



ANNUAL REPORT 2018-2019

澳至尊 AUSupreme

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

(Incorporated in the Cayman Islands with limited liability)

HKEx Stock Code : 2031.HK

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Choy Chi Fai (*Chairman and Managing Director*)

Ms. Ho Ka Man

Mr. Ho Chun Kit, Saxony

Mr. Au Chun Kit

Independent Non-executive Directors

Dr. Luk Ting Kwong

Mr. Ko Ming Kin

Mr. Wan Cho Yee

AUDIT COMMITTEE

Mr. Ko Ming Kin (*Chairman*)

Mr. Wan Cho Yee

Dr. Luk Ting Kwong

NOMINATION COMMITTEE

Dr. Luk Ting Kwong (*Chairman*)

Mr. Wan Cho Yee

Mr. Choy Chi Fai

REMUNERATION COMMITTEE

Mr. Wan Cho Yee (*Chairman*)

Mr. Ko Ming Kin

Mr. Choy Chi Fai

COMPANY SECRETARY

Ms. Tang Wing Shan

AUTHORIZED REPRESENTATIVES

Mr. Choy Chi Fai

Ms. Tang Wing Shan

INDEPENDENT AUDITOR

Wellink CPA Limited

Certified Public Accountants

SOLICITOR

Sidley Austin

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

The Hongkong and Shanghai Banking Corporation Limited

CMB Wing Lung Bank Limited

REGISTERED OFFICE

Clifton House

75 Fort Street

PO Box 1350

Grand Cayman KY1-1108

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Office E, 28/F., EGL Tower

83 Hung To Road

Kwun Tong, Kowloon

Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited

Clifton House

75 Fort Street

PO Box 1350

Grand Cayman KY1-1108

Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited

Room 2103B, 21/F.

148 Electric Road

North Point

Hong Kong

LISTING INFORMATION

Place of Listing: The Main Board of The Stock Exchange of Hong Kong Limited

Stock Code: 2031

Board Lot: 5,000 shares

COMPANY WEBSITE

www.ausupreme.com

SUPER EYE CARE (EXTRA STRENGTH)

AUSupreme's Spokesperson
Sammi Cheng



AUSTRALIAN MADE



Glossary

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

“AGM”	the annual general meeting of the Company
“Articles of Association”	the articles of association of the Company, as amended, supplemented or otherwise modified from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Ausupreme” or “Company”	Ausupreme International Holdings Limited, a company incorporated in the Cayman Islands as an exempted company with limited liability, the issued Shares of which are listed and traded on the Main Board of the Stock Exchange (stock code: 2031)
“Beatitudes”	Beatitudes International Ltd., a company incorporated in the British Virgin Islands with limited liability, a controlling shareholder of the Company
“Board”	the board of Directors
“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Chairman”	the chairman of the Board
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Company Secretary”	the company secretary of the Company
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company

"EGM"	the extraordinary general meeting of the Company
"GMP"	Good Manufacturing Practice — a quality assurance approach used by drug manufacturing industry worldwide to ensure that products are consistently produced and controlled according to appropriate quality standards
"Group"	the Company and its subsidiaries
"HACCP"	Hazard Analysis and Critical Control Points — a scientific and systematic approach to identify, assess and control hazards in the food production process. With the HACCP system, food safety control is integrated into the design of the process rather than relying on end-product testing
"HK\$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong" or "HKSAR"	the Hong Kong Special Administrative Region of the PRC
"INED(s)"	the independent non-executive Director(s)
"Listing"	the listing of the issued Shares on the Main Board of the Stock Exchange
"Listing Date"	12 September 2016, the date on which the issued Shares were initially listed on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Macau"	the Macau Special Administrative Region of the PRC
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Mr. Choy"	Mr. Choy Chi Fai, an executive Director, the managing Director and the Chairman

Glossary

"Ms. Ho" or "Mrs. Choy"	Ms. Ho Ka Man, an executive Director
"M&A"	the memorandum of association of the Company and the Articles of Association
"Nomination Committee"	the nomination committee of the Board
"PRC" or "Mainland China"	the People's Republic of China
"Prospectus"	the prospectus of the Company dated 30 August 2016
"Remuneration Committee"	the remuneration committee of the Board
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"SGS"	SGS Systems & Services Certification Pty Ltd., a company which provides services of inspection, verification, testing and certification
"Share(s)"	ordinary share(s) of nominal value of HK\$0.01 each in the share capital of the Company
"Shareholder(s)"	the holder(s) of Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"TGA"	Therapeutic Goods Administration of Australia
"Truth & Faith"	Truth & Faith International Limited, a principal wholly-owned subsidiary of the Company engaged in the retail and wholesale of health and personal care products
"Year" or "year under review"	the year ended 31 March 2019

Glossary

"Year 2018"	the year ended 31 March 2018
"Year 2017"	the year ended 31 March 2017
"%"	per cent

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



Ausupreme International Holdings Limited (stock code 2031.HK) is a quality brand specializing in health supplements and personal care products from Australia. Our products have passed the certification of Therapeutic Goods Administration of Australia (TGA) and are produced in international Good Manufacturing Practice (GMP) manufacturing plants. We have obtained numerous prizes, including “Hong Kong Top Brand Awards” and “Hong Kong Star Brand Award”. Ausupreme’s business has seen steady development and our products have been widely supported by the markets, including Hong Kong and other Asian regions.

Vision

With adherence to the belief of truth, justice and care, Ausupreme has established an excellent and outstanding team, striving to provide quality healthcare and personal care products and professional services to people who care for their health, and to be an industry leader in Asia-Pacific region.

Mission

- Truth** : With integrity and good conscience as our operating principles, all of our staff members play by the book and work to establish a good model for the commercial sector.
- Justice** : We create an operating environment with justice and fairness. All of our staff monitor and guide each other in order to create a reasonable corporate system.
- Care** : We foster a caring and loving corporate culture. All of our staff support each other and build a caring culture for the society.



Sales Channels - Specialty Stores & Consignment Counters

With outstanding quality, professional service and caring corporate culture, the Group has successfully laid a solid foundation for its development in Hong Kong. As at 31 March 2019, the Group had



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



◀ Members of the Board

13 specialty stores and 83 consignment counters in Hong Kong and Macau. In the future, Ausupreme will continue to expand its overseas markets actively and strive to become a well-known health supplement brand in Asia.



Charity Events

Adhering to the people-oriented philosophy, Ausupreme has been committed to fulfilling its social responsibilities over the years. The Group has been actively participating in community care and charity services by putting the spirit of “giving back to society” into practice.

In the past year, we participated in various charity events to promote public welfare: supporting Orbis’ “Darkness to Go” event; sponsoring and participating in the environmental protection running event, “Run for Blue Sky” organized by World Green Organisation; participating with title sponsorship in the cycling charity fundraising activity, “Cycling for Discharged Prisoners 2018”, organized by Christian Prison Pastoral Association; forming a volunteer team to visit a children’s home in Xianyang City, Shaanxi Province; Mr. Choy Chi Fai, the founder and Chairman of the Group, publishing a new book, *The Path to Ausupreme*, with all profits from the first edition donated to Love Foundation; and participating in the charity run, “Run for Girls”, jointly organized by Cosmopolitan HK and Plan International HK, etc. By actively giving back to society, Ausupreme aims to become a role model of conscientious company for its peers.



Awards and Recognitions

Ausupreme continues to receive a number of awards and recognitions, and is seen as a trustworthy brand and company by investors and customers.



International Good Manufacturing Practice (GMP)

The Therapeutic Goods Administration of Australia ("TGA") is an administration under the Department of Health of Australian Government, which supervises and manages therapeutic goods including health products. Products of Ausupreme obtained the authoritative certification of TGA and are produced in manufacturing plants with international GMP certification. Our products meet the production standards of World Health Organization, which ensures the high quality level of our products.



Safety tests of main heavy metals

In order to ensure the quality of our products, Ausupreme conducts special tests on products which contained raw materials from deep sea. Products have passed the safety tests of main heavy metals and no contamination is found. Complying with international standards, the health of our customers is guaranteed.



Quality Tourism Services

Passing the strict annual audit by Hong Kong Tourism Board, our products and services met the requirements of "Provide clearly displayed prices; Display clear product information; and Ensure superb customer service", we are proudly awarded this accreditation. The award praised the high-quality service of Ausupreme, which consolidates Hong Kong's image as a quality tourism city.



No Fakes Logo

We participated in "No Fakes Pledge" Scheme held by Intellectual Property Department and have been awarded the No Fakes logo which ensures that the merchants adhere to the law, establish and maintain legitimate business practices, and do not sell the counterfeits.



Hong Kong Top Brand Awards

By meeting a number of professional judging standards, Ausupreme has been awarded the Hong Kong Top Brand Awards issued by Hong Kong Brand Development Council and the Chinese Manufacturers' Association of Hong Kong. It is a recognition of our continued efforts in the development of original brand, which is a symbol of honour for excellent brand and high quality products.



Consumers' Most Favourable Hong Kong Brands

Held by China Enterprise Reputation & Credibility Association (Overseas), it aims to reward the outstanding local brands established in Hong Kong through the setting up of a professional panel committee and through an extensive public voting in order to promote the development of the local market.



PRO Choice

Organized by Capital Weekly of South China Media, the awards had a panel of judges consisting of various renowned persons in political and commercial sectors. Those awardees were pioneers of the industry and had a highly leading market position in their respective fields. This proved that Ausupreme is a leader in the healthcare product industry in Hong Kong.



Asia Excellence Brand Award

Organized by Yazhou Zhoukan, the "Asia Excellence Brand Award" winners are chosen by YZZK through its readers and business community, to recognize the most influential international or local brands. Ausupreme has been awarded "Asia Excellence Brand Award" which highlights the principles and practices of the brand and the excellent performance of the brands' leaders.



Hong Kong Star Brand Award

Presented by Hong Kong Small and Medium Enterprises Association, the "Hong Kong Star Brand Award" recognizes Ausupreme's efforts in actively developing the brand, providing more quality and effective products and services, as well as promoting the economic development of various places.



Listed Company Awards of Excellence

Through an extremely strict selection process by Hong Kong Economic Journal, the selected listed companies truly deserve the awards. It serves as a valuable reference for investors.



Manpower Developer 1st

It is organized by the Employees Retraining Board (ERB) of Hong Kong. After passing the professional assessment and Hong Kong Productivity Council's detailed evaluation, we are recognized for our focus on manpower training and our outstanding performance in manpower development.



ListCo Excellence Awards

Jointly organized by am730, PR Asia and Roadshow, the "ListCo Excellence Awards" are presented to the listed companies with market value, industry position and results recognized by the capital market.



Caring Company

It is presented by the Hong Kong Council of Social Service to recognize and publicly praise the Group for its care, fulfilment of social responsibilities and good corporate culture.



Hong Kong Top Ten Ecommerce Award

It is jointly organized by Alibaba's B2B e-commerce platform and the Office of the Government Chief Information Officer of Hong Kong, Hong Kong Netrepreneurs Association. By receiving the award, Ausupreme is recognized as an industry role model for its excellent e-commerce operations and the contribution to promoting the further development of the e-commerce industry in Hong Kong.



Hong Kong Outstanding Corporate Citizenship Awards

It is organized by Hong Kong Productivity Council and co-organized by the Committee on the Promotion of Civic Education. The award recognizes Ausupreme's outstanding performance in fulfilling and promoting corporate social responsibilities.

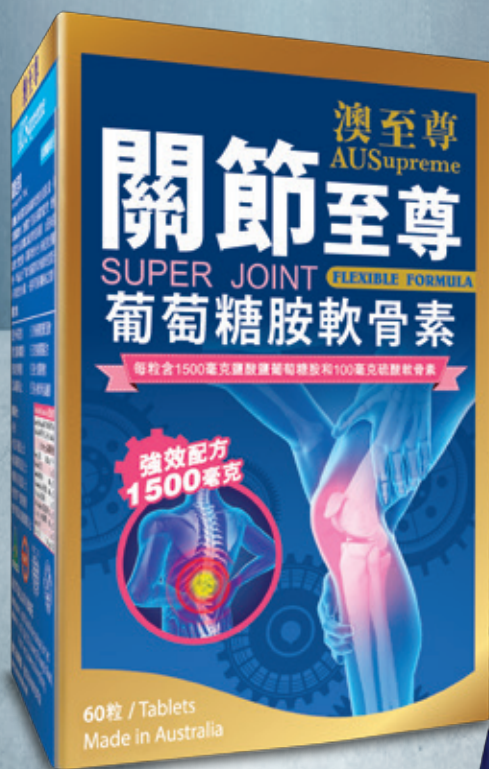
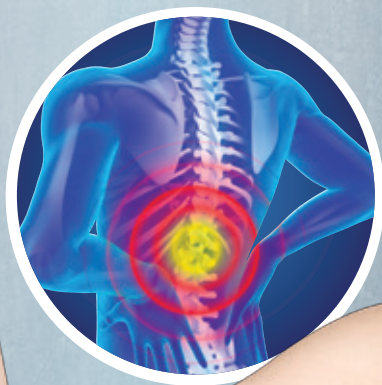


GBA Outstanding Women Entrepreneur Awards

It is jointly organized by Hong Kong Small and Medium Enterprises Association and Metro Finance. Mrs. Choy Ho Ka Man, one of the founders of Ausupreme, is presented the award for her remarkable career achievements in establishing the Company.

SUPER JOINT

AUSupreme's Spokesperson
Sammi Cheng



Sammi Cheng



AUSTRALIAN MADE

ACID CLEANSER CELERY SEED

AUSupreme's Spokesperson
Sammi Cheng



AUSTRALIAN MADE

Chairman's Statement



DEAR SHAREHOLDERS,

Since the establishment of the business in 2001, we have experienced numerous challenges yet at the same time abundant grace. We have stayed focus in developing our business and providing products of superior quality to our customers. In 2016, the successful Listing of the Company was a significant milestone of the Group, as the Listing has greatly enhanced the corporate profile and laid a solid foundation for the long-term business development of the Group.

For the first 2 years after the Listing of the Company, the results of the Group had gradually returned to the right track as the impact of the Listing expenses diminished and effective sales and marketing plans were implemented. The Group had recorded satisfying results in Year 2017 and Year 2018.

ANNUAL REVIEW

On behalf of the Board, I am pleased to present the annual report on the results of Ausupreme International Holdings Limited and its subsidiaries for the financial year ended 31 March 2019.

The year under review was a year with twists and turns. The first half of the Year maintained strong upward momentum in the retail market. With the sparkle of the Sino-US trade war, however, the stock and property markets in Hong Kong became sluggish and so as the retail market of Hong Kong in the second half of the Year. The stock and property markets seemed to regain some lost ground in early 2019, yet the overall retail market of Hong Kong had not picked up the momentum.

Chairman's Statement

Amid uncertainties, the Group had succeeded in recording encouraging results, with the revenue of the Group for the Year reached a record high of HK\$289,329,000, an increase of 19.3% as compared to HK\$242,500,000 of that of Year 2018. The profit for the year attributable to owners of the Company attained HK\$31,210,000, a remarkable increase of 149.1% over Year 2018. This was the result of the Group's effective sales strategy and stringent control of expenses. The Board is pleased to recommend a final cash dividend of HK3 cents per Share for the Year, with the dividend payout ratio of approximately 72.1%.

The Group has upheld the core values of striving for excellence in the industry. During the Year, it was an honour of the Group to receive recognitions such as the Listed Company Award of Excellence for 2018 and the 2018 Top 10 Hong Kong Ecommerce Award. These prestigious awards on one hand acknowledged the seamless efforts and promising results that we have made, and on the other hand served as a milestone for us to set further goals for sustainable growth.

PROSPECTS

It is expected that the Sino-US trade dispute will not be settled in the short run. The recent political disturbance in Hong Kong may have an impact on the recent consumer sentiment. Nevertheless, the Group is, as usual, determined to focus on long-term expansion of our business coverage both online and offline. Physical sales channels are in continuous optimization while more progressive e-commerce platforms would be in co-operation with us to capture the mass online sector. Meanwhile, the Group will adhere to its thorough plans of gaining foothold in other overseas markets by collaboration with business partners.

