chronic	Supply Chain Challenges: Climate change-related disruptions can impact the supply chain of skin care service providers. For example, disruptions in transportation infrastructure due to extreme weather events can affect the delivery of skincare products, equipment, or supplies. This can lead to delays, increased costs, or difficulties in maintaining the necessary inventory to support service operations.
	Long Term	Longer-term shifts in climate patterns can increase capital costs, operating costs, costs of human resources and increased insurance premium.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

	Climate Risk	Potential Financial Impact
Transitional Risks	Technology	During the transitional period, the Group expects increased procurement expenditures on energy saving equipment and to introduce new and alternative technologies to reduce the Group's carbon footprint.
	Policy and regulatory risk	Implementation of tightened environmental laws, stringent requirements on climate disclosures increases operating costs and compliance cost. Failure to adequately disclose climate-related risks, impacts, or efforts to address them may have legal liabilities. Legal actions may arise from stakeholders or regulatory bodies if an organisation is found to have misrepresented or withheld information related to its transition plans, climate risks, or sustainability performance.
	Market	During the transitional period, the Group might face a decrease in revenue due to higher environmental requirements of clients, if no strategy has been set accordingly. If the Group fails to adapt and seize opportunities in the growing market for sustainable products and services, it may face a loss of market share or competitive disadvantage.
	Reputation	Stakeholders, including customers, investors, and employees, increasingly expect organisations to demonstrate environmental responsibility and sustainability. Failure to address extreme climate risks and transition towards sustainable practices can result in reputational damage, loss of trust, and negative brand perception.

The Group is aware of the potential impact brought by the above identified risks to its operation. The Group has taken the following steps actions to mitigate climate risks:

- Involve internal and external stakeholders in the process. Seek input from employees, customers, suppliers to gain diverse perspectives. This engagement can help identify innovative ideas, ensure a collaborative approach to incorporate the ESG principles;
- Encourage suppliers to adopt environmentally friendly and socially responsible practices, such as using renewable or recycled materials and minimizing their carbon footprints;
- Stay informed about emerging technologies, materials, and sustainable packaging trends;
- Establish performance indicator to track the progress towards the ESG objectives. The Group monitors and reviews its carbon emission and energy consumption regularly. The GHG emission data and information about target setting are shown in the section Part A "Emission" of this ESG Report;
- Embrace a mindset of continuous improvement; and
- Stay up to date with evolving ESG standards and regulations to ensure compliance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL

Employment

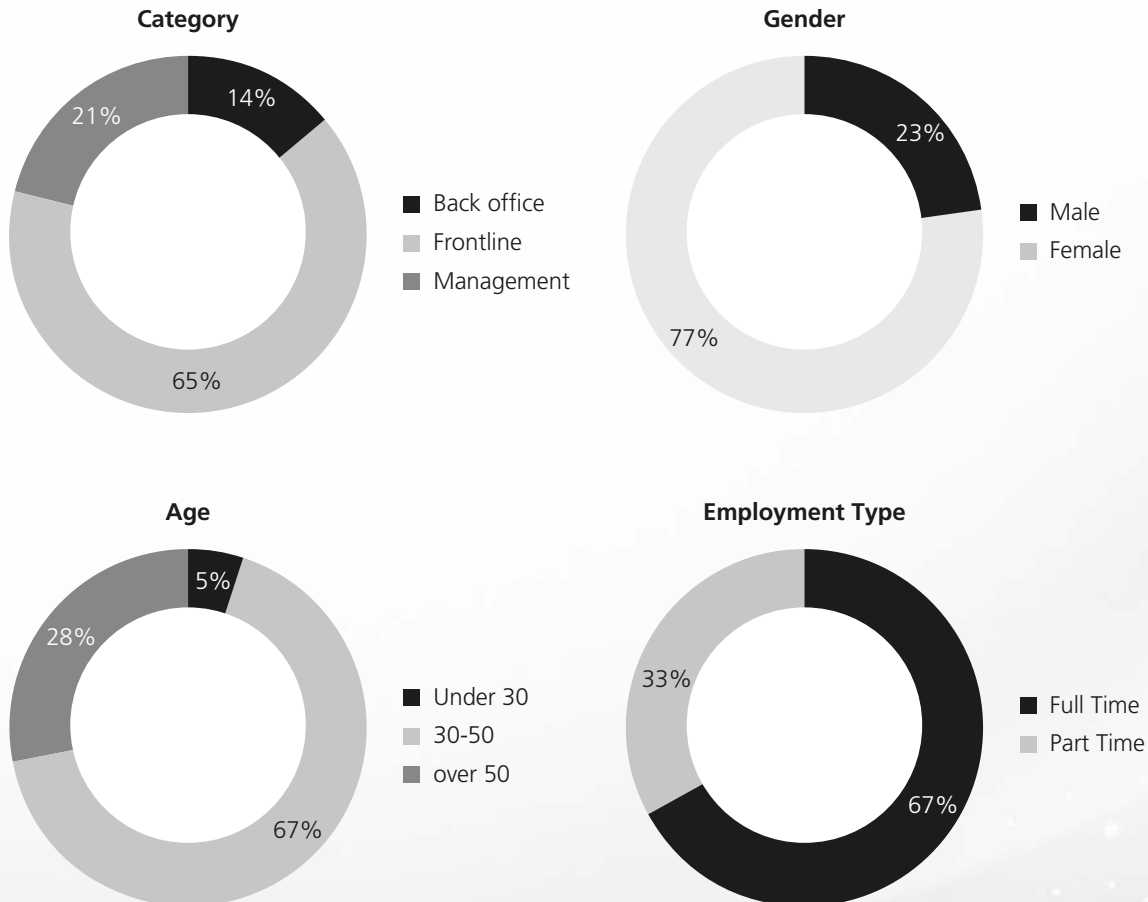
The Group has a Code of Conduct Policy distributed to employees outlining expectations for employee's conduct, employee's rights and benefits. We also set up relevant policies and arrangements for employees including but not limited to recruitment and promotion, compensation and dismissal, benefit programs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

Compensation And Benefits Package

To attract, retain and motivate employees, the Group has devised 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.

The Group carries out regular performance assessment on a yearly basis, enabling employees to gain an accurate sense of their prospects and 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 2024, the Group had a total of 43 (2023: 43) employees and all of the employees (2023: all) were based in Hong Kong. A total of 5 employees (2023: 7) left the Group during the Reporting Period.

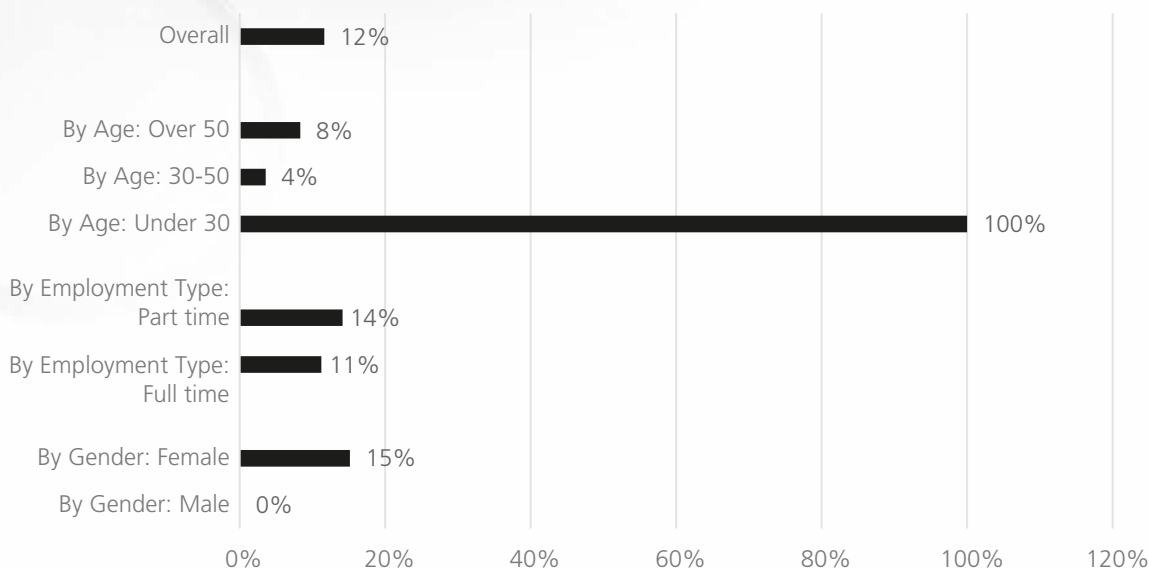
Workforce distribution details are shown below:



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employee turnover by gender, age group and employment type

Employee Turnover Rate by Different Categories



Remarks:

- 1 The overall turnover rate was calculated by the number of employees who left the Group during the Reporting Period/the total average number of employees during the Reporting Period* 100%.
- 2 The turnover rates by age, type, gender were calculated by the number of employees who left the Group in a specific category within the Reporting Period/the average number of employees in that category during the Reporting Period* 100%.