With the popularity of big data, more valuable insights can be drawn to analyze the evolving preference of customers so as to ensure that supreme products and customer services are provided to increase customer loyalty and reach a wider customer base. The Group will also continue to improve operation efficiency, strengthen cost control and further enhance the corporate profile and brand recognition through various marketing and charity events so as to achieve sustainable growth to reward the constant support of the investors.

APPRECIATION

On behalf of the Board, I would like to express my gratitude with the upmost sincerity to all the Shareholders, business partners and customers for their continuing support, and to extend my heartfelt appreciation to all management and staff for their ongoing contributions.

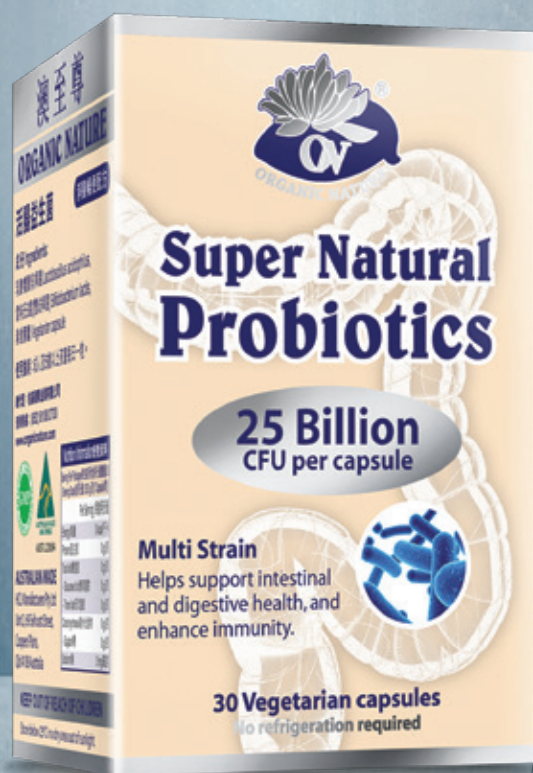
Choy Chi Fai

Chairman

Hong Kong, 27 June 2019

SUPER NATURAL PROBIOTICS

AUSupreme's Spokesperson
Sammi Cheng



AUSTRALIAN MADE

Management Discussion and Analysis

BUSINESS REVIEW

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

Market Overview

The overall retail sales in Hong Kong recorded a decelerating growth of 4.6% during the period from April 2018 to March 2019 as compared to the corresponding period in the previous year of 6.3% according to the statistics from the Census and Statistics Department of Hong Kong. This indicated a sign of slowdown in the retail industry in Hong Kong.

According to the Hong Kong Tourism Board, the total visitor arrivals increased by 11.4% in 2018 to about 65.2 million, among which, overnight arrivals recorded a growth of 4.9% indicating that the tourism industry in Hong Kong maintained the momentum of growth. The rise of visitor arrivals in Hong Kong may continuously sustain the retail industry in the near future. However, external uncertainties may further affect consumer sentiment and the retail market in Hong Kong in the long run. The Group remains cautiously optimistic about the future prospects.

Overall Performance

For the year ended 31 March 2019, the Group achieved a remarkable performance in both revenue and consolidated profit attributable to owners of the Company. The revenue for the Year was HK\$289,329,000, representing an increase of 19.3% as compared to HK\$242,500,000 of last year. Meanwhile, the consolidated profit attributable to owners of the Company for the Year was HK\$31,210,000, representing an increase of 149.1% as compared to HK\$12,530,000 of last year. The increase in sales of the Group outperformed the overall growth rate of the Hong Kong retail market and this was the result of the Group’s strategy of reallocating some sales counters in Hong Kong to locations with a larger potential customer base generating higher sales and its successful promotion and marketing strategy. In early 2018, the Group has invited Ms. Sammi Cheng, a queen of pop music in Asia, as the spokesperson of the Group. Her healthy and professional image has positively magnified the effects of the promotion plans and has enhanced the overall brand awareness of the Group. The substantial increase in the Group’s earnings was also the result of strict expenses control strategy. A detailed analysis of the improvement in sales and profit is disclosed in the Financial Review section below.

As at 31 March 2019, the Group had 13 specialty stores and 83 consignment counters (31 March 2018: 14 specialty stores and 82 consignment counters) in Hong Kong and Macau. The Group will continue to identify carefully suitable locations for the specialty stores and other sales channels to maximize its exposure to the target customers to attain the continued growth of sales.

Management Discussion and Analysis

FINANCIAL REVIEW

For the year under review, the Group achieved encouraging results. It represented a remarkable revenue growth of 19.3% to HK\$289,329,000 (2018: HK\$242,500,000) and a significant increase in consolidated profit attributable to owners of the Company of 149.1% to HK\$31,210,000 (2018: HK\$12,530,000). This was due to the success of the Group's strategy in optimizing its retail network and exercising a stringent control of expenses.

The following table sets forth the breakdown of the Group's revenue by categories of products for the years ended 31 March 2019 and 2018:

	For the year ended 31 March			
	2019		2018	
	HK\$'000	% of total revenue	HK\$'000	% of total revenue
Health supplement products	264,346	91.4%	222,799	91.9%
Personal care products	20,642	7.1%	14,839	6.1%
Honey and pollen products	4,341	1.5%	4,862	2.0%
Total	289,329	100%	242,500	100%

During the Year, the Group's revenue attributable to health supplement products and personal care products increased by 18.6% to HK\$264,346,000 (2018: HK\$222,799,000) and 39.1% to HK\$20,642,000 (2018: HK\$14,839,000), respectively. The revenue attributable to honey and pollen products decreased by 10.7% to HK\$4,341,000 for the year ended 31 March 2019 (2018: HK\$4,862,000). The increase of revenue was mainly due to (i) the Group's strategy of reallocating some sales counters in Hong Kong to locations with a larger potential customer base generating higher sales; and (ii) strong marketing campaigns through various media and channels with a famous spokesperson successfully promoting the products and enhancing brand awareness.

The table below sets forth the breakdown of the Group's revenue by sales channels for the years ended 31 March 2019 and 2018:

	For the year ended 31 March			
	2019		2018	
	HK\$'000	% of total revenue	HK\$'000	% of total revenue
Specialty stores	37,911	13.1%	38,549	15.9%
Consignment counters	236,293	81.7%	190,429	78.5%
E-commerce	7,409	2.5%	7,208	3.0%
Other sales channels	7,716	2.7%	6,314	2.6%
Total	289,329	100%	242,500	100%

Management Discussion and Analysis

During the Year, the Group was committed to optimizing its retail network by gradually reallocating some sales counters in Hong Kong to locations with a larger potential customer base. Revenue for sales channels of consignment counters recorded a remarkable increase by 24.1% to HK\$236,293,000 during the Year (2018: HK\$190,429,000). For the year ended 31 March 2019, revenue derived from e-commerce recorded an increase by 2.8% to HK\$7,409,000 (2018: HK\$7,208,000) while the revenue for specialty stores recorded a slight decrease by 1.7% to HK\$37,911,000 (2018: HK\$38,549,000). The decline in revenue of specialty stores was mainly due to the closure of a specialty store with higher rent during the Year. The remaining sales were generated from other sales channels which included wholesale and distribution business in Singapore by an exclusive distributor and sales at trade fairs and exhibitions. The revenue derived from other sales channels rose notably by 22.2% to HK\$7,716,000 for the year ended 31 March 2019 (2018: HK\$6,314,000). The increase in revenue was attributable to the success of aforesaid brand promotion and marketing strategies of the Group, which greatly improved the “Ausupreme” brand awareness.

The cost of sales increased by HK\$4,037,000 or 10.9% to HK\$41,199,000 for the year ended 31 March 2019 (2018: HK\$37,162,000). The increase was mainly attributable to the sales growth for the Year.

The selling and distribution expenses of the Group increased by 10.3% to HK\$180,596,000 for the year ended 31 March 2019 (2018: HK\$163,738,000). This increase was mainly attributable to the increments in (i) consignment commission as a result of revenue growth; and (ii) sales staff costs because of an increase in headcount to cope with the business expansion.

The general and administrative expenses of the Group increased by 13.8% to HK\$31,402,000 for the year ended 31 March 2019 (2018: HK\$27,604,000). The increase was mainly attributable to the increase in administrative staff costs as a result of a yearly salary adjustment and an impairment allowance made for the trade receivables under the doubtful list. As at the date of this annual report, the majority of the doubtful trade receivables are settled.

There were no finance costs for the years ended 31 March 2019 and 2018 as the Group did not have any bank borrowings for these years.

The Group's revenue was mainly derived in Hong Kong and Macau during the Year. For the year ended 31 March 2019, income tax expense increased by 152.4% to HK\$5,938,000 (2018: HK\$2,353,000) mainly due to an increase in the profit before taxation of the Group. The provision of Hong Kong Profits Tax has been provided in accordance with two-tiered profits tax rates regime, the first HK\$2,000,000 of assessable profits of a qualifying corporation of the Group is taxed at 8.25% and the assessable profits above HK\$2,000,000 are taxed at 16.5% (2018: flat rate of 16.5%). Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

As a result of the above factors, profit attributable to owners of the Company for the year ended 31 March 2019 recorded an increase of HK\$18,680,000 or 149.1% to HK\$31,210,000 as compared to a profit of HK\$12,530,000 for last year. The increase was mainly due to (i) an increase in sales of both health supplement products and personal care products; (ii) the reallocation of some sales counters in Hong Kong to locations with a larger potential customer base generating higher sales; and (iii) exercising a more stringent control of expenses.

Management Discussion and Analysis

For the year ended 31 March 2019, the basic earnings per share was HK4.16 cents (2018: HK1.67 cents), the calculation of which is based on the profit for the year attributable to owners of the Company of HK\$31,210,000 (2018: HK\$12,530,000) and the number of 750,000,000 ordinary shares in issue during the Year (2018: 750,000,000). Diluted earnings per share is the same as the basic earnings per share because the Company had no dilutive potential ordinary shares during the years ended 31 March 2019 and 2018.

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

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

As at 31 March 2019, the Group had net current assets and net assets of HK\$151,940,000 (2018: HK\$127,849,000) and HK\$188,154,000 (2018: HK\$164,516,000), respectively. As at 31 March 2019, the current ratio calculated based on current assets divided by current liabilities of the Group was approximately 8.7 (2018: 9.6).

Cash and Cash Equivalents

Cash and cash equivalents held by the Group amounted to HK\$119,775,000 as at 31 March 2019 (2018: HK\$91,738,000) and were mainly denominated in Hong Kong dollars, Japanese yen, Australian dollars and Renminbi.

Other Financial Resources and Gearing

As at 31 March 2019 and 2018, the Group did not have any bank borrowing and therefore, no gearing ratio (calculated based on the interest-bearing liabilities divided by the total equity as at the respective end of period and multiplied by 100%) was applicable as at 31 March 2019 and 2018.

Foreign Exchange Exposure

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

Capital Commitments

As at 31 March 2019, the Group did not have any capital commitment (2018: Nil).

Management Discussion and Analysis

USE OF PROCEEDS

The net proceeds from the Hong Kong public offering completed in mid-September 2016 were approximately HK\$71,676,000 (after deducting underwriting fees and related listing expenses). All net proceeds have been fully applied as at 31 March 2019 in accordance with the proposed application set out in the Prospectus.

The net proceeds from the Listing Date to 31 March 2019 had been applied as follows:

Intended applications	Net actual proceeds HK\$'000	Amount utilized as at 31 March 2019 HK\$'000	Amount utilized as at 31 March 2018 HK\$'000
Developing and strengthening the Group's brand	25,086	25,086	15,460
Maintaining, expanding and improving sales network	17,919	17,919	10,326
Exploring business collaboration and expanding customer base	12,185	12,185	8,737
Diversifying and expanding product portfolio	9,318	9,318	7,656
General working capital	7,168	7,168	3,814
	71,676	71,676	45,993

MAJOR INVESTMENTS, ACQUISITIONS AND DISPOSALS

The Group had no material investments, acquisitions or disposals of subsidiaries, associates or joint ventures during the year ended 31 March 2019.

CONTINGENT LIABILITIES

As at 31 March 2019, the Group had no material contingent liabilities (2018: Nil).

EMPLOYEE INFORMATION

As at 31 March 2019, the Group had 228 (2018: 208) employees, including part-time staff. The Group remunerates employees based on their performance and experience, the Group's results as well as prevailing market condition. In addition to salary and commission payment to staff, other staff benefits include a share option scheme, discretionary bonus, staff discount on purchases and internal training.

DIVIDEND

The Board has resolved to recommend a final dividend of HK3 cents per Share for the year ended 31 March 2019, totalling HK\$22,500,000 (2018: HK1 cent, totalling HK\$7,500,000). Such payment of dividend will be subject to the approval of the Shareholders at the forthcoming AGM and has not been recognized as a liability in this annual report. If the resolution for the proposed final dividend is passed at the AGM, the final dividend will be payable on or around 18 October 2019.

Management Discussion and Analysis

FUTURE OUTLOOK AND PROSPECTS

The Sino-US trade war has lasted for almost a year and its continuous tension and effect to the global economy is foreseen to be lingered for some time. The recent political crisis about the extradition bill and the massive protests in Hong Kong have escalated the market sentiment to an anxious mood in the Hong Kong economy.

Although uncertainties exist internationally and locally, the Group is determined to strive for the long-term growth and development. Both self-operated specialty stores and consignment counters will be constantly reviewed for their performance. Elevation of the stores' operation and reallocation of sales counters to locations with greater growth potentials will be continued to optimize the sales network. Besides, collaboration with new potential business partners is being implemented to enhance sales coverage.

Besides physical stores and counters, the expedited-growing e-commerce business will continue to develop at high speed. Co-operation with an increasing number of reputable online platforms and launching of various promotion campaigns will deepen the market penetration of the brand to the vast online customers. In addition to the PRC, e-commerce business will be expanded to other major regions for easy access of the high-quality products of the Group with just a few clicks.

The initiative of inviting Ms. Sammi Cheng, a superstar in Asia, as the spokesperson of the brand is proven to be a huge success. Her significance in the music world mirrors the superior-quality image of the brand in the market and fosters customers' confidence in the products. In addition, the Group will continue to support various sports and charity events such as marathons and visits to left-behind families so as to contribute to the community and at the same time strengthen the corporate/brand image of promoting health and well-being.

Talented and experienced staff has been an important asset of the Group. Various staff trainings will be provided to enhance the product knowledge and customer service competence, as well as to keep abreast of the latest industry development. Desirable employee benefits are provided to attract and retain personnel of high calibre so as to maintain the Group's competitiveness in the market.

In the years ahead, the Group is committed to fostering business development and achieving promising growth to reward investors' continuous support.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Choy Chi Fai (蔡志輝), aged 45, one of the founders of the Group, was appointed as a Director on 17 April 2015 and is currently an executive Director, the managing Director and the Chairman. He is also a member of each of the Remuneration Committee and the Nomination Committee. In addition, Mr. Choy is a director of all of the subsidiaries of the Company and Beatitudes, a substantial shareholder of the Company. Mr. Choy is responsible for the overall direction and management of the Group. Before founding the Group in 2001, Mr. Choy (together with Mrs. Choy) had been engaged in the business of trading and distribution in Hong Kong. Mr. Choy has more than 15 years' experience in marketing, distribution, wholesale and retail of health supplement products in Hong Kong, which he gained from the operation of the Group.

Mr. Choy obtained a Bachelor of Arts degree from the Hong Kong Baptist University in December 2000. He received a Diploma of Food and Nutritional Sciences from The Chinese University of Hong Kong in May 2010 and a Master of Arts degree in Comparative and Public History from the same university in December 2010, a Master of Christian Studies by Evangel Seminary in June 2018. Mr. Choy has also received the "Outstanding Entrepreneur Awards" by Capital Entrepreneur in February 2017.

Mr. Choy has been active in Hong Kong's health food industry and business circles. He has been appointed as a council member of Hong Kong Health Food Association and honorary president of The Cosmetic and Perfumery Association of Hong Kong Limited since 2010 and 2014, respectively. He has served as an Honourable Career Advisor of Hong Kong Baptist University Career Mentorship Programme since 2009, a programme adviser for Health & Applied Sciences Division of the School of Continuing and Professional Studies of The Chinese University of Hong Kong since September 2013 and a Mentor of Hong Kong Science and Technology Parks Corporation Mentorship Programme since 2019. Mr. Choy has also been a member of Small and Medium-sized Enterprises Mentorship Programme of the Employees Retraining Board since 2015, the Programme Management Committee of the Enterprise Support Programme of the Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund) since 2018 and Hong Kong Trade Development Council Mainland Business Advisory Committee since 2019.

In addition to his business achievement, Mr. Choy has taken active participation in Hong Kong's education, social activities and development. Mr. Choy has been appointed the public positions below:

- Member of The Future Stars — Upward Mobility Scholarship organized by HKSAR Commission on Poverty since 2019;
- Advisor of HKSAR Auxiliary Medical Service Officers' Club in Kwai Tsing District since 2018;
- Assistant Liaison Officer II (KTY) of HKSAR Auxiliary Medical Service since 2018;
- Deputy Chief Supervisor of Hong Kong Road Safety Patrol (Deputy Commander, Mong Kok District) since 2019;
- Divisional Vice President for Hong Kong Island & Kowloon Youth Command of Hong Kong St. John Ambulance Brigade since 2018;
- Honorary President of Scout Association of Hong Kong in Shau Kei Wan District since 2018;
- Honorary President for Honorary President Council of Mong Kok District Junior Police Call since 2018;

Directors and Senior Management

- Chairman of Ning Po College Alumni Association Education Fund Executive Committee since 2010;
- Kwun Tong Healthy City Steering Committee Member since 2016;
- Honourable President of Federation of Parent Teacher Associations in Kwun Tong District since 2011;
- Vice President of The Healthy Harmonious & Caring Campus Award Scheme in Kwun Tong District since 2018;
- Director of Tien Dao Publishing House Limited since 2017; and
- Director of Chinese Christian Herald Crusades (Hong Kong) since 2011.

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

Ms. Ho Ka Man (何家敏), aged 44, one of the founders of the Group, was appointed as a Director on 17 April 2015 and is currently an executive Director and the marketing director of the Group. She is also a director of Truth & Faith and certain other subsidiaries of the Company and a director of Beatitudes, a substantial shareholder of the Company. Mrs. Choy is responsible for overseeing the operation of the marketing team of the Group and formulating marketing strategies and promotion plans. Before founding the Group in 2001, Mrs. Choy (together with Mr. Choy) had been engaged in the business of trading and distribution in Hong Kong. She has more than 15 years of experience in marketing of health supplement products in Hong Kong, which she gained from the operation of the Group. Mrs. Choy has also received the award of “CEO of the year 2017” by South China Media Capital CEO, the “Outstanding Businesswomen Award 2017” by Hong Kong Commercial Daily and “GBA Outstanding Women Entrepreneur Award 2018” by Hong Kong Small and Medium Enterprises Association and Metro Finance. Under Mrs. Choy’s leadership and supervision, the Group has successfully promoted the brand image and a comprehensive range of health products and has been awarded and recognized by different organizations in recent years.

Mrs. Choy received a Higher Diploma of Fashion and Textile Merchandizing from the Hong Kong Polytechnic University in November 1997 and was awarded a Master of Christian Studies by Evangel Seminary in June 2018. She has been appointed as a mentor of the Small and Medium-sized Enterprises Mentorship Programme of the Employees Retraining Board and Assistant Liaison Officer II (Tsuen Wan) of HKSAR Auxiliary Medical Service since 2018.

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

Directors and Senior Management

Mr. Ho Chun Kit, Saxony (何俊傑), aged 49, was appointed as an executive Director on 15 May 2015 and is also the business development director of the Group. Mr. Ho joined the Group on 4 March 2013 and is currently responsible for sales and marketing development and expansion of the Group's business.

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

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

Mr. Au Chun Kit (區俊傑), aged 43, was appointed as an executive Director on 15 May 2015 and is also the operation director of the Group. Mr. Au joined the Group on 16 September 2013 and is currently responsible for the information technology system and infrastructure of the Group, including development of the online sales channels and maintenance of the Enterprise Resource Planning (ERP) system. He is also in charge of the administrative support of the specialty stores and sales counters at consignee retail stores.

Mr. Au received a Bachelor of Engineering degree in Computer Sciences from the Hong Kong University of Science and Technology in November 1998. Prior to joining the Group, Mr. Au worked as senior system analyst (later promoted to information technology manager) at Hong Yip Service Company Limited (a subsidiary of Sun Hung Kai Properties Limited (stock code: 00016), a company listed on the Main Board of the Stock Exchange) between September 2006 and August 2013. Mr. Au possesses more than 20 years' experience working in information technology and management in a wide range of industries.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Luk Ting Kwong (陸定光), aged 64, was appointed as an INED with effect from 20 July 2016. He is the chairman of the Nomination Committee and a member of the Audit Committee. Dr. Luk is responsible for providing independent advice to the Board. Dr. Luk received the degrees of Master of Business Administration and Doctor of Philosophy from the University of New South Wales in October 1985 and May 2001, respectively.

Dr. Luk has been a professor of Marketing at the Emlyon Business School (France) since January 2019. He is a brand guru and has extensive brand and marketing management experience in Hong Kong and the Mainland China. He is the founder of the Asian Centre for Brand Management (currently known as Asian Centre for Branding & Marketing) at the Hong Kong Polytechnic University. He has been appointed as a member of the Technical Advice Committee of the Hong Kong Brand Development Council and a consultant at the Hong Kong Federation of Brands since April 2008 and also a member of the Small and Medium-sized Enterprises Customers Liaison Committee of the Trade and Industry Department of Hong Kong Government since January 2013. Dr. Luk is currently a director of Sherriff & Associates Co. Ltd. (Hong Kong and Shenzhen).

Directors and Senior Management

Mr. Ko Ming Kin (高銘堅), aged 56, was appointed as an INED with effect from 20 July 2016. He is the chairman of the Audit Committee and a member of the Remuneration Committee. Mr. Ko is responsible for providing independent advice to the Board. He was awarded a Professional Diploma in Accountancy by the Hong Kong Polytechnic (now the Hong Kong Polytechnic University) in November 1986. Mr. Ko became an associate member of Hong Kong Institute of Certified Public Accountants in April 1990. He has been as a fellow member of the Association of Chartered Certified Accountants in April 1995. Mr. Ko was admitted as a member of Hong Kong Securities and Investment Institute in December 1998. He was admitted as an associate of the Institute of Chartered Accountants in England and Wales in August 2007, and became a fellow thereof in August 2017.

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

Mr. Wan Cho Yee (尹祖伊), aged 50, was appointed as an INED with effect from 20 July 2016. He is the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee. Mr. Wan is responsible for providing independent advice to the Board. He received the degrees of Bachelor of Science in Business Administration (International Business) and Master of Business Administration from the San Francisco State University in January 1994 and May 1995 respectively.

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

SENIOR MANAGEMENT

Ms. Tang Wing Shan (鄧穎珊), aged 44, was appointed as the Company Secretary and the financial controller of the Group in May 2015 and June 2013, respectively. She joined the Group in June 2013. Ms. Tang is responsible for managing the Group's financial team and supervising company secretarial, corporate finance, treasury, financial reporting, tax and other related financial matters.

Ms. Tang obtained a Bachelor of Commerce from the University of Toronto in June 1997 and a Bachelor of Administrative Studies from York University in November 1999. She was awarded a Master of Business Administration by Laurentian University in October 2006. Ms. Tang was admitted as a Certified General Accountant by the Certified General Accountants Association of Ontario in September 2001. She became a member of the Chartered Professional Accountants of Ontario when these two accountant associations of Ontario mentioned above signed the unification agreement in 2014. Besides, she was admitted as a fellow member of the Association of Chartered Certified Accountants in March 2008. Ms. Tang possesses about 18 years' experience in accounting services.

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

Directors and Senior Management

Ms. Yam Sau Man (甄秀雯), aged 37, is a deputy director of marketing department of the Group. She first joined the Group as a marketing executive in October 2003 and she rejoined in October 2004. Ms. Yam is responsible for the management of designated sales counters in consignee stores and specialty stores and the training for the frontline sales staff in Hong Kong and Macau. Ms. Yam was promoted to a senior marketing manager in February 2013 and was promoted to a deputy director of marketing department in April 2019 based on her contribution in expanding the sales and distribution network in the past 16 years' service.

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

Ms. Mo Suet Lin (巫雪蓮), aged 42, is a deputy director of marketing department of the Group. She joined the Group in August 2013. Ms. Mo is responsible for promotion activities, publicity materials and brand image of the Group.

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

Ms. Lai Ka Wai (黎家蕙), aged 33, is the senior human resources manager & administrative manager of the Group. She joined the Group in November 2005. Ms. Lai oversees human resources and general administration matters.

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

Ms. Lai Sze Yiu (黎思瑤), aged 32, is the operation manager of the Group. She joined the Group as senior operation officer in January 2016 and was promoted to the senior management in October 2016. Ms. Lai is primarily responsible for product development, quality control and regulatory affairs of the Group.

Ms. Lai obtained a Bachelor of Science degree in Food Quality and Safety from Guangdong Pharmaceutical University in June 2010, and a certificate of BRC Global Standard for Agents & Brokers in July 2015. She was awarded a Master of Science in Marketing by City University of Hong Kong in August 2018. Ms. Lai possesses about 8 years' relevant experience in food industry. Prior to joining the Group, Ms. Lai served as technical service executive of SGS Hong Kong Limited between October 2011 and January 2016.

Corporate Governance Report

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

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

CORPORATE GOVERNANCE PRACTICES

Save for the deviation from code provision A.2.1 of the CG Code as disclosed in this report below, the Company has adopted and complied with all applicable code provisions as set out in the CG Code during the Year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

BOARD OF DIRECTORS

Responsibilities

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

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

Composition

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

Corporate Governance Report

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

Executive Directors

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

INEDs

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

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

The family relationship among certain executive Directors is as follows:

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

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

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

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

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

Corporate Governance Report

During the Year, the Chairman, being an executive Director, held one meeting with the INEDs without the presence of other Directors.

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

Directors' Induction and Continuing Professional Development

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

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

During the Year, all Directors, namely Mr. Choy, Ms. Ho, Mr. Ho Chun Kit, Saxony, Mr. Au Chun Kit, Dr. Luk Ting Kwong, Mr. Ko Ming Kin and Mr. Wan Cho Yee had participated in continuing professional development by reading updates provided by the Company Secretary to refresh their knowledge in corporate governance and directors' duties and responsibilities and/or attending relevant seminars organized by professional bodies in Hong Kong.

Meetings of the Board and Directors' Attendance Records

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

The Board held 4 meetings during the Year and, amongst other matters, considered and approved the audited consolidated financial statements of the Group for the year ended 31 March 2018 and the unaudited consolidated financial statements of the Group for the six months ended 30 September 2018.

Corporate Governance Report

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

Name of Directors	No. of Attendance/ No. of Meetings
Mr. Choy Chi Fai	4/4
Ms. Ho Ka Man	4/4
Mr. Ho Chun Kit, Saxony	4/4
Mr. Au Chun Kit	4/4
Dr. Luk Ting Kwong	4/4
Mr. Ko Ming Kin	4/4
Mr. Wan Cho Yee	4/4

During the Year, the Company held 1 AGM and was attended by all Directors, namely Mr. Choy, Ms. Ho, Mr. Ho Chun Kit, Saxony, Mr. Au Chun Kit, Dr. Luk Ting Kwong, Mr. Ko Ming Kin and Mr. Wan Cho Yee.

CHAIRMAN AND CHIEF EXECUTIVE

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

BOARD COMMITTEES

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

Audit Committee

The Audit Committee was established on 20 July 2016 with written terms of reference in compliance with the CG Code and the Listing Rules. Such terms of reference were revised with effect from 1 January 2019. The written terms of reference of the Audit Committee are published on the respective websites of the Stock Exchange and the Company. It comprises three INEDs, namely Mr. Ko Ming Kin, Dr. Luk Ting Kwong and Mr. Wan Cho Yee. Mr. Ko Ming Kin is the chairman of the Audit Committee.

Corporate Governance Report

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

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

Corporate Governance Report

During the Year, 3 Audit Committee meetings were held and, amongst other matters, (i) considered and approved for presentation to the Board for consideration and approval of the audited consolidated financial statements of the Group for the year ended 31 March 2018 and the unaudited consolidated financial statements of the Group for the six months ended 30 September 2018; (ii) reviewed the risk management and internal control systems; and (iii) discussed with independent auditor about the audit plan for the audit for the year ended 31 March 2019.

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

Name of Directors	No. of Attendance/ No. of Meetings
Mr. Ko Ming Kin	3/3
Dr. Luk Ting Kwong	3/3
Mr. Wan Cho Yee	3/3

Remuneration Committee

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

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

- making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing the remuneration policy;
- reviewing and approving the management's remuneration proposals by reference to the Board's corporate goals and objectives;
- making recommendations to the Board on the remuneration packages of individual executive Directors and senior management including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- making recommendations to the Board on the remuneration of the non-executive Directors;
- considering the salaries paid by comparable companies, time commitment, responsibilities and employment conditions elsewhere in the Group;
- reviewing and approving the compensation payable to the executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with the contractual terms and is otherwise fair and not excessive;

Corporate Governance Report

- reviewing and approving the compensation arrangements relating to the dismissal or removal of Directors for misconduct to ensure that they are consistent with the contractual terms and are otherwise reasonable and appropriate; and
- ensuring that no Director or any of his/her associates is involved in deciding his/her own remuneration.

During the Year, 1 Remuneration Committee meeting was held and, amongst other matters, considered and approved for presentation to the Board for consideration and approval the remuneration of the Directors and senior management.

The attendance of each Director in the capacity of a member of the Remuneration Committee at the meeting during the Year is as follows:

Name of Directors	No. of Attendance/ No. of Meetings
Mr. Wan Cho Yee	1/1
Mr. Ko Ming Kin	1/1
Mr. Choy Chi Fai	1/1

Nomination Committee

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

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

- reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships;
- assessing the independence of the INEDs; and
- making recommendations to the Board on the appointment or re-appointment of Directors and the succession planning for the Directors, in particular, the Chairman and the chief executives.

During the Year, 1 Nomination Committee meeting was held and, amongst other matters, considered, assessed and approved (i) the structure, size and composition of the Board; (ii) the independence of the INEDs; and (iii) the recommendations to be made to the Board on the re-appointment of retiring Directors at the forthcoming AGM.

Corporate Governance Report

The attendance of each Director in the capacity of a member of the Nomination Committee at the meeting during the Year is as follows:

Name of Directors	No. of Attendance/ No. of Meetings
Dr. Luk Ting Kwong	1/1
Mr. Wan Cho Yee	1/1
Mr. Choy Chi Fai	1/1

Board Diversity Policy

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

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

Nomination Policy

Purpose

This policy sets out the principles which guide the Nomination Committee to identify and evaluate a candidate for nomination to (i) the Board for appointment or (ii) the Shareholders for election, as a Director.