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 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; and
- Occupational Safety and Health Ordinance, Chapter 509 of the Laws of Hong Kong.

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 an "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, surgical masks, protective goggles (for laser treatments) 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 operational safety, handling of emergency and accidents to enhance their safety awareness and regularly reviews the employees' health and safety procedures to safeguard their well-being.

Health and Safety Data	2024	2023	2022
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 were no work related injuries or fatalities and no legal case regarding health and safety brought against the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Indoor Air Quality

During the year, the Group has set up air purifiers at its Medicskin Centres equipped with high-efficiency particulate air (HEPA) filters to improve indoor air quality. Air purifiers are designed to remove airborne pollutants and contaminants from indoor spaces. This includes dust, mould spores, bacteria, viruses, and other particulate matter. By reducing these pollutants, air purifier can help improve the overall air quality.

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 standard. 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 the 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 to 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 243.5 (2023: 235.0) hours. Statistics related to development and training are detailed as follows:

Percentage of employees trained	Male	Female
Medical practitioners	100%	100%
Doctor's assistants	N/A	95%
Senior management	75%	100%
General staff	50%	100%

Average training hours completed per employee	Male	Female
Medical practitioners	14.5	12.0
Doctor's assistants	N/A	6.3
Senior management	1.8	13.1
General staff	1.0	1.4

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 the applicants' identity information is required during the recruitment process, and recruitment of child labour or forced labour is strictly prohibited. Applicants are also required to provide document proofs of academic qualifications and working experience for verifications, an 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 a 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).

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 pharmaceutical and 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's management ensures effective supply chain oversight through regular audits, risk assessments, supplier feedback, compliance checks and stakeholder engagement etc. The supplier's reputation in environmental aspect among its business such as the use of hazardous materials, labour right violation, environmental pollution is also taken into consideration. The Group has performed the evaluation on its suppliers on a timely basis to ensure the social and the environmental risks along the supply chain are monitored and identified.

Although the Group does not have specific policies on managing environmental and social risks with respect to the supply chain, when it selects suppliers, preference is placed to suppliers that provide environmentally preferable products and services.

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 request for a replacement and the payment of damages from its suppliers if the goods are defective or non-conforming.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the year ended 31 March 2024, The Group made its purchases from 84 (2023: 82) suppliers from Hong Kong and 3 (2023: 2) suppliers from the United States of America (the “US”) 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

During the year ended 31 March 2024, the Group complied with the relevant laws and regulations relating to health and safety, advertising labelling and privacy matters relating to products and services provided and method of redress.

Pharmaceutical Handling And labelling

The Group has standard procedures for the storage of pharmaceutical and skincare products. Labels of pharmaceutical products to customers must show the 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.

Advertisement

During the year ended 31 March 2024, 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 with 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Customer Complaints

During the year ended 31 March 2024, we did not encounter any quality issue on our purchases nor receive any defective products that would have had a 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 our 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 8 unfavourable feedbacks (2023: 14) were received by the Group relating to products and services. All unfavourable feedbacks have 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.

Data Protection and Privacy

The Group has policy and security measures in place to provide 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).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Anti-corruption

The Group is committed to conducting all businesses without undue influence and has regarded honesty, integrity, and fairness as its core values that must be upheld by all directors and employees at all times. To formalise the commitments, a series of policies and handbooks are in place 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 undergo the approval process as stipulated in that policy.

The Group believes that by educating employees about the risks and consequences of corruption, we can proactively identify and mitigate potential corruption-related risks and to promote an ethical business culture within the organisation. During the Reporting period, the Group facilitated a 2 hours anti-corruption training for frontline, back office and relevant staff and over 40% of the total staff attended the training provided by the Independent Commission Against Corruption of Hong Kong. The training was conducted through physical and online seminars. The training covers the introduction of anti-bribery laws in Hong Kong and best practices for corruption prevention.

The Group is not aware of any concluded legal cases regarding corrupt practices being brought against the Group or its employees during the Reporting Period.

During the Reporting Period, no non-compliance with the laws and regulations in Hong Kong relating to bribery, extortion, fraud and money laundering that have resulted or may result in significant impact on the Group was identified.

Whistleblowing Policy

The Whistleblowing Policy provides the necessary mechanism for employees who report misconduct within the organisation. All cases will be investigated and followed by the legal and compliance officer of the Group and the Company Secretary, they will then report the investigation result to the chairman of the Audit Committee. The chairman of the Audit Committee is an independent non-executive Director. If the legal and compliance officer of the Group and the 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 established 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 2024, the Group was in compliance with the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong) 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 health-related programmes that align with the Group's missions and values.

We placed donation boxes from The Hong Kong Red Cross in our Medicskin Centres to help support their operations. The Hong Kong Red Cross provides disaster relief, health services like blood donation and first aid training, and community support for vulnerable groups. They engage youth through education and volunteer programs and participate in global humanitarian efforts. During the Reporting Period, the amount collected from the donation box was HK\$173. We believe in the importance of giving back and remain committed to leveraging our resources to support organisation that promote positive social change.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS AND COMPANY SECRETARY

Dr. Kong Kwok Leung (江覺亮), aged 70, is an executive Director, the chairman and chief executive officer of the Company as well as the founder and a medical practitioner 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 28 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.

Dr. Kong's interests in the Shares are disclosed in section headed "Disclosure of Interests" in the Report of the Directors of this report.

Ms. Tsui Kan (徐勤), aged 40, 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 46, 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 23 years of accounting, auditing and compliance experience.

Ms. Sin Chui Pik Christine (冼翠碧), aged 45, 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 is a member of the HKICPA and a fellow member of the Association of Chartered Certified Accountants. She has accumulated over 22 years of accounting and auditing experience. Before joining the Group, Ms. Sin worked for Deloitte Touche Tohmatsu, an international public accounting and auditing firm from 2001 to 2004 and from 2005 to 2014, where she most recently served as a manager. She has also served as an independent non-executive director of Newway Group Holdings Limited (stock code: 55) since September 2023.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Cheong Tat (陳昌達), aged 74, 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 34 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	September 2018
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 (currently known as Namyue Holdings 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. Leung Siu Cheung (梁兆祥), aged 72, 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 40 years of professional experience in the legal field and his major area of practice is banking and finance, civil litigation and conveyancing.

Mr. Lui Sze On (呂思安), aged 51, was appointed as an independent non-executive Director on 6 September 2023. He is also a member of the Audit Committee, Remuneration Committee and Nomination Committee. Mr Lui has over 20 years of management experience in the services industry. He worked for several large hotel groups in Hong Kong from 1989 to 2018. Between 2021 and 2023, Mr. Lui was a Manager of the General Service Center of China Resources (Holdings) Company.

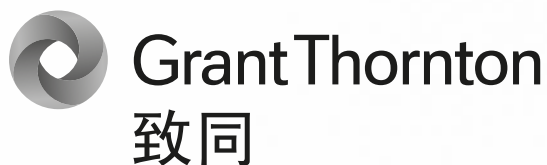
BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Ms. Sze Betty Suet Ling (施雪玲), aged 44, 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 21 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.