Nomination Criteria

The Nomination Committee will consider a number of factors in making nominations, including but not limited to the following:

- The candidate should possess the skills, knowledge and experience which are relevant to the business of the Company or its subsidiaries;
- The candidate should be able to devote sufficient time to attend Board meetings and participate in induction, trainings and other Board associated activities;
- Candidates should be considered on merit and against objective criteria, with due regard to the diversity perspectives (including but not limited to gender, age and cultural/professional background etc.) and the balance of skills and experience in Board composition;
- The candidate must satisfy the Board that he/she has the character, experience and integrity, and is able to demonstrate a standard of competence as a Director; and

Corporate Governance Report

- The candidate to be nominated as an INED must comply with the independence criteria set out in Rule 3.13 of the Listing Rules.

Nomination Procedures

- If the Nomination Committee determines that an additional or replacement Director is required, the Nomination Committee may take such measures that it considers appropriate in connection with its identification and evaluation of a candidate;
- The Nomination Committee may propose to the Board a candidate recommended or offered for nomination by a Shareholder as a nominee for election to the Board; and
- On making recommendation, the Nomination Committee may submit the candidate's personal profile to the Board for consideration. The Board may appoint the candidate(s) as Director(s) to fill a casual vacancy(ies) or as an addition to the Board or recommend such candidate to Shareholders for election or re-election (where appropriate) at the general meeting.

Corporate Governance Functions

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

- developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board;
- reviewing and monitoring the training and continuous professional development of the Directors and senior management;
- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors; and
- reviewing the Company's compliance with the CG Code and disclosure in this report.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

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

Corporate Governance Report

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

Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Shareholders after his appointment and shall be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Particulars of the Directors' remuneration for the year ended 31 March 2019 are set out in note 10 to the consolidated financial statements.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors) whose particulars are contained in the section headed "Directors and Senior Management" in this annual report for the year ended 31 March 2019 by band is set out below:

Remuneration band (in HK\$)	Number of individuals
Nil to 1,000,000	5

INDEPENDENT AUDITOR'S REMUNERATION

For the year ended 31 March 2019, Wellink CPA Limited ("Wellink") was engaged as the Group's independent auditor.

The remuneration payable to Wellink for the year ended 31 March 2019 is set out below:

Services	Fee payable HK\$
Audit services — Annual audit	780,000

Corporate Governance Report

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Group for the year ended 31 March 2019.

The Directors were not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

In addition, Wellink has stated in the independent auditor's report its reporting responsibilities on the Group's consolidated financial statements for the year ended 31 March 2019.

RISK MANAGEMENT AND INTERNAL CONTROL

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

During the year ended 31 March 2019, the Board, through the Audit Committee, has conducted a review of the effectiveness of the risk management and internal control systems of the Group for the Year covering all material controls, including financial, operational and compliance as well as risk management. The Board considers that the Group's risk management and internal control systems are adequate and effective. The Board expects that a review of the risk management and internal control systems will be performed annually.

DISCLOSURE OF INSIDE INFORMATION

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

- the Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012;
- the Group has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and the Company's website; and
- the Group has strictly prohibited unauthorised use of confidential or inside information.

COMPANY SECRETARY

Since May 2015, the Company has appointed Ms. Tang Wing Shan as the Company Secretary who has sound understanding of the operations of the Board and the Group. She was closely involved in the preparation of the Listing. During the year ended 31 March 2019, Ms. Tang has received no less than 15 hours of professional training in compliance with Rule 3.29 of the Listing Rules.

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

DEED OF NON-COMPETITION

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

SHAREHOLDERS' RIGHTS

Procedures for Putting Forward Proposals at Shareholders' Meetings

Shareholders are welcomed to suggest proposals relating to the operations, strategy and/or management of the Group to be discussed at Shareholders' meeting. Proposal shall be sent to the Board or the Company Secretary by written requisition. Shareholders who wish to make proposals or move a resolution may convene an EGM in accordance with the "Procedures for Shareholders to Convene an EGM" set out below.

Procedures for Shareholders to Convene an EGM

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

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

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

Corporate Governance Report

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

If within 21 days of the deposit of the Requisition the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself/themselves may do so in the same manner, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) by the Company.

Procedures for Shareholders to Send Enquiries to the Board

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

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

1. the matters within the Board's purview to the executive Directors;
2. the matters within a Board committee's area of responsibilities to the chairman of the appropriate committee; and
3. ordinary business matters, such as suggestions, enquiries and client complaints to the appropriate management of the Company.

COMMUNICATION WITH THE SHAREHOLDERS

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

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

DIVIDEND POLICY

All dividend distribution of the Company is adequately provided and complied with the requirements of the M&A and applicable laws and regulations. The declaration and payment of dividends should be limited by legal restriction and by loan or other agreement that the Company and its subsidiaries have entered into or may enter into in the future.

In general, all dividend distribution will be recommended by the Board and approved by the Shareholders.

Corporate Governance Report

The procedures of dividend distribution are as follows:

- (a) The Company may distribute dividend by way of cash or by other means that the Board considers appropriate;
- (b) The Board may recommend a distribution of dividends in the future after taking into account the result of operations, financial condition, operating requirements, capital requirements, Shareholders' interests and any other condition that the Board may deem relevant;
- (c) The Company should not assure to distribute any amount of dividend in any year;
- (d) Any proposed distribution of dividends is subject to the discretion of the Board and the approval of the Shareholders, if necessary; and
- (e) The Company Secretary prepares relevant documents and announcements (including notice and minutes) for Directors' meeting and Shareholders' meeting. All documents are finally filed in the statutory records at the financial department.

CONSTITUTIONAL DOCUMENTS

There were no changes in the constitutional documents of the Company during the year ended 31 March 2019.

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

Report of the Directors

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

PRINCIPAL ACTIVITIES

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

An analysis of the Group's segment information for the Year by sales channels, categories and geographical areas is set out in note 6 to the consolidated financial statements.

USE OF NET PROCEEDS FROM LISTING

The issued Shares were listed on the Main Board of the Stock Exchange on 12 September 2016. The net proceeds from the Listing amounted to approximately HK\$71,676,000. All net proceeds have been fully applied as at 31 March 2019 in accordance with the proposed application set out in the Prospectus. The details are set out in the section headed “Use of Proceeds” of “Management Discussion and Analysis” on page 21 of this annual report.

RESULTS AND DIVIDENDS

Details of the consolidated profit of the Group for the Year and the Group's financial position as at 31 March 2019 are set out in the consolidated financial statements and their accompanying notes on pages 72 to 131 of this annual report.

The Board has resolved to recommend a final dividend of HK3 cents per Share for the year ended 31 March 2019, totalling HK\$22,500,000 (2018: HK1 cent, totalling HK\$7,500,000) payable to the Shareholders whose names will appear on the register of members of the Company on 30 September 2019. Such payment of dividend will be subject to the approval of the Shareholders at the AGM to be held on 20 September 2019 and has not been recognized as a liability in this annual report. If the resolution for the proposed final dividend is passed at the AGM, the final dividend will be payable on or around 18 October 2019.

BUSINESS REVIEW

A fair review of the businesses of the Group, an indication of likely future development in the Group's business as well as a discussion and analysis of the Group's performance during the Year and the material factors underlying its financial performance and financial position as required by Section 388(2) and Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) can be found in the section headed “Management Discussion and Analysis” set out on pages 17 to 22 of this annual report. The financial risk management objectives and policies of the Group are set out in note 5 to the consolidated financial statements. These discussions form part of this report.

Report of the Directors

Principal Risks and Uncertainties

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

Impact of Local and International Regulations

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

Third-Party Risks

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

Financial Risks and Estimation Uncertainty

The risks of the Group include market risks (i.e. currency risk and interest rate risk), credit risk and liquidity risk. The key sources of estimation uncertainty and financial risk are set out in note 4 and note 5 to the consolidated financial statements in this annual report, respectively.

Event after the Reporting Period

A final dividend in respect of the year ended 31 March 2019 of HK3 cents per Share, totalling HK\$22,500,000 (2018: HK1 cent, totalling HK\$7,500,000) was proposed pursuant to a resolution passed by the Board on 27 June 2019 and subject to the approval of the Shareholders at the AGM to be held on 20 September 2019. This proposed dividend has not been recognized as a liability in the consolidated financial statements of this annual report. Save as aforesaid, the Board has not identified any important events affecting the Group that have occurred since the end of the Year.

Environmental, Social and Governance Report

The Group is committed to maintaining the long-term sustainability of the environment and devoted to building an environmentally friendly corporation. The Group implements policies and practices to achieve resources conservation, energy saving and waste reduction, so as to minimize its impact on the environment.

Detailed information on the environmental, social and governance practices adopted by the Group is set out in the "Environmental, Social and Governance Report" on pages 55 to 66 of this annual report.

Report of the Directors

Compliance with Laws and Regulations

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

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

Relationships with Employees, Customers and Suppliers

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

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

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

SHARE CAPITAL

Details of movements in the Company's share capital during the Year are set out in note 21 to the consolidated financial statements in this annual report.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 March 2019 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 72. The financial position of the Group as at 31 March 2019 is set out in the Consolidated Statement of Financial Position on pages 73 to 74. The financial position of the Company as at 31 March 2019 is set out in note 27 to the consolidated financial statements on pages 130 to 131. The cash flows of the Group for the year ended 31 March 2019 are set out in the Consolidated Statement of Cash Flows on pages 76 to 77.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Year are set out in note 14 to the consolidated financial statements in this annual report.

RESERVES

Details of the movements in the reserves of the Group and the Company during the Year are set out in notes 21 and 27 to the consolidated financial statements in this annual report, respectively.

Report of the Directors

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution represent the aggregate of share premium plus retained profit. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the reserves of the Company are available for paying distributions or dividends to Shareholders subject to the provisions of its M&A. As at 31 March 2019, the reserves available for distribution to Shareholders were approximately HK\$115,732,000 which represented the aggregate of share premium of HK\$86,580,000 plus retained profit of HK\$29,152,000.

DONATIONS

During the year ended 31 March 2019, the Group's charitable and other donations amounted to HK\$585,000 (2018: HK\$611,000).

DIRECTORS

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

Executive Directors

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

Independent Non-executive Directors

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

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

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

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

Report of the Directors

The biographical details of Directors and senior management of the Group are set out in the section headed "Directors and Senior Management" on pages 23 to 27 of this annual report.

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' SERVICE CONTRACTS

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

EQUITY-LINKED AGREEMENTS

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

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

As at 31 March 2019, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO), which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(i) Long positions in the Shares

Name of Directors	Capacity/Nature of Interests	Percentage of	
		Number of Shares held	the total issued Shares
Mr. Choy Chi Fai	interest in a controlled corporation (<i>Note</i>)	562,500,000	75%
Ms. Ho Ka Man	interest in a controlled corporation (<i>Note</i>)	562,500,000	75%

Note: Each of Mr. Choy Chi Fai and Ms. Ho Ka Man (together as a group of the controlling shareholders) owns 50% of the issued share capital of Beatitudes, a company incorporated in the British Virgin Islands and is considered as the parent and ultimate parent company of the Company, respectively. As at 31 March 2019, Beatitudes was the beneficial owner holding a 75% shareholding interest in the Company and thus, each of Mr. Choy Chi Fai and Ms. Ho Ka Man was deemed or taken to be interested in all the Shares which were beneficially owned by Beatitudes for the purpose of the SFO.

Report of the Directors

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

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

Save as disclosed above, as at 31 March 2019, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations, which had to be notified to the Company and the Stock Exchange under the SFO or pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

Pursuant to the written resolution of the sole Shareholder passed on 20 July 2016, the Company adopted a share option scheme (the “**Share Option Scheme**”) conditional upon the Listing. The Share Option Scheme became effective on the Listing Date. No share options have been granted since the Listing Date and therefore, there were no outstanding share options as at 31 March 2019 and no share options were exercised or cancelled or lapsed during the Year.

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

(1) Purpose

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

(2) Eligible participants

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

(3) Maximum number of Shares available for issue

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

Report of the Directors

(4) Maximum entitlement of each participant

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

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

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

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

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

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

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

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

(8) Basis of determining the exercise price

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

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day;
- (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and
- (iii) the nominal value of a Share on the date of grant of the option.

Report of the Directors

(9) Remaining life

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

- (a) at no time during the Year or at the end of the Year was the Company, or its holding company or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate; and
- (b) none of the Directors or their spouses or children had any right to subscribe for the securities of the Company or had exercised any such right during the Year.

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

As at 31 March 2019, so far as it is known by or otherwise notified to any Director or the chief executive of the Company, the corporation named below (other than a Director or the chief executive of the Company) had a long position in the following Shares, which were required to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, were as follows:

Name of Shareholder	Capacity/Nature of Interests	Percentage of	
		Number of Shares held	the total issued Shares
Beatitudes	Beneficial owner (<i>Note</i>)	562,500,000	75%

Note: Beatitudes is a company incorporated in the British Virgin Islands and owned a 75% shareholding interest in the Company as at 31 March 2019.

Save as disclosed above, as at 31 March 2019, the Directors were not aware of any corporation which/person (other than a Director or the chief executive of the Company) who had interest or short position in the Shares or underlying Shares, which would be required to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under Section 336 of the SFO.

REMUNERATION OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' remuneration and the five individuals with the highest emoluments are set out in note 10 and note 11 to the consolidated financial statements in this annual report, respectively.

Report of the Directors

UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the updated details of Directors' information can be found in the section headed "Directors and Senior Management" on pages 23 to 27 of this annual report.

For information in relation to the emoluments of the Directors for the years ended 31 March 2019 and 2018, please refer to note 10 to the consolidated financial statements in this annual report. After the year ended 31 March 2019 and up to the date of this annual report, the changes in the emoluments of the Directors are set out below:

Name of Directors	Previous monthly basic salaries and allowances HK\$	Monthly basic salaries and allowances (with effect from 1 April 2019) HK\$
Mr. Ho Chun Kit, Saxony	75,000	78,000
Mr. Au Chun Kit	66,000	69,000

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

DEED OF NON-COMPETITION

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed in note 22 to the consolidated financial statements headed "Material Related Party Transactions" in this annual report and the section headed "Continuing Connected Transaction" of this report below, no Director nor a connected entity of a Director had a material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or its holding company or any of its subsidiaries or fellow subsidiaries was a party subsisted at any time during the year under review or at the end of the Year.

Report of the Directors

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed in note 22 to the consolidated financial statements in this annual report and the section headed "Continuing Connected Transaction" of this report below, there was no contract of significance (whether for the provision of services to the Group or not) in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any controlling shareholder of the Company or any of its subsidiaries had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

PERMITTED INDEMNITY PROVISION AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

The relevant provisions in the Articles of Association and the Directors' and officers' liability insurance were in force during the Year and as of the date of this report.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group accounted for less than 30% of the Group's total revenue for the Year. In addition, the five largest distributors of the Group accounted for 78.3% (2018: 76.4%) of the Group's total revenue and the largest distributor of the Group accounted for 49.7% (2018: 45.9%) of the Group's total revenue for the Year.

We purchased finished products from three (2018: four) major suppliers in Australia, the purchase from these major suppliers in Australia accounted for 100% (2018: 100%) and the largest supplier of the Group accounted for 72.4% (2018: 65.0%) of the Group's total purchases.

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

FIVE-YEAR FINANCIAL SUMMARY

The five-year financial summary of the results, assets and liabilities of the Group is set out in the section headed "Five-Year Financial Summary" on page 132 of this annual report.

MANAGEMENT CONTRACTS

No contract, other than the executive Directors' employment contracts, concerning the management and administration of the whole or any substantial part of business of the Company was entered into or existed during the year under review.

Report of the Directors

RELATED PARTY TRANSACTIONS

Details of material related party transactions undertaken in the normal commercial terms and in the ordinary course of business of the Group are provided under note 22 to the consolidated financial statements. The related party transactions disclosed in note 22(b) to the consolidated financial statements in this annual report constitute de minimis continuing connected transactions of the Company and are fully exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Save as disclosed herein and in the paragraph headed "Continuing Connected Transaction" below, none of them constituted a one-off connected transaction or continuing connected transaction as defined under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTION

The Group has the following continuing connected transaction as stated in note 22 to the consolidated financial statements in this annual report.

Prof Kiu International Limited ("**Prof Kiu**"), a company wholly owned by Mr. Choy Chi Fai and Ms. Ho Ka Man, the executive Directors, as landlord entered into a tenancy agreement with Truth & Faith, as tenant, pursuant to which Prof Kiu agreed to lease premises of unit C, 3/F., King Win Factory Building, Nos. 65-67 King Yip Street, Kowloon, Hong Kong (the "**Premises**") to Truth & Faith for a term of 2 years commencing on 1 July 2016 and expiring on 30 June 2018 (both days inclusive) at a monthly rental fee of HK\$50,000 and both sides also entered a renewed tenancy agreement of the Premises for a term of 3 years commencing on 1 July 2018 and expiring on 30 June 2021 (both days inclusive) at a monthly rental fee of HK\$50,000 during the Year (the "**Tenancy Agreements**").

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

The rental fee for the Tenancy Agreements during the year under review were HK\$600,000 (2018: HK\$600,000) and were paid to Prof Kiu in accordance with the terms of the Tenancy Agreements. The Directors (including the INEDs) are of the opinion that the above transactions were entered into during our ordinary and normal course of business on normal commercial terms, and the terms of the Tenancy Agreements are fair and reasonable and in the interests of the Shareholders as a whole.

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

SUBSIDIARIES

The particulars regarding the subsidiaries of the Company are set out in note 24 to the consolidated financial statements in this annual report.

Report of the Directors

BANK BORROWINGS

The Group did not have any bank borrowings as at 31 March 2019 (2018: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Throughout the Year, the Company did not redeem its listed securities, nor did the Company or any of its subsidiaries purchase or sell such securities.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 28 to 41 of this annual report.

EMOLUMENT POLICY OF THE GROUP

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

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

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

TAX RELIEF

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

Report of the Directors

INDEPENDENT AUDITOR

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

REVIEW BY AUDIT COMMITTEE

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

The Audit Committee had reviewed the audited consolidated financial statements of the Group for the year ended 31 March 2019, including the accounting principles and accounting practices adopted by the Group, and discussed matters relating to auditing, internal control and risk management systems, financial reporting and internal audit function.

On behalf of the Board

Choy Chi Fai

Chairman, Executive Director and Managing Director

Hong Kong, 27 June 2019

Environmental, Social and Governance Report

The Group is principally engaged in retail and wholesale of health and personal care products. The Group understands the importance of environmental sustainability and protection and strives to strike a balance between efficient operation and environmental protection. The Group believes that a high standard of corporate social responsibility is essential for building up a good corporate and social relationship, motivating staff and creating a sustainable return to the Group. To achieve this, the Group has implemented the principles of sustainable development at operational levels such as day-to-day operations, strategic planning and investment, in order to create long-term value for Shareholders, stakeholders and communities.

This report contains information of the Group's principles, policies and performances in the areas of environmental and social. The Group has prepared this report which covered all business locations in Hong Kong for the year ended 31 March 2019 in accordance with the requirements stipulated in the Environmental, Social and Governance ("ESG") Reporting Guide contained in Appendix 27 to the Listing Rules.

ESG GOVERNANCE

The Board of the Group is determined to integrate the ESG philosophy into business strategies and operations of various level of the Group. The Board is responsible for the execution and risk assessments of the Company's strategy concerning environmental, social and governance matters. Senior management discusses with the Board about significant ESG issues and implements plans across major departments including Human Resources and Operation.

ENGAGEMENT OF STAKEHOLDERS AND MATERIALITY ASSESSMENT

The Group constantly communicates with key stakeholders including customers, employees, Shareholders and suppliers through various channels such as mails, meetings, trainings, circulars, announcements, reports, phone calls and homepage. The Group is committed to engaging with its stakeholders to understand their views and respond to their enquiries to foster a better communication.

This ESG report will write about each ESG issue as stated in the Key Performance Indicator section below with emphasis on the 3 areas that the Group believes to be material: employment, supply chain management and product responsibility.

Environmental, Social and Governance Report

KEY PERFORMANCE INDICATOR (“KPI”)

The KPIs of ESG issues are assessed through stakeholder engagement exercises, management reviews and industry analyses. While the Company attends to all ESG issues which affect its business and stakeholders, some issues relevant to the retail and wholesale of health and personal care products in each ESG aspect relevant to the Group’s business with additional focus on have been identified and are indicated in the following table.

ESG Aspects		ESG Issues
Social	Environmental	Emissions
		Use of resources
		Environment and natural resources
	Employment and labour practices	Employment
		Health and safety
		Development and training
		Labour standards
	Operating practices	Supply chain management
		Product responsibility
		Service responsibility
		Privacy protection
		Intellectual property rights
		Anti-corruption
	Community	Community investment

Environmental, Social and Governance Report

ENVIRONMENTAL

Sustainable business is one of the fundamental principles in our business ethics. The Group aims to drive its business growth in a sustainable manner and address future plans for improvement on our environmental performance.

In active alignment with the Hong Kong governmental policy of reducing our “carbon footprint”, the Group has adopted the following measures to consume energy efficiently:

- Establish an energy saving policy or guidelines and inform employees to use resources effectively in accordance with such policy or guidelines;
- Include energy efficiency requirements when procuring energy-related products;
- Conduct energy audit/check to monitor energy consumption per type (e.g. electricity, paper usage, etc.);
- Use LED lighting system and energy-saving appliances in office, stores and warehouse;
- Turn off the unused electrical appliances during non-working hours;
- Affix reminders/signs to lighting switches in office to remind staff of switching off lighting and air-conditioning systems after use;
- Apply lighting zone control to enable switching on/off lighting independently in different parts of the warehouse;
- Ensure that air-conditioning systems operate efficiently by scheduling cleaning/maintenance at least once every two months;
- Check room temperature and ensure that indoor temperature controllers are correctly set to maintain temperature at 24–26°C in the office;
- Install sunscreen curtains on windows to reduce direct sunlight and the demand for air-conditioning;
- In order to maximize the duration of equipment, remind our staff regularly to be self-disciplined and enforce a good practice in maintenance of all equipment in the workplace;
- Organize the recycling of waste paper in the office and warehouse;
- Promote the concept of “paperless” with the use of electronic copies of documents;
- Recommend double-side printing and remind employees to photocopy wisely; and
- Reuse furniture, decoration and display material of stores and exhibitions.

Environmental, Social and Governance Report

Emissions

Air pollutant emission

Direct air pollutant emissions mainly came from the use of Group's motor vehicles. The Group's motor vehicles were mainly used for goods delivery. These direct air pollutant emissions were mainly nitrogen oxides, sulphur oxides and particulate matter exhausted from the engines when petrol was combusted. The following table sets forth the air emissions analyses which were generated from the use of the Group's motor vehicles for the years ended 31 March 2019 and 2018:

Air Pollutant Emission Period	Nitrogen Oxides (NOx)	Sulphur Oxides (SOx)	Particulate Matter (PM)
For the year ended 31 March 2019	58.04kg	0.10kg	5.55kg
For the year ended 31 March 2018	24.96kg	0.08kg	2.38kg

Greenhouse gas ("GHG") emission

The Group's GHG emissions produced in the business process mainly come from motor vehicles (Scope 1), purchased electricity (Scope 2), paper disposal at landfill, electricity use for fresh water and sewage processing (Scope 3).

The table below sets forth the approximate volume of different types of GHG emissions in carbon dioxide (CO₂) equivalent emissions ("CO₂e") for the years ended 31 March 2019 and 2018:

Greenhouse Gas Emissions	Emission Sources	For the year ended 31 March	
		2019 Total approximate volume emitted (tonnes of CO ₂ e)	2018 Total approximate volume emitted (tonnes of CO ₂ e)
Scope 1 — Direct emissions	Use of the Group's vehicles	16.7	13.0
Scope 2 — Energy indirect emissions	Purchased electricity	118.4	107.4
Scope 3 — Other indirect emissions	(i) Electricity use for fresh water and sewage processing by government departments (ii) Paper disposal at landfill	0.2	1.0
Total		135.3	121.4

Environmental, Social and Governance Report

Scope 1 GHG emissions came from the Group's motor vehicles which were mainly used for goods delivery to business operation areas. These GHG emissions were mainly carbon dioxide exhausted from the engines when petrol was combusted.

Scope 2 GHG emissions were the major contributor of the Group's emissions, which were generated indirectly as a result of the use of purchased electricity. Electricity consumed by the Group was purchased from electricity companies (i.e. CLP Power Hong Kong Limited and The Hongkong Electric Company, Limited) which generated these GHG directly by the burning of fuel.

By comparison, the environmental impact of scope 3 GHG emissions was relatively small. Most of the major GHG emissions for scope 3 were mainly emitted indirectly as a result of paper disposal at landfill, while a small amount of GHG emissions were due to the use of electricity for fresh water and sewage processing by government departments.

Comparing Year 2018 and the year under review, the emission was in general higher due to business expansion. Constant monitoring measures such as checking vehicles' emission performance are implemented to minimize the impact of its operation on the environment.

The Group is not aware of any non-compliance with relevant laws and regulations that have a significant impact on the Group relating to air and GHG emissions, discharges into water and land and generation of hazardous and non-hazardous waste during the Year.

Use of resources

The major source of energy used by the Group was electricity. It is used in all areas of the Group's business operation, for instance, general lighting and powering of laptops, monitors, printers, Point-of-Sale systems and other equipment in the office, specialty stores and warehouse.

Other than electricity, petrol was used in the Group's motor vehicles mainly for goods delivery purpose, water was used in the warehouse's toilet and paper was used mainly for printing at head office, warehouse and specialty stores.

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

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

Environmental, Social and Governance Report

The amount of energy and resources used for the years ended 31 March 2019 and 2018 were as follows:

Energy and Resources	Units	For the year ended 31 March	
		2019 Consumed	2018 Consumed
Electricity	kWh	207,939	187,537
Petrol	Litre	6,545	5,131
Water	m ³	3	13
Paper	Kilogram	1,598	2,122

Environment and natural resources

The Group's principal operations do not involve in production-related air, water and land pollutions which are regulated under related environmental laws and regulations. As the main operations are taken place indoor, the direct impact from the activities towards the environment and natural resources is minimal.

The Group is also committed to complying with all applicable environmental laws and regulations. During the Year, the Group did not receive any related complaint nor had it breached any relevant environmental laws and regulations.

SOCIAL

Employment and labour practices

Employees are one of the most important assets of our Group. Ausupreme believes that its long-term success depends on the contribution of each and every individual in the organization. The Group has provided the employees with a variety of benefits and trainings for long term career development. As at 31 March 2019, the Group had 228 (2018: 208) employees in Hong Kong, Macau and the Mainland China.

Employment

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

Environmental, Social and Governance Report

The following table sets forth the number of employees by age and gender analysis for the years ended 31 March 2019 and 2018:

Age Group	2019		2018	
	Male	Female	Male	Female
19-30	4	14	3	19
31-40	2	54	2	60
41-50	6	102	6	83
51-60	3	39	2	31
61 and above	1	3	1	1
Total	16	212	14	194

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

To reinforce our staff's sense of belonging to Ausupreme and promote work-life balance for our staff, the Group arranges various kinds of activities to our staff during the Year, including free concert enjoyments, Jockey Club Life Journey Centre visit, Gospel Luncheon and Australian tourism activities, Christmas party and annual dinner etc. During the Year, the annual staff turnover rate was 31.7% (2018: 44.8%).

The Group is not aware of any material non-compliance with relevant laws and regulations that have a significant impact relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare on the Group during the Year. In addition, no non-compliance with relevant laws and regulations that resulted in significant fines or sanctions had been reported during the Year.

Health and safety

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

To ensure safety of the workplace, the Group offers employees various supporting devices as follows:

- Conducted regular and thorough inspections to identify occupational hazards and eliminate the risks;
- Provided occupational health and safety training;
- Used hand pallet truck in warehouse to avoid injuries when moving heavy items;
- Displayed posters about workplace safety in warehouse and office to raise awareness of health and safety among employees;

Environmental, Social and Governance Report

- Scheduled air-conditioning system cleaning in the warehouse, office and specialty stores at least once every two months to maintain fresh air and reduce bacterial growth in order to minimize respiratory infections among employees; and
- Arranged course of first aid training to staff.

All work-related injuries are protected by the Employees' Compensation Ordinance of Hong Kong and the Group complies with the requirements. During the Year, there were 3 (2018: Nil) reported cases of work injuries with 135 (2018: Nil) labour hours lost. The Group will continue to strive for a healthy and safe workplace for staff.

Development and training

The Group believes that employees are the valuable assets of an enterprise, and regards human resources as part of the corporate wealth. To maintain the competitiveness of the Group and our employees, training courses are organized by the Group, aiming at employees' individual growth and sustainable development. The Group provides on-the-job training and development opportunities to facilitate our employees' career progression. Through different kinds of training, staff's professional knowledge on corporate operations, occupational and management skills are enhanced.

The total number of employees for the Group was 228 as at 31 March 2019 (2018: 208). An annual total of 1,344 hours of training were conducted for the year ended 31 March 2019 (2018: 1,524 hours).

Labour standards

The Group fully understands that the exploitation of child and forced labour are universally prohibited, and therefore takes the responsibility against child and forced labour very seriously. The Group has a comprehensive recruitment procedure and strictly prohibits the recruitment of child or forced labour. The Group was in compliance with relevant laws and regulations relating to preventing child and forced labour. Background checks on employees are performed to ensure that they meet statutory standards in recruitment and ensure our compliance with labour laws and regulations.

During the Year, the Group had no non-compliance case regarding violation of relevant child labour and forced labour laws.

Operating practices

Supply chain management

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

Environmental, Social and Governance Report

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

- I. Conducting a preliminary assessment on the brand proprietors’ credentials to ascertain their background, production facilities and goodwill and estimate the projected sales of a particular product manufactured and/or supplied by them. The selection criteria for potential brand proprietors are based on factors such as: (a) the extent of brand recognition and awareness of the brand proprietor; (b) the quality and market potential of the products; and (c) whether the potential brand proprietors’ products fit into the Group’s brand image as presented to the targeted retailers and customers;
- II. Obtaining ingredient information and product specifications on the products from the potential brand proprietors to ensure that the products are of industry standards and the ingredients meet the requirements under the relevant laws and regulations; and
- III. Conducting market surveys and researches, in order to gather more updated information on, inter alia, consumer preferences on the kind of products, and the quality and safety of the products manufactured and distributed by the potential brand proprietors.

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

Product responsibility

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

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

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

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

Once the design and packaging of the products have been agreed on, our suppliers will produce and package the products. Quality control team will take product samples from our suppliers for analysis through third-party independent laboratories in Hong Kong to ensure that the quality and safety of the products comply with all the

Environmental, Social and Governance Report

relevant rules and regulations in Hong Kong and other relevant jurisdictions. Routine checking on each batch of the products purchased and delivered to us will also be performed. Our suppliers also conduct quality control to ensure that the products meet the relevant standards before shipment.

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

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

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

The Group is not aware of any non-compliance with relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress during the Year.

Service responsibility

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

Privacy protection

The Group has policies in place for all staff of collection, processing, use of and access to employees’ and customers’ personal data and information. When collecting any personal data and information, the Group strictly complies with all the relevant regulations and the Personal Data (Privacy) Ordinance of Hong Kong to secure that the information collected is solely for specific purposes, e.g. personnel, advertising and promotional purposes, and only authorized staff can have access to it. All employees are required to sign a non-disclosure undertaking for privacy of confidential information, including personal information of employees and customers when they are employed.

Environmental, Social and Governance Report

Intellectual property rights

It is the Group's prominent code of conduct that all the employees need to protect the Group's assets and uphold the privacy of confidential information of intellectual properties such as copyrights, trademarks, and proprietary information. All employees are required to sign a non-disclosure undertaking in the beginning of their employment. Superiors are responsible for ensuring that their subordinates fully understand and comply with the code of conduct. The Group also provides a channel for staff to report any potential breach of the code. In addition, the Group also ensures no pirated goods, counterfeits and knockoff are sold in Hong Kong and overseas.