Save as disclosed, each of the Directors, confirmed, to the best of his/her knowledge, information and belief, having made all reasonable enquiries, there was no information relating to him/her required to be disclosed under Rule 17.50A(1) of the of the GEM Listing Rules.

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 61 to 119, which comprise the consolidated statement of financial position as at 31 March 2024, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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 2024, 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 MATTER

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")

Please refer to the summary of material accounting policies in note 3 and note 5 to the consolidated financial statements

For the year ended 31 March 2024, the revenue of the Group amounted to approximately HK\$49,135,000. Out of this HK\$49,135,000, provision of Treatment Service is amounted to HK\$38,575,000. 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;
- 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; and
- Discussing with the management in the estimation of customers' unexercised rights ("**breakage**"), assessing the appropriateness and recalculating the breakage 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 all the information included in the 2023/24 annual report of the Company, 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 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.

The directors of the Company assisted by the Audit Committee 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. We report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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 the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit 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.

Grant Thornton Hong Kong Limited

Certified Public Accountants
11th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

Hong Kong, 19 June 2024

Kan Kai Ching

Practising Certificate Number: P07816

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2024

	Notes	2024 HK\$'000	2023 HK\$'000 (restated)
Revenue	5 & 6	49,135	45,541
Other income, gains and losses	7	993	481
Inventories used		(9,746)	(8,863)
Staff costs		(24,623)	(23,168)
Depreciation of right-of-use assets		(7,283)	(7,108)
Depreciation of property, plant and equipment		(2,108)	(2,217)
Other expenses		(8,983)	(7,590)
Finance costs	8	(509)	(779)
Loss before tax	11	(3,124)	(3,703)
Income tax credit	12	22	113
Loss for the year		(3,102)	(3,590)
Other comprehensive income for the year			
Item that will not be reclassified subsequently to profit or loss:			
Remeasurement of long service payment obligations		66	–
Item that will be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		18	10
Other comprehensive income for the year, net of tax		84	10
Total comprehensive loss for the year		(3,018)	(3,580)
Loss for the year attributable to:			
Owners of the Company		(3,048)	(3,537)
Non-controlling interests		(54)	(53)
		(3,102)	(3,590)
Total comprehensive loss attributable to:			
Owners of the Company		(2,962)	(3,519)
Non-controlling interests		(56)	(61)
		(3,018)	(3,580)
Loss per share, basic and diluted (HK cent)	14	(0.77)	(0.89)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2024

	Notes	2024 HK\$'000	2023 HK\$'000 (restated)
Non-current assets			
Right-of-use assets	15	5,562	11,789
Property, plant and equipment	16	4,716	5,315
Rental deposits	20	–	2,556
Deferred tax assets	26	133	111
		10,411	19,771
Current assets			
Inventories	17	4,315	4,842
Financial assets at fair value through profit or loss ("FVTPL")	18	–	1,373
Trade receivables	19	539	625
Other receivables, deposits and prepayments	20	3,937	933
Tax recoverable		39	29
Pledged bank deposits	21	13,892	13,911
Bank balances and cash	21	6,927	5,000
		29,649	26,713
Current liabilities			
Provision for reinstatement costs	22	800	100
Lease liabilities	15	5,757	6,705
Contract liabilities	23	20,998	19,201
Trade payables	24	1,245	253
Accrued liabilities	25	2,940	3,032
		31,740	29,291
Net current liabilities		(2,091)	(2,578)
Total assets less current liabilities		8,320	17,193
Non-current liabilities			
Long service payment obligations	27	739	672
Provision for reinstatement costs	22	–	700
Lease liabilities	15	–	5,222
		739	6,594
Net assets		7,581	10,599

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 March 2024

	Notes	2024 HK\$'000	2023 HK\$'000 (restated)
Capital and reserves			
Share capital	28	3,967	3,967
Reserves	29	6,983	9,945
Equity attributable to owners of the Company		10,950	13,912
Non-controlling interests	35	(3,369)	(3,313)
Total equity		7,581	10,599

The consolidated financial statements on pages 61 to 119 were approved and authorised for issue by the Board of Directors on 19 June 2024 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 2024

	Attributable to owners of the Company							
	Share capital HK\$'000	Share premium* HK\$'000 (Note 29)	Share options reserve HK\$'000 (Note 29)	Exchange reserve* HK\$'000 (Note 29)	Retained profits (accumulated losses) * HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 April 2022	3,967	9,712	733	(18)	3,037	17,431	(3,252)	14,179
Loss for the year (restated)	–	–	–	–	(3,537)	(3,537)	(53)	(3,590)
Other comprehensive income (loss) for the year	–	–	–	18	–	18	(8)	10
Total comprehensive income (loss) for the year (restated)	–	–	–	18	(3,537)	(3,519)	(61)	(3,580)
Lapse of share options	–	–	(733)	–	733	–	–	–
As at 31 March 2023 and 1 April 2023 (restated)	3,967	9,712	–	–	233	13,912	(3,313)	10,599
Loss for the year	–	–	–	–	(3,048)	(3,048)	(54)	(3,102)
Other comprehensive income (loss) for the year, net of tax:								
Remeasurement of long service payment obligations	–	–	–	–	66	66	–	66
Exchange difference arising from translation of foreign operations	–	–	–	20	–	20	(2)	18
	–	–	–	20	66	86	(2)	84
Total comprehensive income (loss) for the year	–	–	–	20	(2,982)	(2,962)	(56)	(3,018)
As at 31 March 2024	3,967	9,712	–	20	(2,749)	10,950	(3,369)	7,581

* As at 31 March 2024, the Group's reserve available for distribution to the shareholders of the Company (the "Shareholders") amounted to HK\$6,983,000 (2023 (restated): HK\$9,945,000).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2024

	Notes	2024 HK\$'000	2023 HK\$'000 (restated)
OPERATING ACTIVITIES			
Loss before tax		(3,124)	(3,703)
Adjustments for:			
Finance costs		509	779
Interest income on bank deposits	7	(519)	(368)
Interest income on rental deposits	7	(139)	(129)
Depreciation of right-of-use assets	15	7,283	7,108
Depreciation of property, plant and equipment	16	2,108	2,217
Long service payment obligations			
– expense recognised in profit or loss		133	672
Net unrealised foreign exchange loss		384	566
Loss on write-off of property, plant and equipment	7	11	17
Net fair value changes in financial assets at FVTPL	7	–	(57)
Dividend income on financial assets at FVTPL	7	–	(19)
Operating cash flows before movements in working capital		6,646	7,083
Decrease (increase) in inventories		527	(2,160)
Decrease (increase) in trade receivables		86	(331)
Increase in other receivables, deposits and prepayments		(171)	(2)
Decrease in financial assets at FVTPL		1,373	–
Increase in trade payables		992	7
(Decrease) increase in accrued liabilities		(215)	219
Increase (decrease) in contract liabilities		1,797	(482)
Cash generated from operations		11,035	4,334
Interest paid		(509)	(779)
Net income tax paid		(10)	(309)
NET CASH FROM OPERATING ACTIVITIES		10,516	3,246
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,397)	(2,300)
Placement of pledged bank deposits		(365)	(3,762)
Dividend received	7	–	19
Interest received		365	368
NET CASH USED IN INVESTING ACTIVITIES		(1,397)	(5,675)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the year ended 31 March 2024

	Note	2024 HK\$'000	2023 HK\$'000
FINANCING ACTIVITY			
Repayments of lease liabilities		(7,210)	(6,739)
NET CASH USED IN FINANCING ACTIVITY		(7,210)	(6,739)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		1,909	(9,168)
Effect of foreign exchange rate changes, net		18	10
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		5,000	14,158
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	21	6,927	5,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

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.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”) New and amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 17	Insurance Contracts and the related amendments
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

The application of the new and amendments to HKFRSs in the current year 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.

Amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants ¹
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ¹
Amendments to HKAS 21	Lack of Exchangeability ²

¹ Effective for annual periods beginning on or after 1 January 2024

² Effective for annual periods beginning on or after 1 January 2025

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 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 2024

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

New HKICPA guidance on the accounting implication of the Mandatory Provident Fund (“MPF”) – Long Service Payment (“LSP”) offsetting mechanism

As disclosed in note 27 to consolidated financial statement, in June 2022, the Hong Kong SAR Government (the “**Government**”) gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “**Amendment Ordinance**”), which will take effect on 1 May 2025 (the “**Transition Date**”). The Amendment Ordinance abolishes the use of the accrued benefits derived from employers’ mandatory MPF contributions to offset LSP in respect of an employee’s service from the Transition Date (the “**Abolition**”). In addition, the last month’s salary immediately preceding the Transition Date is used to calculate the portion of the LSP in respect of the employment period before the Transition Date.

Prior to 1 April 2023, the Group applied practical expedient in paragraph 93(b) of HKAS 19 (the “**Practical Expedient**”) to account for the offsetable MPF benefits as deemed employee contributions to reduce the current service costs in the period in which the related services were rendered.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” (the “**Guidance**”) that provides guidance for the accounting for the offsetting mechanism and the impact arising from the abolition of the MPF-LSP offsetting mechanism.

By following the Guidance, the Group has changed its accounting policy in connection with its LSP obligations. As a result of the Abolition, these contributions are no longer considered “linked solely to the employee’s service in that period” since the mandatory employer MPF contribution after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, the Group ceased to apply the Practical Expedient and reattribute the deemed employee contributions to periods of service in the same manner as the gross LSP benefit by applying paragraph 93(a) of HKAS 19. This change in accounting policy upon the cessation in applying the Practical Expedient has resulted in a catch-up adjustment in profit or loss in June 2022 for the service cost up to that date and consequential impacts on current service cost, interest expense and remeasurement effects from changes in actuarial assumptions for the rest of financial year ended 31 March 2023 (see note 27), with the corresponding adjustment to the carrying amount of the LSP obligations during the year ended 31 March 2023. This change in accounting policy did not have any impact on the opening balance of equity at 1 April 2022. It also did not have a material impact on the company-level statements of financial position as at 31 March 2023 and 31 March 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New HKICPA guidance on the accounting implication of the MPF-LSP offsetting mechanism (Continued)

This change in accounting policy has been applied retrospectively by restating the balances as at 31 March 2023. The following table summarises the impacts of the adoption of the Guidance on the comparatives presented in the Group's consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position.

Consolidated statement of financial position as at 31 March 2023

	Carrying amount as at 31 March 2023 (before the adoption) HK\$'000	Impact of adoption of the Guidance HK\$'000	Restated carrying amount as at 31 March 2023 (after the adoption) HK\$'000
Non-current liabilities			
Long service payment obligations	–	(672)	(672)
Non-current assets			
Deferred tax asset	–	111	111
Reserves			
Retained profits	794	(561)	233

Consolidated statement of profit or loss and other comprehensive income for year ended 31 March 2023

	Original amount (before the adoption) HK\$'000	Impact of adoption of the Guidance HK\$'000	Restated amount (after the adoption) HK\$'000
Staff costs	22,496	672	23,168
Income tax credit	(2)	(111)	(113)
Loss for the year	3,029	561	3,590
	HK cents	HK cents	HK cents
Loss per share			
Basic and diluted loss per share	0.75	0.14	0.89

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New HKICPA guidance on the accounting implication of the MPF-LSP offsetting mechanism (Continued)

The following table summarises the impacts of the adoption of the Guidance on the Group's consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position for the year ended 31 March 2024, if the Group had not changed its accounting policy as noted above and had continued to apply the practical expedient in paragraph 93(b) of HKAS 19:

Consolidated statement of financial position as at 31 March 2024

	Carrying amount as at 31 March 2024 (before the adoption) HK\$'000	Impact of adoption of the Guidance HK\$'000	Carrying amount as at 31 March 2024 (after the adoption) HK\$'000
Non-current liabilities			
Long service payment obligations	–	(739)	(739)
Non-current assets			
Deferred tax asset	–	133	133
Reserves			
Accumulated losses	(2,143)	(606)	(2,749)

Consolidated statement of profit or loss and other comprehensive income for year ended 31 March 2024

	Amount before the adoption HK\$'000	Impact of adoption of the Guidance HK\$'000	Amount after the adoption HK\$'000
Staff costs	24,490	133	24,623
Income tax credit	–	(22)	(22)
Loss for the year	2,991	111	3,102
Remeasurement of long service payment obligations	–	66	66
Other comprehensive income	18	66	84
	HK cents	HK cents	HK cents
Loss per share			
Basic and diluted loss per share	0.74	0.03	0.77

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

3. SUMMARY OF MATERIAL 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 of Hong Kong Limited (the “**GEM Listing Rules**”) and by the Hong Kong Companies Ordinance.

As at 31 March 2024, the Group had net current liabilities of HK\$2,091,000. The current liabilities arose mainly from contract liabilities of HK\$20,998,000, which represented services to be performed and shall not result in any cash outflows of the Group eventually. The directors have reviewed the current performance and cash flow forecast prepared by management as part of their assessment of the Group’s ability to continue as a going concern, and after carefully considering the matters described below, the directors have a reasonable expectation that the Group is able to continue as a going concern for at least the next twelve months from the end of the reporting period and to meet its obligations, as and when they fall due, having regard to the following:

- (i) the Group generated net cash inflows from operating activities of HK\$10,516,000 during the year ended 31 March 2024 and expects to continue to improve its working capital management and generate sufficient cash flows to meet its liabilities as and when they fall due in the next twelve months;
- (ii) at 31 March 2024, the Group had available unutilised banking facilities of HK\$18,000,000; and
- (iii) in April 2024, the Group obtained a new bank loan of HK\$9,000,000 and which is repayable by 10 years.

Consequently, the directors have concluded that the Group has adequate resources to continue in operational existence for the foreseeable future. Therefore, these consolidated financial statements have been prepared on a going concern basis.

Should the going concern assumption be inappropriate, adjustments may have to be made to write-down the values of assets to their recoverable amounts, to provide for any further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

The consolidated financial statements have been prepared on the historical basis at the end of each reporting period except for the financial assets at 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 2024

3. SUMMARY OF MATERIAL 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.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

3. SUMMARY OF MATERIAL 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 2024, 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 2024

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

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

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 skincare 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.

Dividend income

Dividend income is recognised when the right to receive payment is established.

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 relating to income is presented in gross under other income, gains and losses in the consolidated statement of profit or loss and other comprehensive income.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

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

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

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.

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 ("CGU") to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGU 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 CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) 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 CGU) 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 CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

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 date 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.

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 2024

3. SUMMARY OF MATERIAL 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 2024

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee *(Continued)*

Lease modifications

The Group accounts for a lease modification as a separate lease if:

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

Retirement benefits costs

Retirement benefits to employees are provided through defined contribution plans. In addition, the employees employed under the Hong Kong Employment Ordinance are also entitled to LSP if the eligibility criteria are met. The LSP are defined benefits plans.

(a) Defined contribution plans

The Group operates a defined contribution retirement benefit plan under the MPF Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on 5% (2023: 5%) of the employee's basic salaries with a cap of HK\$1,500 per month. The assets of the plan are held separately from those of the Group, in funds under the control of trustees.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

(b) Defined benefit plans

The amount of long service benefit that an employee will receive on cessation of employment in certain circumstances is defined by reference to the employee's length of service and corresponding salary. The legal obligations for any benefits remains with the Group.

The LSP obligations recognised in the consolidated statement of financial position is the present value of the LSP obligation at the end of the reporting period.

Management estimates the LSP obligations annually. This is based on the discount rate, the salary growth rate, turnover rate and the expected investment return on offsetable MPF accrued benefits. Discount factors are determined close to the end of each annual reporting period by reference to government bonds that are denominated in the currency in which the benefits will be paid and have terms to maturity approximating the terms of the related defined benefit liability.

Defined benefit costs are categorised as follows:

- service cost (including current and past service cost, and gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

Service cost on the Group's defined benefit plan is included in staff costs. Employee contributions, all of which are independent of the number of years of service, are treated as a reduction of service cost.

Net interest expense on the net defined benefit liability is included in staff costs.