Anti-corruption

The Group prohibits any bribery, extortion, fraud and money laundering in our business. For the Group's policies, staff are not allowed to receive or offer any advantage such as money, gift, loan, reward, contract and service from or to any business associates. Investigation will be carried out promptly for any suspected incident of fraud and staff will be dismissed if found to have committed fraud. We also have a whistle-blowing policy and encourage the reporting of any suspected corruption issues.

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

During the Year, the Group was not aware of any corruption, extortion, frauds and money laundering within the operations.

Community

Community investment

Having been a "caring company" for over 5 years, "Contribute to community" is a very important part of Ausupreme's ethos. As a conscientious and responsible company of health supplement products, we care about people's health and well-being, which is why the Group commits to research and provides excellent quality, pure natural health products to customers. The Group also actively participates in community services and supports various kinds of charitable organizations.

During the Year, we donated to or supported charitable organizations, charitable and sports events as follows:

- ✧ Hong Kong Campus Crusade For Christ Limited;
- ✧ Love Foundation Limited;
- ✧ Chinese Christian Herald Crusades Limited;
- ✧ The Media Evangelism Limited;
- ✧ "Orbis Darkness To Go" charity event organized by Orbis;
- ✧ "Cycling for Discharged Prisoners" fundraising event organized by Christian Prison Pastoral Association Ltd.;

Environmental, Social and Governance Report

- ✧ Oxfam Trailwalker;
- ✧ “Future Stars” Upward Mobility Scholarship Scheme implemented by The Commission on Poverty and co-ordinated with the assistance of The Hong Kong Council of Social Service;
- ✧ Scout Association of Hong Kong;
- ✧ “Run for Girls” charity event co-organized by Cosmopolitan and Plan International Hong Kong Limited;
- ✧ Hong Kong Martial Arts Elite and Academic Martial Arts Athletes Election Campaign;
- ✧ Forca Barca Football Club;
- ✧ The Healthy Harmonious and Caring Campus Award Scheme; and
- ✧ “Run for Blue Sky” charity event organized by World Green Organization.

The Group had also participated in a number of community services or activities and encouraged our staff to participate those activities from time to time, such as visited Xian Yang Herald Children’s Home in Mainland China which was led by the Chairman and visited left-behind families in Mainland China which was organized by Love Foundation Limited.

Independent Auditor's Report

Wellink CPA Limited
匯聯會計師事務所有限公司

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

OPINION

We have audited the consolidated financial statements of Ausupreme International Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 72 to 131, which comprise the consolidated statement of financial position as at 31 March 2019, 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 a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Independent Auditor's Report

Key Audit Matter

How our audit addressed the Key Audit Matter

Valuation and impairment of inventories

Refer to note 16 to the consolidated financial statements

At 31 March 2019, inventories of the Group amounted to approximately HK\$19.8 million, which represented approximately 10% of total assets of the Group. As described in the accounting policies in note 3(f) to the consolidated financial statements, inventories are carried at the lower of cost and net realizable value.

The Group is engaged in the retail and wholesale of health and personal care products. Management judgement is required for assessing the appropriate level of inventory provision in light of the current challenging business environment, hence, allowance for inventories was identified as a key audit matter.

Management identified the slow moving inventory items and determined the net realizable value of the inventories based on the ageing analysis of the inventories focusing on seasonality and current market conditions.

Our audit procedures on valuation and impairment of inventories included but not limited to the following:

- Understanding and evaluating the appropriateness of the basis for management used in estimating the level of provision for inventories by considering the level of inventory write-offs in the prior years, stock ageing as at 31 March 2019 and the subsequent sales after year ended 31 March 2019;
- Attending inventory count to observe physical conditions and identify defective or obsolete inventories;
- Performing analysis on inventories holding and inventories movement data to identify products with indication of slow moving or obsolescence; and
- Comparing the carrying amount of the inventories, on a sample basis, to their net realizable value through review of sales of the inventories subsequent to the year end to check the completeness and accuracy of the associated provision. Where there are no subsequent sales of the respective inventories after the year end, we challenged management as to the realizable value of the inventories, corroborating explanations with the ageing and marketability of the respective inventories, as appropriate.

Based on the procedures performed, we found the estimations of management in relation to the valuation and impairment assessment of inventories is supported by the available evidence.

Independent Auditor's Report

Key Audit Matter

How our audit addressed the Key Audit Matter

Impairment assessment of trade receivables

Refer to note 17 to the consolidated financial statements

We identified the impairment assessment of trade receivables as a key audit matter due to the significance of the gross carrying amount of approximately HK\$24.5 million to the consolidated financial statements, which represented approximately 12% of total assets of the Group, and involvement of subjective judgement and management estimates in evaluating the expected credit losses ("ECL") of the Group's trade receivables at the end of the reporting period.

As disclosed in note 3(g) to the consolidated financial statements, the management of the Group estimates the amount of lifetime ECL of trade receivables based on provision matrix through grouping of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors, ageing, repayment history and past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information.

As disclosed in note 17 to the consolidated financial statements, the Group recognized amounting to approximately HK\$812,000 of impairment of trade receivables for the year ended.

Our audit procedures to assess the loss allowance of trade receivables included the following:

- Obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls relating to credit control, estimate of expected credit losses and making related allowances;
- Obtaining an understanding of the key data and assumptions of the expected credit loss model adopted by management, including the historical default data, and the assumptions involved in management's estimated loss rate;
- Assessing the reasonableness of management's loss allowance estimates by examining the information, on a sample basis, used by management to form such judgements, including testing the accuracy of the historical default data and evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information;
- Assessing whether items were correctly categorized in the trade receivables ageing report by comparing a sample of individual items with the underlying documentation; and
- Comparing, on a sample basis, cash receipts from debtors subsequently to the financial year relating to trade receivables at 31 March 2019 with bank-in slips.

Based on the procedures performed, we found the estimations of management in relation to the loss allowance for trade receivables is supported by the available evidence.

OTHER INFORMATION

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

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

Independent Auditor's Report

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 performed, we conclude that there is a material misstatement of this other information, we are required to report the 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 determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The audit committee ("**Audit Committee**") are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

Independent Auditor's Report

- 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, related safeguards.

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 matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

WELLINK CPA Limited

Certified Public Accountants

CHAN YAN TING

Practising Certificate Number P06380

Hong Kong, 27 June 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	Year ended 31 March	
		2019 HK\$'000	2018 HK\$'000
Revenue	6(a)	289,329	242,500
Cost of sales		(41,199)	(37,162)
Gross profit		248,130	205,338
Other income	7(a)	766	711
Other net gains	7(b)	250	176
Selling and distribution expenses		(180,596)	(163,738)
General and administrative expenses		(31,402)	(27,604)
Profit before taxation	8	37,148	14,883
Income tax expense	9	(5,938)	(2,353)
Profit for the year attributable to owners of the Company		31,210	12,530
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of operations based outside Hong Kong		(72)	—
Other comprehensive expense for the year, net of tax		(72)	—
Total comprehensive income for the year attributable to owners of the Company		31,138	12,530
Earnings per share attributable to owners of the Company — basic and diluted	12	HK4.16 cents	HK1.67 cents

Consolidated Statement of Financial Position

		As at 31 March	
	Note	2019 HK\$'000	2018 HK\$'000
Non-current assets			
Property, plant and equipment	14	31,135	33,421
Rental deposits		4,753	2,877
Deferred tax assets	15(b)	707	640
		36,595	36,938
Current assets			
Inventories	16	19,835	17,212
Trade and other receivables	17	32,025	31,343
Tax recoverable	15(a)	—	2,446
Cash and cash equivalents	18	119,775	91,738
		171,635	142,739
Current liabilities			
Trade and other payables	19	15,638	14,487
Dividend payable		3	—
Provisions	20	246	403
Income tax payable	15(a)	3,808	—
		19,695	14,890
Net current assets		151,940	127,849
Total assets less current liabilities		188,535	164,787

Consolidated Statement of Financial Position

	Note	As at 31 March 2019 HK\$'000	2018 HK\$'000
Non-current liabilities			
Provisions	20	381	271
		381	271
NET ASSETS		188,154	164,516
CAPITAL AND RESERVES	21		
Share capital		7,500	7,500
Reserves		180,654	157,016
Total equity attributable to owners of the Company		188,154	164,516

The consolidated financial statements on pages 72 to 131 were approved and authorized for issue by the board of Directors on 27 June 2019 and are signed on its behalf by:

CHOY CHI FAI
Director

HO KA MAN
Director

Consolidated Statement of Changes in Equity

	Attributable to owners of the Company					Total HK\$'000
	Share Capital HK\$'000	Share Premium HK\$'000	Exchange reserve HK\$'000	Capital reserve HK\$'000 (note 21(c))	Retained earnings HK\$'000	
Balance at 1 April 2017	7,500	86,608	—	1,546	56,332	151,986
Changes in equity for 2017/18:						
Total comprehensive income for the year	—	—	—	—	12,530	12,530
Balance at 31 March 2018	7,500	86,608	—	1,546	68,862	164,516
Balance at 1 April 2018	7,500	86,608	—	1,546	68,862	164,516
Changes in equity for 2018/19:						
Profit for the year	—	—	—	—	31,210	31,210
Other comprehensive expense	—	—	(72)	—	—	(72)
Total comprehensive income for the year	—	—	(72)	—	31,210	31,138
2018 Final dividend	—	—	—	—	(7,500)	(7,500)
Balance at 31 March 2019	7,500	86,608	(72)	1,546	92,572	188,154

Consolidated Statement of Cash Flows

	Note	Year ended 31 March	
		2019 HK\$'000	2018 HK\$'000
Operating activities			
Profit before taxation		37,148	14,883
Adjustments for:			
Depreciation		2,605	2,409
Interest income		(745)	(538)
Foreign exchange gain		(72)	—
Allowance for trade receivables		812	—
Loss on disposal/write-off of property, plant and equipment		—	91
Operating cash flow before movement in working capital		39,748	16,845
Increase in inventories		(2,623)	(2,982)
Increase in trade and other receivables		(3,370)	(2,295)
Increase in trade and other payables		1,151	2,111
Decrease in provisions		(47)	(47)
Cash generated from operations		34,859	13,632
Hong Kong profits tax refund/(paid)		824	(1,729)
Overseas income tax paid		(575)	(465)
Net cash generated from operating activities		35,108	11,438

Consolidated Statement of Cash Flows

	Note	Year ended 31 March	
		2019 HK\$'000	2018 HK\$'000
Investing activities			
Payment for purchase of property, plant and equipment		(319)	(32,544)
Proceeds from disposal of property, plant and equipment		—	3
Interest received		745	538
Net cash generated from/(used in) investing activities		426	(32,003)
Financing activities			
Dividend paid to the equity holders		(7,497)	—
Net cash used in financing activities		(7,497)	—
Net increase/(decrease) in cash and cash equivalents		28,037	(20,565)
Cash and cash equivalents at the beginning of the year		91,738	112,303
Cash and cash equivalents at the end of the year	18	119,775	91,738

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

Ausupreme International Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability on 17 April 2015 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business is Office E, 28/F., EGL Tower, 83 Hung To Road, Kwun Tong, Kowloon, Hong Kong. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 12 September 2016. The Company’s immediate and ultimate holding company is Beatitudes International Ltd. which was incorporated in the British Virgin Islands (“**BVI**”) and controlled by Mr. Choy Chi Fai (“**Mr. Choy**”) and Ms. Ho Ka Man.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 24 to the consolidated financial statement.

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

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

(a) New and amended standards adopted by the Group

In the current year, the Group has adopted for the first time the new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) that had been issued and effective for the Group’s financial year beginning on 1 April 2018. Of these, the following developments are relevant to the Group’s financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)

Except as described below, the adoption of the new and amended HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements

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

(a) New and amended standards adopted by the Group (Continued)

HKFRS 15 Revenue from Contracts with Customers (“HKFRS 15”)

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognized at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognized in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 and the related interpretations.

The Group recognizes revenue from the retail and wholesale of health and personal care products.

Information about the Group’s performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 3 and 6 respectively.

The revenue of the Group is recognized at a point in time. Under the transfer-of-control approach in HKFRS 15, revenue from retail and wholesale of health and personal care products is generally recognized when the goods are delivered to the customers or, in case of consignment sales through consignees, when the goods are collected by the end-customers, which is the point of time when the customer has the ability to direct the use of products and obtain substantially all of the remaining benefits of the products. A receivable is recognized by the Group when the goods are delivered to the customers as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

The application of HKFRS 15 has had no material impact on the amounts reported and/or disclosures set out in these consolidated financial statements.

HKFRS 9 Financial Instruments (“HKFRS 9”)

HKFRS 9 replaces Hong Kong Accounting Standard (“HKAS”) 39 “Financial Instruments: Recognition and Measurement” for the Group’s financial year beginning on or after 1 April 2018.

In the current year, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities; 2) expected credit losses (“ECL”) for financial assets; and 3) general hedge accounting.

Notes to the Consolidated Financial Statements

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

(a) New and amended standards adopted by the Group (Continued)

HKFRS 9 Financial Instruments ("HKFRS 9") (Continued)

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognized as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognized as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018, if any, are recognized in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

Classification and measurement of financial assets

The directors of the Company reviewed and assessed the Group's financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date. There is no change in classification and measurement on the Group's financial assets.

Impairment under ECL model

The Group has applied HKFRS 9 simplified approach to measure ECL using lifetime ECL for trade receivables. To measure the ECL, trade receivables have been assessed individually.

Loss allowance for other financial assets at amortized cost mainly comprises deposits, other receivables, pledged bank deposits, bank deposits with original maturity of more than three months and bank balances, and are measured on 12-month ECL ("12m ECL") basis and there had been no significant increase in credit risk since initial recognition.

As at 1 April 2018, no additional credit loss allowance has been recognized against accumulated profits as the estimated allowance under the ECL model was not significantly different to that under HKAS 39 based on the counterparties' past repayment history and forward looking information.

Notes to the Consolidated Financial Statements

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

(b) New and amended standards issued but not yet effective

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

HKFRS 16	Leases ¹
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ¹
Amendments to HKFRS 3	Definition of a Business ²
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to HKAS 1 and HKAS 8	Definition of Material ²
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle ¹
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting ²

¹ Effective for annual periods beginning on or after 1 January 2019.

² Effective for annual periods beginning on or after 1 January 2020.

Except for the new and amended standards mentioned below, the directors of the Company anticipate that the application of all other new and amended standards will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 Leases ("HKFRS 16")

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees, except for short-term leases and leases of low value assets.

Notes to the Consolidated Financial Statements

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

(b) New and amended standards issued but not yet effective (Continued)

HKFRS 16 Leases ("HKFRS 16") (Continued)

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively by the Group.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2019, the Group has non-cancellable operating lease commitments of HK\$28,661,000 as disclosed in note 23. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group will elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group will elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognize the cumulative effect of initial application to opening accumulated profits without restating comparative information.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs issued by HKICPA and the applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention, as explained in the accounting policies set out below.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 4 to the consolidated financial statements.

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

(a) Consolidation

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

In the Company's statement of financial position, the investment in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on basis of dividends received and receivable.

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

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

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

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Consolidation (Continued)

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

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

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

For subsidiaries which adopted 31 December as their financial year ended date for statutory reporting purpose, their financial statements for the years ended 31 March 2018 and 2019 have been used for the preparation of the Group's consolidated financial statements.

(b) Business combination and goodwill

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

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

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

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

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Business combination and goodwill (Continued)

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy note 3(s) below. Impairment losses of goodwill are recognized in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

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

(c) Foreign currency translation

(i) *Functional and presentation currency*

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

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

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

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

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

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Foreign currency translation (Continued)

(iii) Translation on consolidation

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

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognized in the foreign currency translation reserve.

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

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

(d) Property, plant and equipment

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

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

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Property, plant and equipment (Continued)

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

- Leasehold land classified as held under finance leases is depreciated over the unexpired term of lease.
- Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years.
- Leasehold improvements The shorter of lease term and 5 years
- Furniture and fixtures 5 years
- Motor vehicles 3 years

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

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

(e) Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

(f) Inventories

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

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

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

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Inventories (Continued)

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

(g) Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers where are initially measured in accordance with HKFRS 15 since 1 April 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) 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 amortized 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 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.

(i) Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2)

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

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

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

(i) Financial assets (Continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2) (Continued)

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized 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, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2)

The Group recognizes a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, other receivables, deposits, pledged bank deposits, bank deposits with original maturity of more than three months 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, 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. Assessments 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 recognizes lifetime ECL for trade receivables. The ECL on these assets are assessed individually.

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

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

(i) Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) (Continued)

(a) 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 credit risk has increased significantly:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

(i) Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) (Continued)

(b) 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.

Irrespective of the above, the Group considers that default has occurred when a 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.

(c) Credit-impaired financial assets

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

- (i) significant financial difficulty of the issuer or the borrower;
- (ii) a breach of contract, such as a default or past due event;
- (iii) 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;
- (iv) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- (v) the disappearance of an active market for that financial asset because of financial difficulties.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

(i) Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) (Continued)

(d) 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, for example, 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 years 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 where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

(e) 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 the difference between all contractual cash flows that are due to the Group in accordance with the contract and 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.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

(i) Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) (Continued)

(e) Measurement and recognition of ECL (Continued)

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 amortized cost of the financial asset.

The Group recognizes 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 recognized through a loss allowance account.

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 April 2018)

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, pledged bank deposits, bank deposits with original maturity of more than three months and bank balances and cash) are carried at amortized cost using the effective interest method, less any identified impairment loss.

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

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

(i) Financial assets (Continued)

Impairment of financial assets (before application of HKFRS 9 on 1 April 2018)

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

Objective evidence of impairment could include:

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

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

(ii) Financial liabilities and equity

Classification as debt or equity

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 Company are recognized at the proceeds received, net of direct issue costs.

Financial liabilities at amortized cost

Financial liabilities are subsequently measured at amortized cost, using the effective interest method.

(h) Derecognition

The Group derecognizes 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. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

(i) Cash and cash equivalents

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

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in the statement of profit or loss.

(k) Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2)

Under HKFRS 15, the Group recognizes 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 recognized 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 recognized at a point in time when the customer obtains control of the distinct good or service.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2) (Continued)

Rights of return

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in HKFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognized. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognized for the right to recover products from a customer.

(l) Revenue recognition (applicable before 1 April 2018)

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) Sale of goods (including sale of health and personal care products)

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

(ii) Interest income

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

(m) Contract liabilities (applicable from 1 April 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue from contract with customers when the Group performs under the contract.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Contract costs (applicable from 1 April 2018)

Other than the costs which are capitalized as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalized as an asset if all of the following criteria are met:

- (i) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (ii) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (iii) The costs are expected to be recovered.

The capitalized contract costs are amortized and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognized. Other contract costs are expensed as incurred.

(o) Employee benefits

(i) Short term employee benefits

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

(ii) Retirement benefits

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

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

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Employee benefits (Continued)

(ii) Retirement benefits (Continued)

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

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

(p) Taxation

Income tax represents the sum of the current tax and movements in deferred tax assets.

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

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

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

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

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Taxation (Continued)

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

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

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

Current and deferred tax are recognized in profit or loss.

(q) Related parties

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

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

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

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

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Related parties (Continued)

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

- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (A).
- (vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

(r) Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders in case of final dividend and by the Company's directors in case of interim dividend.

(s) Impairment of non-financial assets

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

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of the recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets (i.e. a cash-generating unit) that generates cash inflows independently.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Impairment of non-financial assets (Continued)

— *Recognition of impairment losses*

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

— *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

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

(t) Events after the reporting period

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

(u) Segment reporting

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

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

Notes to the Consolidated Financial Statements

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Key sources of estimation uncertainty

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

(a) Impairment for property, plant and equipment

If circumstances indicate that the carrying amounts of property, plant and equipment may not be recoverable, the assets may be considered “impaired”, and an impairment loss may be recognized to reduce the carrying amounts to the recoverable amount in accordance with the accounting policy for impairment of these assets as described in note 3(s). The recoverable amount is the greater of the fair value less costs of disposal and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of revenue and amount of operating costs. Management uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and amount of operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

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

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

(c) Impairment assessment of trade receivables

The management of the Group estimates the amount of lifetime ECL of trade receivables based on individual assessment, after considering internal credit ratings of trade debtors, ageing, repayment history and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 5 and 17 respectively. As at 31 March 2019, the carrying amount of trade receivables is HK\$23,715,000 (2018: HK\$22,659,000). Impairment loss of HK\$812,000 (2018: HK\$Nil) has been made on trade receivables.

Notes to the Consolidated Financial Statements

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

Key sources of estimation uncertainty (Continued)

(d) Net realizable value of inventories

As described in note 3(f), net realizable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market conditions and the historical experience of selling the products with similar nature. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down made in prior periods and affect the Group's net assets value. Management reassesses these estimates at the end of each reporting period to ensure inventories are shown at the lower of cost and net realizable value.

(e) Recognition of income taxes and deferred tax assets

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

5. FINANCIAL RISK MANAGEMENT

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

(a) Credit risk and impairment assessment

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations in relation to each class of recognized financial assets is the carrying amount of these assets as stated in the consolidated statement of financial position.

In order to minimize the credit risk, the management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2018: incurred loss model) on trade balances individually. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Notes to the Consolidated Financial Statements

5. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk and impairment assessment (Continued)

Upon adoption of HKFRS 9 on 1 April 2018, the Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade receivables.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description
Low risk	The counterparty has a low risk of default and does not have any past-due amounts.
Watch list	Debtor frequently repays but usually settles after due dates.
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources.
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.

The table below details the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

2019	External credit rating	Internal credit rating	12m ECL or lifetime ECL	Gross carrying amount HK\$'000
Trade receivables	N/A	Low risk	Lifetime ECL (not credit impaired)	23,715
		Doubtful	Lifetime ECL	812
Bank balances	A1-A3	N/A	12m ECL	119,775
Deposits and other receivable	N/A	Low risk	12m ECL	9,630

Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The Group measures the expected credit losses on an individual basis.

Notes to the Consolidated Financial Statements

5. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk and impairment assessment (Continued)

Measurement of expected credit loss on individual basis

Receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. As at 31 March 2019, the balance of loss allowance in respect of these individually assessed receivables was HK\$812,000.

The following table presents the balances of gross carrying amount and the loss allowance in respect of the individually assessed receivables as at 31 March 2019:

	As at 31 March 2019 HK\$'000
Gross carrying amount	24,527
Loss allowance	(812)
Net carrying amount	23,715

Impairment allowance of HK\$812,000 have been made for the trade receivables under the doubtful list and no impairment allowance for the remaining trade receivables were provided since the loss given default and exposure at default are insignificant based on historical credit loss experience. The directors of the Company has also assessed all available forward looking information, including but not limited to expected growth rate of the industry and subsequent settlement, and concluded that there is no significant increase in credit risk.

Bank balances

The credit risks on bank balances are limited because the counterparties are banks with high crediting ratings assigned by international credit-rating agencies. The management of the Group considers the probability of default in negligible and accordingly, no loss allowance was recognized.

Deposits and other receivables

No impairment allowance for deposits and other receivables were provided since loss given default and exposure at default are insignificant based on the historical credit loss experience. The directors of the Company has also assessed all available forward looking information, including but not limited to expected growth rate of the industry and subsequent settlement, and concluded that there is no significant increase in credit loss.

Notes to the Consolidated Financial Statements

5. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk

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

The contractual undiscounted cash flows of trade and other payables are required to be settled within one year or on demand, and the total contractual undiscounted cash flows of these financial liabilities are not materially different from their carrying amounts at 31 March 2019 and 2018.

(c) Interest rate risk

As the Group has no significant interest bearing assets and liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

(d) Currency risk

(i) *Exposure to currency risk*

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

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

Notes to the Consolidated Financial Statements

5. FINANCIAL RISK MANAGEMENT (Continued)

(d) Currency risk (Continued)

(i) Exposure to currency risk (Continued)

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

	Exposure to foreign currencies (expressed in HK\$)					
	As at 31 March					
	2019			2018		
	Japanese yen HK\$'000	Australian dollars HK\$'000	Renminbi HK\$'000	Japanese yen HK\$'000	Australian dollars HK\$'000	Renminbi HK\$'000
Trade and other receivables	—	917	1,108	—	—	1,147
Cash and cash equivalents	354	5,429	367	369	5,878	196
Trade and other payables	—	(4,776)	(436)	—	(5,150)	(457)
Gross exposure arising from recognized assets and liabilities	354	1,570	1,039	369	728	886

Notes to the Consolidated Financial Statements

5. FINANCIAL RISK MANAGEMENT (Continued)

(d) Currency risk (Continued)

(ii) Sensitivity analysis

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

	As at 31 March			
	2019		2018	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after taxation and retained earnings HK\$'000	Increase/ (decrease) in foreign exchange rates	Effect on profit after taxation and retained earnings HK\$'000
Australian dollars	5% (5%)	65 (65)	5% (5)%	30 (30)
Renminbi	5% (5%)	43 (43)	5% (5)%	37 (37)
Japanese yen	5% (5%)	15 (15)	5% (5)%	15 (15)

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

Notes to the Consolidated Financial Statements

5. FINANCIAL RISK MANAGEMENT (Continued)

(e) Financial instruments by category

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

	As at 31 March	
	2019	2018
	HK\$'000	HK\$'000
<i>Financial assets</i>		
Financial assets at amortized cost	153,120	N/A
Loans and receivables (including cash and cash equivalents)	N/A	123,499
<i>Financial liabilities</i>		
Amortized cost	7,854	8,516

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

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values carried at cost or amortized cost are not materially different from their fair values as at 31 March 2019 and 2018.

Notes to the Consolidated Financial Statements

6. REVENUE AND SEGMENT REPORTING

(a) Revenue

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

Revenue represents the sales value of goods supplied to customers. The amounts of each significant category of revenue during the year, all of which represented revenue recognized by the Group from contracts with customers, are as follows:

	Year ended 31 March	
	2019 HK\$'000	2018 HK\$'000
Specialty stores	37,911	38,549
Consignment counters	236,293	190,429
E-commerce	7,409	7,208
Other sales channels	7,716	6,314
	289,329	242,500

	Year ended 31 March	
	2019 HK\$'000	2018 HK\$'000
Health supplement products	264,346	222,799
Honey and pollen products	4,341	4,862
Personal care products	20,642	14,839
	289,329	242,500

For the year ended 31 March 2019, all revenue is recognized at a point in the time.

The performance obligation is satisfied, and hence the revenue is recognized upon the delivery of the health and personal care products to the customers or, in case of consignment sales through consignees, upon collection of the products by end-customers, which is the point of time when customer has the ability to direct the use of products and obtain substantially all of the remaining benefits of the products. The payment terms are generally within 0 to 90 days from delivery date.

Notes to the Consolidated Financial Statements

6. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting

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

(i) Information about geographical area

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

The geographical information of the Group’s revenue from external customers for the years ended 31 March 2019 and 2018 and specified non-current assets as at 31 March 2019 and 2018 is set out below:

	Revenue from external customers	
	Year ended 31 March	
	2019	2018
	HK\$’000	HK\$’000
Hong Kong (place of domicile)	247,302	206,782
Mainland China	6,937	7,079
Singapore	508	320
Macau	34,582	28,319
	289,329	242,500

Notes to the Consolidated Financial Statements

6. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(i) Information about geographical area (Continued)

	Specified non-current assets As at 31 March	
	2019 HK\$'000	2018 HK\$'000
Hong Kong (place of domicile)	31,065	33,314
Mainland China	70	95
Macau	—	12
	31,135	33,421

(ii) Information about major customers and consignees

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

	Year ended 31 March	
	2019 HK\$'000	2018 HK\$'000
Consignee A	143,641	111,336
Consignee B	50,788	46,212

7. OTHER INCOME AND OTHER NET GAINS

(a) Other income

	Year ended 31 March	
	2019 HK\$'000	2018 HK\$'000
Bank interest income on bank deposits	745	538
Others	21	173
	766	711

Notes to the Consolidated Financial Statements

7. OTHER INCOME AND OTHER NET GAINS (Continued)

(b) Other net gains

	Year ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
Loss on disposal/write-off of property, plant and equipment	—	(91)
Net foreign exchange gains	250	267
	250	176

8. PROFIT BEFORE TAXATION

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

(a) Staff costs (including directors' remuneration)

	Year ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
Contributions to defined contribution retirement plans	2,107	1,837
Directors' remuneration (note 10)	5,523	5,420
Salaries, wages and other benefits	50,371	45,149
	58,001	52,406

(b) Other items

	Year ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
Depreciation	2,605	2,409
Minimum lease payments in respect of properties	16,019	17,431
Net foreign exchange gains	(250)	(267)
Loss on disposal/write-off of property, plant and equipment	—	91
Auditors' remuneration	780	750
Cost of inventories (Note 16)	41,199	37,162
Consignment expenses	108,352	86,910
Allowance for trade receivables	812	—
Donations	585	611

Notes to the Consolidated Financial Statements

9. INCOME TAX EXPENSE

- (a) Income tax expense in the consolidated statement of profit or loss and other comprehensive income represents:

	Year ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
Current tax — Hong Kong Profits Tax		
Provision for the year	5,260	994
Over-provision in respect of prior years	(50)	(20)
	5,210	974
Current tax — Overseas		
Provision for the year	795	600
Deferred tax (note 15)		
Origination and reversal of temporary differences	(67)	779
Total	5,938	2,353

Hong Kong Profits Tax has been provided in accordance with two-tiered profits tax rates regime, the first HK\$2,000,000 of assessable profits of a qualifying corporation of the Group is taxed at 8.25% and the assessable profits above HK\$2,000,000 are taxed at 16.5% (2018: flat rate of 16.5%). Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

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

	Year ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
Profit before taxation	37,148	14,883
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	5,807	2,226
Tax effect of non-deductible expenses	383	131
Tax effect of non-taxable income	(122)	(145)
Tax effect of tax losses not recognized	33	289
Utilization of tax losses not recognized	(35)	—
Income tax at concession rate	(165)	—
Tax effect of tax exemption under Macau Complementary Income Tax	(70)	(70)
Over-provision in prior years	(50)	(20)
Others	157	(58)
Actual tax expense	5,938	2,353

Notes to the Consolidated Financial Statements

10. DIRECTORS' REMUNERATION

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

For the year ended 31 March 2019

	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Contribution to defined contribution plan HK\$'000	Total HK\$'000
Executive directors				
Mr. Choy Chi Fai	—	1,569	18	1,587
Ms. Ho Ka Man	—	1,434	18	1,452
Mr. Ho Chun Kit, Saxony	—	1,050	18	1,068
Mr. Au Chun Kit	—	858	18	876
Independent non-executive directors				
Dr. Luk Ting Kwong	180	—	—	180
Mr. Ko Ming Kin	180	—	—	180
Mr. Wan Cho Yee	180	—	—	180
	540	4,911	72	5,523

For the year ended 31 March 2018

	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Contribution to defined contribution plan HK\$'000	Total HK\$'000
Executive directors				
Mr. Choy Chi Fai	—	1,502	18	1,520
Ms. Ho Ka Man	—	1,401	18	1,419
Mr. Ho Chun Kit, Saxony	—	1,047	18	1,065
Mr. Au Chun Kit	—	858	18	876
Independent non-executive directors				
Dr. Luk Ting Kwong	180	—	—	180
Mr. Ko Ming Kin	180	—	—	180
Mr. Wan Cho Yee	180	—	—	180
	540	4,808	72	5,420

Notes:

- No director received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2018: nil). No director waived or agreed to waive any emoluments during the year (2018: nil).
- The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were for their services of directors of the Company.