Gains and losses resulting from remeasurements of the net defined benefit liability, comprising actuarial gains and losses, are included in other comprehensive income and are not reclassified to profit or loss in subsequent periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

3. SUMMARY OF MATERIAL 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 and does not give rise to equal taxable and deductible temporary difference.

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.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies the requirements in HKAS 12 to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to the lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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).

All provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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 that are not measured at FVTPL 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.

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 2024

3. SUMMARY OF MATERIAL 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 expected credit losses ("**ECL**") on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, other receivables, deposits, pledged bank deposits and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 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 2024

3. SUMMARY OF MATERIAL 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;
- 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 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 2024

3. SUMMARY OF MATERIAL 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 probable 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 2024

3. SUMMARY OF MATERIAL 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 2024

3. SUMMARY OF MATERIAL 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 (other than lease liabilities) are initially measured at fair value, and, where applicable, adjusted for transaction costs.

Financial liabilities (including trade payables, accrued liabilities 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 expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Segment reporting

The Group identifies operating segments and prepares segment information based on regular internal financial information reported to the chief operating decision maker ("**CODM**") (i.e. Dr. Kong) for his decisions about resources allocation to the Group's business components and his review of the performance of these components.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

3. SUMMARY OF MATERIAL 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 2024

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.

4.1 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:–

Revenue recognition from unutilised prepaid treatment packages

The recognition of revenue from the unutilised portion of the expired prepaid treatment packages involves significant management's judgement to determine the appropriate timing when the obligations to provide services are considered to be expired based on the Group's forfeiture policy and hence the recognition criteria for the related revenue are met in accordance with the accounting policy for revenue recognition in Note 3 to the consolidated financial statements.

4.2 Estimation uncertainty

Estimated impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the CGU to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test. As at 31 March 2024, the carrying amounts of right-of-use assets and property, plant and equipment are HK\$5,562,000 and HK\$4,716,000 (2023: HK\$11,789,000 and HK\$5,315,000) respectively, and there is no impairment losses recognised in respect of right-of-use assets and property, plant and equipment (2023: Nil).

Net realisable value of inventories

Net realisable value of inventories (Note 17) is based on estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. These estimates are based on the current market condition and the historical experience in selling goods of similar nature. It could change significantly as a result of changes in market conditions. The Group re-assesses the estimation at the end of each reporting period. During the year ended 31 March 2024, there was no written down of inventories to net realisable value (2023: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

4. SIGNIFICANT JUDGEMENTS AND ESTIMATES (Continued)

4.2 Estimation uncertainty (Continued)

Estimation of LSP obligations

Management's estimate of the LSP obligations is based on a number of critical underlying assumptions such as the discount rate, the salary growth rate, turnover rate and the expected investment return on offsetable MPF accrued benefits.

Variation in these assumptions may significantly impact the LSP obligations amount and the annual defined benefit expenses amount. Any changes in these assumptions will impact the carrying amount of LSP obligations.

As at 31 March 2024, the carrying amounts of LSP obligations are HK\$739,000 (2023 (restated): HK\$672,000). Details of key assumptions and impact of possible changes in key assumptions are disclosed in Note 27.

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:

	2024 HK\$'000	2023 HK\$'000
Medical Consultation Service	1,121	1,012
Prescription and Dispensing Service	9,439	9,202
Treatment Service	38,575	35,327
	49,135	45,541

(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	
	2024 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 HK\$'000
At a point in time	–	–	9,439	9,202	–	–	9,439	9,202
Over time	1,121	1,012	–	–	38,575	35,327	39,696	36,339
	1,121	1,012	9,439	9,202	38,575	35,327	49,135	45,541

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

As at 31 March 2024, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts was HK\$20,998,000 (2023: HK\$19,201,000). 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 2024

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 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. 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 2024 and 2023, 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

	2024 HK\$'000	2023 HK\$'000
Government subsidies (<i>Note</i>)	–	829
Consultancy service income	750	476
Interest income on bank deposits	519	368
Interest income on rental deposits	139	129
Write-off of trade receivables	(12)	–
Net foreign exchange loss	(410)	(1,380)
Loss on write-off of property, plant and equipment	(11)	(17)
Dividend income on financial assets at FVTPL	–	19
Net fair value changes in financial assets at FVTPL	–	57
Gain on disposal of financial assets at FVTPL	18	–
	993	481

Note: The government subsidies represented the Employment Support Scheme ("ESS") from 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 (i) would not implement redundancies during the subsidy period; and (ii) would spend all the wages subsidies on paying wages to the employees. These conditions had been satisfied during the year ended 31 March 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

8. FINANCE COSTS

	2024 HK\$'000	2023 HK\$'000
Interest expense on lease liabilities	491	779
Interest on bank overdraft	18	–
	509	779

9. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's emoluments, disclosed pursuant to the GEM Listing Rules, section 383(1) of the Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Executive Directors				Independent non-executive Directors				
	Dr. Kong HK\$'000 (Note i)	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. Leung Siu Cheung HK\$'000	Mr. Lui Sze On HK\$'000 (Note ii)	Mr. Fu Frank Tsun Yin HK\$'000 (Note iii)	Total HK\$'000
For the year ended 31 March 2024									
Fee	60	60	60	60	180	180	103	33	736
Other emoluments:									
Salaries and allowances	4,320	484	–	919	–	–	–	–	5,723
Performance bonus (Note v)	2,724	232	–	105	–	–	–	–	3,061
Service fee	–	–	395	–	–	–	–	–	395
Contributions to retirement benefits scheme	–	18	–	18	–	–	–	–	36
Total emoluments	7,104	794	455	1,102	180	180	103	33	9,951

	Executive Directors				Independent non-executive Directors				
	Dr. Kong HK\$'000 (Note i)	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. Leung Siu Cheung HK\$'000	Mr. Fu Frank Tsun Yin HK\$'000 (Note iii)	Mr. Lee Ka Lun HK\$'000 (Note iv)	Total HK\$'000
For the year ended 31 March 2023									
Fee	60	60	60	60	180	180	23	112	735
Other emoluments:									
Salaries and allowances	4,216	469	203	892	–	–	–	–	5,780
Performance bonus (Note v)	1,919	75	–	36	–	–	–	–	2,030
Service fees	–	–	238	–	–	–	–	–	238
Contributions to retirement benefits scheme	–	18	7	18	–	–	–	–	43
Total emoluments	6,195	622	508	1,006	180	180	23	112	8,826

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

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

Notes:

- (i) Dr. Kong is an executive director and chief executive officer of the Company and a medical practitioner of the Group. His emoluments disclosed above include those for services rendered by him as a chief executive officer and a medical practitioner.
- (ii) Mr. Lui Sze On was appointed as an independent non-executive Director with effect from 6 September 2023.
- (iii) Mr. Fu Frank Tsun Yin was appointed as an independent non-executive Director with effect from 14 February 2023 and resigned on 7 June 2023.
- (iv) Mr. Lee Ka Lun resigned as an independent non-executive Director on 15 November 2022.
- (v) The performance bonuses are determined by reference to the performance of the individual Directors.

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 2024 and 2023, 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.

10. EMPLOYEES' EMOLUMENTS

The five highest paid employees of the Group during the year included three (2023: three) Directors, details of whose remuneration are set out in Note 9 above. Details of the remuneration for the year of the remaining two (2023: two) highest paid employees who are neither a Director nor the chief executive officer of the Company are as follows:

	2024 HK\$'000	2023 HK\$'000
Salaries, allowances and other benefits	2,601	2,566
Performance bonus	1,801	1,787
Contributions to retirement benefits scheme	36	36
	4,438	4,389

Their emoluments were within the following bands:

	2024 Number of individuals	2023 Number of individuals
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$3,000,001 to HK\$3,500,000	1	1

During each of the years ended 31 March 2024 and 2023, 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 2024

11. LOSS BEFORE TAX

	2024 HK\$'000	2023 HK\$'000 (restated)
Loss before tax has been arrived at after charging:		
Auditors' remuneration		
– current year	407	387
– underprovision in prior years	44	20
	451	407
Cost of inventories recognised as an expense	9,746	8,863
Expenses related to short-term leases (included in other expenses)	48	211
Staff costs		
Directors' emoluments (Note 9)	9,951	8,826
Other staff costs		
– salaries, allowance and other benefits	14,107	13,271
– contributions to retirement benefits schemes	432	399
– expense arising from LSP obligations (Note 27)	133	672
	24,623	23,168

12. INCOME TAX CREDIT

	2024 HK\$'000	2023 HK\$'000 (restated)
Income tax credit comprises of:		
Hong Kong Profits Tax		
Current year	–	–
Overprovision in prior years	–	(2)
	–	(2)
Deferred tax (Note 26)	(22)	(111)
	(22)	(113)

No provision for Hong Kong profits tax has been made as the Group had no assessable profits during the year (2023: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

12. INCOME TAX CREDIT *(Continued)*

A reconciliation of the tax credit applicable to loss 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:

	2024 HK\$'000	2023 HK\$'000 (restated)
Loss before tax	(3,124)	(3,703)
Tax at applicable rates	(515)	(611)
Tax effect of expenses that are not deductible	556	518
Tax effect of income not taxable for tax purpose	(108)	(225)
Tax losses not recognised	97	309
Overprovision in prior years	–	(2)
Tax effect of deductible temporary differences not recognised	(52)	(102)
Income tax credit for the year	(22)	(113)

13. DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 March 2024 (2023: Nil).

14. LOSS PER SHARE

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

	2024 HK\$'000	2023 HK\$'000 (restated)
Loss for the year attributable to owners of the Company for the purpose of calculating basic and diluted loss per share	(3,048)	(3,537)
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	396,736	396,736
Effect of diluting potential ordinary shares:		
Share options issued by the Company	–	–
Weighted average number of ordinary shares for the purpose of calculating diluted loss per share	396,736	396,736

There were no dilutive potential ordinary shares during the year ended 31 March 2024 and therefore, diluted loss per share equals to basic loss per share.

For the year ended 31 March 2023, the computation of diluted loss per share has not assumed the exercise of the Company's share options since there are anti-dilutive.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

15. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

	Leased properties HK\$'000
COST	
At 1 April 2022	21,326
Derecognition upon expiry	(1,062)
At 31 March 2023	20,264
Additions	1,056
At 31 March 2024	21,320
ACCUMULATED DEPRECIATION AND IMPAIRMENT	
At 1 April 2022	2,429
Provided for the year	7,108
Derecognition upon expiry	(1,062)
At 31 March 2023	8,475
Provided for the year	7,283
At 31 March 2024	15,758
CARRYING VALUES	
At 31 March 2024	5,562
At 31 March 2023	11,789

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

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

	2024 HK\$'000	2023 HK\$'000
Right-of-use assets		
Leased properties	5,562	11,789
Lease liabilities		
Within one year	5,757	6,705
Within a period of more than one year but not more than two years	–	5,222
Less: portion classified as current liabilities	5,757 (5,757)	11,927 (6,705)
Non-current liabilities	–	5,222

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

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

(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:

	2024 HK\$'000	2023 HK\$'000
Depreciation charges of right-of-use assets		
Leased properties	7,283	7,108
Interest expenses on lease liabilities	491	779
Expenses relating to short-term leases (included in other expenses)	48	211
	7,822	8,098

The total cash outflow lease rentals paid during the year ended 31 March 2024 was HK\$7,749,000 (2023: HK\$7,729,000). 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 2 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 2024 and 2023, the portfolio of short-term leases was similar to the portfolio of short-term leases to which the short-term leases expense disclosed above.

(iii) Extension option

As at 31 March 2024, the Group had extension option in a lease for an office premise. This was used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The extension option held was exercisable only by the Group.

The Group assessed 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 was not reasonably certain to exercise is summarised below:

	Lease liabilities recognised as at 31 March 2024 HK\$'000	Potential future lease payments not included in lease liabilities as at 31 March 2024 (undiscounted) HK\$'000
Office premise – Hong Kong	535	1,104

In addition, the Group reassessed 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 2024, there is no such triggering event.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

16. 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 2022	6,605	2,649	21,452	699	31,405
Additions	–	165	2,135	–	2,300
Write-off	(60)	(81)	(50)	–	(191)
At 31 March 2023	6,545	2,733	23,537	699	33,514
Additions	–	47	1,473	–	1,520
Write-off	–	(3)	(1,545)	–	(1,548)
At 31 March 2024	6,545	2,777	23,465	699	33,486
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 April 2022	6,335	2,259	17,306	256	26,156
Provided for the year	134	159	1,784	140	2,217
Eliminated on write-off	(60)	(78)	(36)	–	(174)
At 31 March 2023	6,409	2,340	19,054	396	28,199
Provided for the year	84	146	1,738	140	2,108
Eliminated on write-off	–	(1)	(1,536)	–	(1,537)
At 31 March 2024	6,493	2,485	19,256	536	28,770
CARRYING VALUES					
At 31 March 2024	52	292	4,209	163	4,716
At 31 March 2023	136	393	4,483	303	5,315

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 2024

17. INVENTORIES

	2024 HK\$'000	2023 HK\$'000
Medication and skincare products	2,007	1,548
Treatment consumables	2,308	3,294
	4,315	4,842

18. FINANCIAL ASSETS AT FVTPL

	2024 HK\$'000	2023 HK\$'000
Financial assets at FVTPL		
Listed equity securities held for trading	–	1,373

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. The listed securities were disposed during the year ended 31 March 2024.

19. TRADE RECEIVABLES

	2024 HK\$'000	2023 HK\$'000
Trade receivables	540	626
Less: Allowance for ECL	(1)	(1)
Total trade receivables	539	625

The customers of the Group would usually settle payments by cash, credit cards or digital payment methods. Merchant service providers will normally settle the amounts from a few days to 60 days after the trade date.

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 digital payment methods at the end of the reporting period, which approximate the respective revenue recognition dates.

	2024 HK\$'000	2023 HK\$'000
0–30 days	508	611
31–60 days	31	–
61–90 days	–	–
91–180 days	–	14
Total	539	625

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

19. TRADE RECEIVABLES *(Continued)*

Before accepting any payment methods, the Group assesses the credit quality of the merchant service providers by evaluating their historical credit records. Recoverability of the service providers 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

	2024 HK\$'000	2023 HK\$'000
Beginning of the year	1	4
Additions	12	–
Bad debt written off against allowance	(12)	(3)
At the end of the year	1	1

As at 31 March 2024, the Group made an allowance for ECL of HK\$1,000 (2023: HK\$1,000) in respect of the trade receivables which was past due at the end of the reporting period. Management of the Group considered the related receivables may be impaired due to no settlement after the follow-up actions being taken by the Group to recover the overdue debts and specific allowance is made. In determining the recoverability of a trade receivable, the Group considers any change in credit quality of the trade 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.

20. DEPOSITS AND PREPAYMENTS

Breakdown of deposits and prepayments

	2024 HK\$'000	2023 HK\$'000
Other receivables	425	195
Rental deposits	2,837	2,560
Other deposits	52	55
Prepayments	623	679
Total deposits and prepayments	3,937	3,489
	2024 HK\$'000	2023 HK\$'000
Analysed as: –		
Non-current portion	–	2,556
Current portion	3,937	933
	3,937	3,489

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

21. 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 2024, the deposits carried an average effective interest rate of 2.88% (2023: 2.00%) per annum.

As at 31 March 2024, time deposits amounted to HK\$10,127,000 and HK\$3,765,000 (2023: HK\$10,273,000 and HK\$3,638,000) were pledged to banks for merchant services and banking facilities of HK\$18,000,000 respectively.

22. PROVISION FOR REINSTATEMENT COSTS

	2024 HK\$'000	2023 HK\$'000
At 1 April	800	800
Provision during the year	—	—
At 31 March	800	800
Represented by:		
– Non-current	—	700
– Current	800	100
	800	800

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 2024

23. CONTRACT LIABILITIES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Prepaid treatment packages (<i>Note</i>)	20,998	19,201

The following table shows movements in contract liabilities:

	<i>HK\$'000</i>
1 April 2022	19,683
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	(15,384)
Net increase in contract liabilities as a result of receiving deposits	14,902
31 March 2023 and 1 April 2023	19,201
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	(15,369)
Net increase in contract liabilities as a result of receiving deposits	17,166
31 March 2024	20,998

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.