Notes to the Consolidated Financial Statements

11. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, 4 (2018: 4) are directors of the Company for the year, whose emoluments are disclosed in note 10. The aggregate of the emoluments in respect of the remaining individual are as follows:

	Year ended 31 March	
	2019 HK\$'000	2018 HK\$'000
Salaries and other emoluments	770	858
Contributions to retirement benefits schemes	18	18
	788	876

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

	Year ended 31 March	
	2019 Number of individuals	2018 Number of individuals
HK\$Nil–HK\$1,000,000	1	1

No emoluments were paid or payable by the Group to these employees as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2018: nil).

12. EARNINGS PER SHARE

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

	2019	2018
Profit attributable to owners of the Company (HK\$'000)	31,210	12,530
Weighted average number of ordinary shares in issue ('000 Number of shares)	750,000	750,000
Basic and diluted earnings per share (HK cents)	4.16	1.67

The Company did not have any potential ordinary shares outstanding during the years ended 31 March 2019 and 2018.

Notes to the Consolidated Financial Statements

13. DIVIDEND

	Year ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
2018 Final dividend — HK1 cent per ordinary share	7,500	—

A final dividend in respect of the year ended 31 March 2019 of HK3 cents per ordinary share (2018: HK1 cent), amounting to HK\$22,500,000 (2018: HK\$7,500,000) in aggregate, was proposed pursuant to a resolution passed by the Board on 27 June 2019 and subject to the approval of the shareholders at the annual general meeting of the Company to be held on 20 September 2019. This proposed dividend is not yet reflected as dividend payable in the consolidated financial statements.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings held for own use carried at cost HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost					
At 1 April 2017	654	5,011	1,500	1,004	8,169
Additions	28,772	2,684	965	290	32,711
Disposal	—	(279)	—	—	(279)
Write-off	—	(57)	(7)	—	(64)
At 31 March 2018	29,426	7,359	2,458	1,294	40,537
At 1 April 2018	29,426	7,359	2,458	1,294	40,537
Additions	—	—	319	—	319
Write-off	—	(310)	—	—	(310)
At 31 March 2019	29,426	7,049	2,777	1,294	40,546

Notes to the Consolidated Financial Statements

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold land and buildings held for own use carried at cost HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Accumulated depreciation					
At 1 April 2017	111	2,781	1,060	1,004	4,956
Charge for the year	813	1,253	299	44	2,409
Written back on disposal	—	(190)	—	—	(190)
Written back on write-off	—	(54)	(5)	—	(59)
At 31 March 2018	924	3,790	1,354	1,048	7,116
At 1 April 2018	924	3,790	1,354	1,048	7,116
Charge for the year	972	1,190	356	87	2,605
Written back on write-off	—	(310)	—	—	(310)
At 31 March 2019	1,896	4,670	1,710	1,135	9,411
Carrying amount:					
At 31 March 2019	27,530	2,379	1,067	159	31,135
At 31 March 2018	28,502	3,569	1,104	246	33,421

Notes to the Consolidated Financial Statements

15. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	As at 31 March 2019	2018
	HK\$'000	HK\$'000
Provision for Hong Kong		
Profits Tax for the year	5,260	994
Provisional Profits Tax paid	(829)	(1,612)
Balance of Hong Kong tax provision relating to prior years	(1,611)	(2,597)
	2,820	(3,215)
Provision for Overseas tax	795	600
Balance of Overseas tax provision relating to prior years	193	169
Income tax payable/(recoverable)	3,808	(2,446)

(b) Deferred tax assets and liabilities recognized

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

Deferred tax arising from:	Unrealized profit on inventories HK\$'000	Amortization and depreciation HK\$'000	Others HK\$'000	Total HK\$'000
At 1 April 2017	(787)	(393)	(239)	(1,419)
Charged/(credited) to profit or loss	764	28	(13)	779
At 31 March 2018	(23)	(365)	(252)	(640)
At 1 April 2018	(23)	(365)	(252)	(640)
Charged/(credited) to profit or loss	23	(20)	(70)	(67)
At 31 March 2019	—	(385)	(322)	(707)

Notes to the Consolidated Financial Statements

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

(c) Deferred tax assets and liabilities not recognized

There were no material unrecognized deferred tax assets and liabilities as at 31 March 2019 and 2018.

16. INVENTORIES

	As at 31 March	
	2019	2018
	HK\$'000	HK\$'000
Goods for resale	19,835	17,212

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

	Year ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
Carrying amount of inventories sold	41,199	37,162

No write down of inventories made for the years ended 31 March 2019 and 2018.

17. TRADE AND OTHER RECEIVABLES

	As at 31 March	
	2019	2018
	HK\$'000	HK\$'000
Trade receivables	24,527	22,659
Less: Allowance for trade receivable	(812)	—
Trade receivables, net of loss allowance	23,715	22,659
Other receivables	897	766
Deposits and prepayments	7,413	7,918
	32,025	31,343

Notes to the Consolidated Financial Statements

17. TRADE AND OTHER RECEIVABLES (Continued)

The Group usually allows a credit period ranging from 0 to 90 days to its trade customers. The ageing analysis of trade receivables (which are included in trade and other receivables), based on the invoice date and net of loss allowance as of the end of the reporting period, is as follows:

	As at 31 March	
	2019	2018
	HK\$'000	HK\$'000
Within 30 days	12,090	10,993
31–60 days	11,615	11,067
61–90 days	3	59
Over 90 days	7	540
	23,715	22,659

The management of the Group closely monitors the credit quality of trade receivables and considers the debtors that are neither past due nor impaired to be of a good credit quality. Before accepting any new customer, the Group's management will assess the potential customer's credit quality and determine the credit limits of each customer. Credit limits attributable to customers are reviewed periodically.

The Group has a policy for allowance of impairment loss which is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement including the creditworthiness and the past collection history of each customer.

As at 31 March 2018, included in the Group's trade receivables and debtors with aggregate carrying amount of HK\$6,884,000, which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group did not hold any collateral over these balances.

The following is an ageing analysis of trade receivables, which are past due but not impaired, at 31 March 2018:

	As at 31 March 2018 HK\$'000
Overdue by:	
0 to 30 days	6,360
31–90 days	102
Over 90 days	422
	6,884

Notes to the Consolidated Financial Statements

17. TRADE AND OTHER RECEIVABLES (Continued)

Based on the historical experience of the Group, trade receivables that are past due but not impaired are generally recoverable.

Details of impairment assessment of trade receivables for the year ended 31 March 2019 are set out in note 5(a).

18. CASH AND CASH EQUIVALENTS

Cash and Cash equivalents comprise:

	As at 31 March	
	2019	2018
	HK\$'000	HK\$'000
Cash and cash equivalents in the consolidated statement of financial position:		
— Cash at bank and on hand	119,775	91,738

19. TRADE AND OTHER PAYABLES

	As at 31 March	
	2019	2018
	HK\$'000	HK\$'000
Trade payables (note a)	4,800	5,181
Contract liabilities (note b)	620	—
Accrued staff costs	7,482	6,233
Other accruals and payables	2,736	3,073
	15,638	14,487

Note:

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

	As at 31 March	
	2019	2018
	HK\$'000	HK\$'000
Within 30 days	1,123	3,047
31–90 days	3,677	2,134
	4,800	5,181

Notes to the Consolidated Financial Statements

19. TRADE AND OTHER PAYABLES (Continued)

(b) Details of contract liabilities as at 31 March 2019 are as follows:

	As at	
	31 March 2019 HK\$'000	1 April 2018 HK\$'000
Receipt in advance from customers	620	103

Contract liabilities are receipt in advance from customers to deliver health and personal care products.

All the amount in the beginning balance was all recognized to revenue during the year.

20. PROVISIONS

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

	Year ended 31 March	
	2019 HK\$'000	2018 HK\$'000
At the beginning of the year	674	554
Provisions made during the year	—	167
Amounts utilized during the year	(47)	(47)
At the end of year	627	674
Less: Non-current portion	(381)	(271)
Portion classified as current liabilities	246	403

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

Notes to the Consolidated Financial Statements

21. CAPITAL AND RESERVES

(a) Movement in component of equity

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

(b) Share capital

	2019		2018	
	Number of Shares	Share capital HK\$'000	Number of Shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each in the share capital of the Company ("Share(s)")				
Authorized:				
As at 1 April and 31 March	2,000,000,000	20,000	2,000,000,000	20,000

	2019		2018	
	Number of Shares	Share capital HK\$'000	Number of Shares	Share capital HK\$'000
Issued and fully paid:				
As at 1 April and 31 March	750,000,000	7,500	750,000,000	7,500

(c) Capital reserve

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

(d) Exchange reserve

The exchange reserve of the Group comprises all foreign exchange differences arising from the translation of the financial statements of operations with functional currency other than HK\$. The reserve is dealt with in accordance with the accounting policies set out in note 3(c).

Notes to the Consolidated Financial Statements

21. CAPITAL AND RESERVES (Continued)

(e) Capital management

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

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

The Group monitors its capital structure with reference to its debt position and reviews the ratio of its total liabilities over its total assets. The Group's strategy is to maintain the equity and debt position and ensure there is adequate working capital to service its debt obligation. At 31 March 2019 and 2018, the ratio of the Group's total liabilities over its total assets was 10% and 8%, respectively.

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

22. MATERIAL RELATED PARTY TRANSACTIONS

For the year ended 31 March 2019, the transactions or balances with the following parties were considered to be related party transactions:

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

Notes to the Consolidated Financial Statements

22. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 10, is as follows:

	Year ended 31 March	
	2019 HK\$'000	2018 HK\$'000
Salaries, wages and other benefits	4,911	4,808
Contributions to defined contribution retirement plans	72	72
	4,983	4,880

Total remuneration is included in "staff costs" (see note 8(a)).

(b) Other related party transactions

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

	Year ended 31 March	
	2019 HK\$'000	2018 HK\$'000
Rental expenses	600	600

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

Notes to the Consolidated Financial Statements

22. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Other related party transactions (Continued)

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

	As at 31 March 2019 HK\$'000	2018 HK\$'000
Within 1 year	600	150
After 1 year but within 5 years	750	—
	1,350	150

The lease related to Prof Kiu runs for an initial period of 3 years and the related commitments are included in note 23.

23. OPERATING LEASES COMMITMENTS

The Group as lessee

At 31 March 2019, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 31 March 2019 HK\$'000	2018 HK\$'000
Within 1 year	12,289	12,341
After 1 year but within 5 years	16,372	2,582
	28,661	14,923

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

Notes to the Consolidated Financial Statements

24. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 March 2019 are set out below:

Name of company	Place of incorporation/ operation	Registered/issued and fully paid up capital	Attributable equity interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
Truth & Faith International Limited	Hong Kong	HK\$10,000	100%	—	100%	Retail and wholesale of health and personal care products
Truth & Faith International (Macau) Limited	Macau	Macau Pataca ("MOP") MOP50,000	100%	—	100%	Retail of health and personal care products in Macau
Miracle Natural Products Limited	Hong Kong	HK\$2	100%	—	100%	Wholesale of health and personal care products
Ausupreme International Limited	Hong Kong	HK\$2	100%	—	100%	Holding of trademarks
澳至尊國際貿易(深圳)有限公司 (Note)	People's Republic of China (the "PRC")	HK\$5,000,000	100%	—	100%	Trading e-commerce, retail and wholesale of health and personal care products in the PRC
Faithfulness International Limited	The British Virgin Islands	United States dollars ("US\$") US\$1,001	100%	100%	—	Investment holding
Gentleness International Limited	The British Virgin Islands	US\$1,001	100%	100%	—	Investment holding
Goodness International Limited	The British Virgin Islands	US\$1,001	100%	100%	—	Investment holding
Patience International Limited	The British Virgin Islands	US\$1,001	100%	100%	—	Investment holding
Hulotte International Limited	Hong Kong	HK\$1	100%	—	100%	Properties investment
Nature's Elite Limited	The British Virgin Islands	US\$1	100%	100%	—	Investment holding
Deerfield Global Limited	The British Virgin Islands	US\$1	100%	100%	—	Investment holding
Ausupreme International (Singapore) Pte. Ltd.	Singapore	Singapore Dollars ("S\$") S\$200,000	100%	—	100%	Inactive

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

25. IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 March 2019, the directors consider the immediate parent of the Group to be Beatitudes International Ltd., which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use. The ultimate controlling parties of the Group are Mr. Choy Chi Fai and Ms. Ho Ka Man.

Notes to the Consolidated Financial Statements

26. EVENT AFTER THE REPORTING PERIOD

A final dividend in respect of the year ended 31 March 2019 of HK3 cents per ordinary share (2018: HK1 cent), amounting to HK\$22,500,000 (2018: HK\$7,500,000) in aggregate, was proposed pursuant to a resolution passed by the Board on 27 June 2019 and subject to the approval of the shareholders at the annual general meeting of the Company to be held on 20 September 2019. This proposed dividend is not reflected as dividend payable in the consolidated financial statements.

27. FINANCIAL INFORMATION OF THE COMPANY

Statement of financial position

As at 31 March 2019

	2019 HK\$'000	2018 HK\$'000
Non-current assets		
Investment in subsidiaries	31	31
Current assets		
Prepayments	146	155
Amounts due from subsidiaries	123,289	107,632
Cash and cash equivalents	621	327
	124,056	108,114
Current liabilities		
Accruals	833	833
Dividend payable	3	—
Amounts due to subsidiaries	—*	—
Income tax payable	19	—
	855	833
Net current assets	123,201	107,281
Net assets	123,232	107,312
Capital and reserves		
Share capital	7,500	7,500
Reserve (note)	115,732	99,812
	123,232	107,312

* Balance less than HK\$1,000

Notes to the Consolidated Financial Statements

27. FINANCIAL INFORMATION OF THE COMPANY (Continued)

Statement of financial position (Continued)

Note:

Movements of the Company's reserves are as follows:

	Share premium HK\$'000	Accumulated losses/ Retained profit HK\$'000	Total HK\$'000
Balance at 1 April 2017	86,580	(3,781)	82,799
Total comprehensive income for the year	—	17,013	17,013
Balance at 31 March 2018 and 1 April 2018	86,580	13,232	99,812
Total comprehensive income for the year	—	23,420	23,420
2018 Final dividend	—	(7,500)	(7,500)
Balance at 31 March 2019	86,580	29,152	115,732

28. COMPARATIVE FIGURE

Certain comparable figures have been reclassified and represented to conform the current periods presentation.

Five-Year Financial Summary

	Year ended 31 March 2019 HK\$'000	Year ended 31 March 2018 HK\$'000	Year ended 31 March 2017 HK\$'000	Year ended 31 March 2016 HK\$'000	Year ended 31 March 2015 HK\$'000
RESULTS					
Revenue	289,329	242,500	205,250	210,840	225,788
Profit before taxation	37,148	14,883	5,343	16,657	29,112
Income tax expense	(5,938)	(2,353)	(2,261)	(4,364)	(5,938)
Profit for the year attributable to owners of the Company	31,210	12,530	3,082	12,293	23,174
Total comprehensive income for the year attributable to owners of the Company	31,138	12,530	3,082	12,422	23,031
	As at 31 March 2019 HK\$'000	As at 31 March 2018 HK\$'000	As at 31 March 2017 HK\$'000	As at 31 March 2016 HK\$'000	As at 31 March 2015 HK\$'000
ASSETS AND LIABILITIES					
Total assets	208,230	179,677	164,916	84,424	98,068
Total liabilities	(20,076)	(15,161)	(12,930)	(22,469)	(39,381)
Net assets	188,154	164,516	151,986	61,955	58,687
Total equity attributable to owners of the Company	188,154	164,516	151,986	61,955	58,687