24. 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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
0–30 days	1,245	253

25. ACCRUED LIABILITIES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Accrued staff costs	1,864	2,258
Other accruals	1,076	774
	2,940	3,032

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

26. DEFERRED TAXATION

The movements in deferred tax assets and recognised in the consolidated statement of the financial position during the years ended 31 March 2024 and 2023 are as follows:

	LSP obligations <i>HK\$'000</i>
At 1 April 2022	–
Credited to profit or loss (<i>Note 12</i>) (restated)	(111)
At 31 March 2023	(111)
Credited to profit or loss (<i>Note 12</i>)	(22)
At 31 March 2024	(133)

The amounts recognised in the consolidated statement of financial position are as follows:

	2024 HK\$'000	2023 <i>HK\$'000</i> (restated)
Deferred tax assets	133	111

The Group has unrecognised tax losses of HK\$9,046,000 (2023: HK\$8,457,000) to carry forward against future taxable income. These tax losses do not expire under current legislation.

27. LONG SERVICE PAYMENT OBLIGATIONS

Pursuant to the Hong Kong Employment Ordinance, Chapter 57, Hong Kong employees that have been employed continuously for at least five years are entitled to LSP under certain circumstances (e.g. dismissal by employers or upon retirement).

The amount of LSP payable is determined with reference to the employee's last monthly salary (capped at HK\$22,500) and the years of service, reduced by the amount of any accrued benefits derived from the Group's contributions to MPF scheme, with an overall cap of HK\$390,000 per employee. Currently, the Group does not have any separate funding arrangement in place to meet its LSP obligations.

In June 2022, the Government gazetted the Amendment Ordinance, which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset the LSP. The Amendment Ordinance will take effect on the Transition Date. Separately, the Government has indicated that it would launch a subsidy scheme to assist employers after the abolition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

27. LONG SERVICE PAYMENT OBLIGATIONS *(Continued)*

Among other things, once the abolition of the offsetting mechanism takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory MPF contributions (irrespective of the contributions made before, on or after the Transition Date) to reduce the LSP in respect of an employee's service from the Transition Date. However, where an employee's employment commenced before the Transition Date, the employer can continue to use the above accrued benefits to reduce the LSP in respect of the employee's service up to that date. In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

The benefit payment under LSP remains capped at HK\$390,000 per employee. If an employee's total benefit payment exceeds HK\$390,000, the amount in excess of the cap is deducted from the portion accrued from the Transition Date.

The Group has accounted for the offsetting mechanism and its abolition as disclosed in Notes 2 and 3 to the consolidated financial statements.

The Group has determined that the Amendment Ordinance primarily impacts the Group's LSP obligations with respect to Hong Kong employees.

The present value of unfunded LSP obligations and its movements are as follows:

	2024 HK\$'000	2023 HK\$'000 (restated)
At 1 April	672	–
Remeasurements recognised in other comprehensive income:		
– Actuarial gain arising from changes in financial assumptions	(66)	–
Expenses recognised in profit or loss:		
– Past service cost	–	571
– Current service cost	133	101
At 31 March	739	672

The current service cost, past service cost and interest cost are included in employee benefits expenses. They are recognised in the following line items in the consolidated statement of profit or loss:

	2024 HK\$'000	2023 HK\$'000 (restated)
Staff costs	133	672

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

27. LONG SERVICE PAYMENT OBLIGATIONS *(Continued)*

Estimates and assumptions

The significant actuarial assumptions for the determination of LSP obligations are as follows:

	2024	2023
Discount rate	3.7%	3.2%
Salary growth rate	1.3%	0.8%

These assumptions were developed by management. Discount factors are determined close to each period-end by reference to market yields of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related LSP obligations. Other assumptions are based on current actuarial benchmarks and management's historical experience.

The present value of the LSP obligations was measured using the projected unit credit method.

The weighted average duration of the LSP obligations is 17.0 years (2023: 17.4 years).

Expected maturity analysis of undiscounted LSP obligations in the coming years as at 31 March 2024 is disclosed as follows:

	Within 1 year	Over 1 year within 2 years	Over 2 years but within 5 years	Over 5 years
LSP obligations	–	–	181	1,265

The LSP obligations expose the Group to actuarial risks such as interest rate risk, salary risk and the investment risk of the Group's MPF scheme's constituent funds.

Changes in the significant actuarial assumptions

The calculation of the LSP obligations is sensitive to the significant actuarial assumptions mentioned above. The following table summarises the effects of changes in these actuarial assumptions on the LSP obligations at the end of each reporting periods.

	Changes in assumption	Impact on LSP obligations	
		Increase in the assumption HK\$'000	Decrease in the assumption HK\$'000
As at 31 March 2024			
Discount rate	5%	(378)	378
Salary growth rate	5%	49	(49)
As at 31 March 2023			
Discount rate	5%	(338)	338
Salary growth rate	5%	30	(30)

The sensitivity analyses presented above may not be representative of actual change in the LSP obligations as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. When calculating the sensitivity of the LSP obligation to significant actuarial assumptions, the same actuarial valuation method has been applied when calculating the LSP obligations recognised in the consolidated statement of financial position.

There were no changes in the methods and assumptions used in preparing the sensitivity analysis from prior year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

28. SHARE CAPITAL

The share capital at 31 March 2024 and 2023 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 2022, 31 March 2023 and 2024	1,000,000,000	10,000
Issued:		
As at 1 April 2022, 31 March 2023 and 2024	396,736,000	3,967

29. RESERVES

(a) Movements in components of equity

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity on page 64 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 options reserve*

The share options 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 2024

30. COMMITMENTS

Capital commitment

	2024 HK\$'000	2023 HK\$'000
Capital expenditure contracted for but not provided for in the consolidated financial statements in respect of capital contribution to subsidiaries	428	539

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, new shares issue and raise new debts.

32. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2024 HK\$'000	2023 HK\$'000
<i>Financial assets</i>		
Amortised cost	24,672	22,346
Financial assets at FVTPL	–	1,373
	24,672	23,719
<i>Financial liabilities</i>		
Amortised cost	8,723	13,933

Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, deposits, pledged bank deposits, bank balances and cash, trade payables, accrued liabilities 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 2024

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.

	2024 HK\$'000	2023 HK\$'000
Pledged bank deposits and bank balances and cash in RMB	6,988	7,200

As at 31 March 2024, if the HK\$ had weakened/strengthened 10% against the RMB with all other variables held constant, the Group's loss after tax for the year would have been HK\$699,000 (2023: HK\$720,000) higher/lower.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to floating-rate bank balances (see Note 21 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 2024 and 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

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 based on provision matrix. For trade receivables with gross carrying amount of HK\$540,000 (2023: HK\$626,000), the Group has applied the simplified approach under HKFRS 9 to measure the loss allowance at lifetime ECL. As at 31 March 2024, credit-impaired trade receivables amount of HK\$1,000 (2023: HK\$1,000) was made, 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 other merchant service providers with high credit ratings assigned by international credit-rating agencies. The Group made an allowance of HK\$12,000 for ECL for trade receivables, which were subsequently written off during the year ended 31 March 2024 (2023: Nil).

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

2024

	Expected loss rate	Gross carrying amount HK\$'000	Loss allowance HK\$'000
Current (not past due)	0%	539	–
More than 6 months past due	100%	1	(1)
		540	(1)

2023

	Expected loss rate	Gross carrying amount HK\$'000	Loss allowance HK\$'000
Current (not past due)	0%	625	–
More than 6 months past due	100%	1	(1)
		626	(1)

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 2024

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\$2,889,000 (2023: HK\$2,615,000), 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.

For other receivables measured at amortised cost, the exposures to credit risk are monitored such that any outstanding debtors are reviewed and followed up on an ongoing basis. In the opinion of the Directors, the Group has no significant concentration of credit risk arising from its ordinary course of business. The Group does not hold any collateral from its debtors.

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 2024 and 2023, 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 2024

32. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and its lease liabilities, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

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. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group is committed 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 2024					
Non-derivative financial liabilities					
Trade payables	N/A	1,245	–	1,245	1,245
Accrued liabilities	N/A	1,721	–	1,721	1,721
Lease liabilities	5.20	5,893	–	5,893	5,757
		8,859	–	8,859	8,723
At 31 March 2023					
Non-derivative financial liabilities					
Trade payables	N/A	253	–	253	253
Accrued liabilities	N/A	1,753	–	1,753	1,753
Lease liabilities	5.13	7,150	5,341	12,491	11,927
		9,156	5,341	14,497	13,933

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 as 31 March 2023, the exposure to listed equity securities at fair value was HK\$1,373,000. A decrease of 10% on share prices would have a decrease of approximately HK\$137,000 on the Group's loss after tax.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

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 (i.e. significant unobservable inputs).

Financial assets	Fair value as at 31.3.2024 HK\$'000	Fair value as at 31.3.2023 HK\$'000	Fair value hierarchy	Valuation techniques and key input(s)
Financial assets at FVTPL – Listed equity investments	–	1,373	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 2024

33. RELATED PARTY TRANSACTIONS

(a) Transactions

During the years ended 31 March 2024 and 2023, the Group did not entered into any transactions with related parties.

(b) Outstanding balances

As at 31 March 2024 and 2023, the Group had no outstanding balance with related parties.

(c) Compensation of key management personnel

	2024 HK\$'000	2023 HK\$'000
Short-term benefits	10,373	9,196
Post-employment benefits	54	60
	10,427	9,256

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

34. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries of the Company at 31 March 2024 and 2023 are as follows:

Name of subsidiary	Date and place of incorporation/ establishment	Principal place of business	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		
					2024	2023	2024	2023	
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 Choice Investment Limited	19 September 2014 Hong Kong	Hong Kong	Private limited company	Ordinary share HK\$1	–	–	100%	100%	Sale of skincare products and provision of medical skin care services
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

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For the year ended 31 March 2024

34. PARTICULARS OF SUBSIDIARIES (Continued)

Particulars of the subsidiaries of the Company at 31 March 2024 and 2023 are as follows:

Name of subsidiary	Date and place of incorporation/ establishment	Principal place of business	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		
					2024	2023	2024	2023	
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
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 2024, registered capital of RMB382,000 (2023: 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 2024, registered capital of HK\$1,200,000 (2023: 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.

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

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

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For the year ended 31 March 2024

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 loss allocated to non-controlling interests		Non-controlling interests	
		2024	2023	2024	2023	2024	2023
				HK\$'000	HK\$'000	HK\$'000	HK\$'000
Rightway Honour and its subsidiaries	Hong Kong	49%	49%	(56)	(61)	(3,369)	(3,313)

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

	2024 HK\$'000	2023 HK\$'000
Current assets	130	231
Non-current assets	4	4
Current liabilities	(7,009)	(6,995)
Net liabilities	(6,875)	(6,760)
Equity attributable to owners of the Company	(3,506)	(3,447)
Non-controlling interests	(3,369)	(3,313)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

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

	2024 HK\$'000	2023 HK\$'000
Revenue	–	28
Expenses	(110)	(136)
Loss for the year	(110)	(108)
Other comprehensive loss for the year		
<i>Item that will be reclassified subsequently to profit or loss:</i>		
Exchange differences arising from translation of a foreign operation	(5)	(16)
	(115)	(124)
Loss attributable to		
– owners of the Company	(56)	(55)
– non-controlling interests	(54)	(53)
Loss for the year	(110)	(108)
Total comprehensive loss attributable to		
– owners of the Company	(59)	(63)
– non-controlling interests	(56)	(61)
	(115)	(124)
Net cash outflow from operating activities	(91)	(28)
Net cash (outflow) inflow from financing activities	(10)	92
Net cash (outflow) inflow	(101)	64

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For the year ended 31 March 2024

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:

	Lease liabilities <i>HK\$'000</i> (Note 15)
At 1 April 2022	18,666
Changes from financing cash flows:	
Capital elements of lease rentals paid	(6,739)
Interest elements of lease rentals paid	(779)
Total change from financing cash flows	(7,518)
Other changes:	
Interest expenses (Note 15(ii))	779
Total other changes	779
At 31 March 2023	11,927
Changes from financing cash flows:	
Capital elements of lease rentals paid	(7,210)
Interest elements of lease rentals paid	(491)
Total change from financing cash flows	(7,701)
Other changes:	
Interest expenses (Note 15(ii))	491
Recognition of lease liabilities	1,040
Total other changes	1,531
At 31 March 2024	5,757

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

37. EVENTS AFTER THE REPORTING PERIOD

On 21 May 2024, Medicskin Laboratories (as the lessee) and an independent third party (as the lessor) entered into a lease agreement in relation to the lease renewal of Suit 1201 (12th Floor) of Ocean Centre, Harbour City, Tsim Sha Tsui, Kowloon commencing from 1 September 2024 to 31 August 2027 (both days inclusive) (the "**Lease Agreement**") for use as one of the Group's medical skin care centres in Hong Kong. Pursuant to HKFRS 16, as a result of the entering into the Lease Agreement, the Group shall recognise the right-of-use asset in connection with the Lease Agreement on the consolidated financial statements. The estimated value of the right-of-use asset to be recognised by the Company under the Lease Agreement shall amount to HK\$7.0 million.

Save as disclosed above, there was no significant event occurred after the reporting period.

38. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

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

	2024 HK\$'000	2023 HK\$'000
Non-current assets		
Interests in subsidiaries	1,409	2,686
Amounts due from subsidiaries	4,328	–
	5,737	2,686
Current assets		
Financial assets at FVTPL	–	1,059
Deposits and prepayments	106	104
Amounts due from subsidiaries	1,500	6,718
Bank balances	280	297
	1,886	8,178
Current liabilities		
Accrued liabilities	104	17
Net current assets	1,782	8,161
Total assets less current liabilities	7,519	10,847
Capital and reserves		
Share capital	3,967	3,967
Reserves	3,552	6,880
Total equity	7,519	10,847

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

38. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(Continued)

Movement in reserves

	Share premium HK\$'000	Accumulated losses HK\$'000	Share options reserve HK\$'000	Other reserve HK\$'000 (Note)	Total HK\$'000
At 1 April 2022	9,712	(2,841)	733	2,461	10,065
Loss for the year	–	(3,185)	–	–	(3,185)
Lapse of share options	–	733	(733)	–	–
At 31 March 2023 and 1 April 2023	9,712	(5,293)	–	2,461	6,880
Loss for the year	–	(3,328)	–	–	(3,328)
At 31 March 2024	9,712	(8,621)	–	2,461	3,552

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				
	2024 HK\$'000	2023 HK\$'000 (restated)	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000
RESULTS					
Revenue	49,135	45,541	49,147	41,713	48,046
(Loss) profit before tax	(3,124)	(3,703)	4,421	1,314	(5,313)
Income tax credit (expense)	22	113	(276)	48	(86)
(Loss) profit for the year	(3,102)	(3,590)	4,145	1,362	(5,399)
(Loss) profit for the year attributable to:					
Owners of the Company	(3,048)	(3,537)	3,922	953	(3,237)
Non-controlling interests	(54)	(53)	223	409	(2,162)
	(3,102)	(3,590)	4,145	1,362	(5,399)
As at 31 March					
	2024 HK\$'000	2023 HK\$'000 (restated)	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000
ASSETS AND LIABILITIES					
Total assets	40,060	46,484	56,669	58,838	77,943
Total liabilities	(32,479)	(35,885)	(42,490)	(38,847)	(47,542)
	7,581	10,599	14,179	19,991	30,401
Total equity attributable to:					
Owners of the Company	10,950	13,912	17,431	23,445	35,488
Non-controlling interests	(3,369)	(3,313)	(3,252)	(3,454)	(5,087)
	7,581	10,599	14,179	19,991	30,401