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Miricor Enterprises Holdings Limited

卓珈控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8358)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2017

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

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

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

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

HIGHLIGHTS

- The Group's revenue amounted to approximately HK\$100.1 million for the year ended 31 March 2017, representing an increase of approximately HK\$16.7 million or 20.0% as compared to approximately HK\$83.4 million for the year ended 31 March 2016.
- Profit attributable to the owners of the Company was approximately HK\$0.1 million for the year ended 31 March 2017, representing a decrease of approximately HK\$18.4 million or 99.5%, as compared with the year ended 31 March 2016. The decrease was mainly due to the recognition of the one-off listing expenses of approximately HK\$14.9 million in connection with the listing of the shares of the Company on the GEM of the Stock Exchange on 10 January 2017 (the "Listing") and the forfeiture of rental-related deposits of approximately HK\$2.9 million.
- Excluding the one-off listing expenses and forfeiture of rental-related deposits, profit attributable to the owners of the Company for the year ended 31 March 2017 would have been approximately HK\$17.9 million, representing a slight decrease of approximately 3.2% as compared with the year ended 31 March 2016.
- Basic earnings per share for the year ended 31 March 2017 amounted to HK0.02 cents (2016: HK6.16 cents).
- The Board does not recommend the payment of any dividend for the year ended 31 March 2017.

ANNUAL RESULTS

The Board of Directors (the “**Board**”) of the Company is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2017 together with the comparative audited figures for the corresponding period of last year as follow:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

	<i>Notes</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
REVENUE	5	100,104	83,352
Other income	5	1,083	345
Cost of inventories and consumables		(9,768)	(8,081)
Staff costs		(39,341)	(29,391)
Property rentals and related expenses		(9,904)	(9,406)
Depreciation		(6,228)	(6,174)
Other expenses		(32,437)	(8,694)
		<hr/>	<hr/>
PROFIT BEFORE TAX	6	3,509	21,951
Income tax expense	7	(3,450)	(3,463)
		<hr/>	<hr/>
PROFIT FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		59	18,488
		<hr/> <hr/>	<hr/> <hr/>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
— Basic and diluted	9	HK0.02 cents	HK6.16 cents
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	<i>Notes</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		14,016	13,628
Goodwill		4,305	4,305
Deposits		4,980	2,222
Deferred tax assets		835	650
Total non-current assets		24,136	20,805
CURRENT ASSETS			
Inventories		1,704	1,696
Trade receivables	<i>10</i>	852	1,190
Prepayments, deposits and other receivables		4,391	3,083
Due from the ultimate holding company		–	5
Due from related parties		–	24,518
Tax recoverable		843	115
Pledged time deposits		3,253	3,449
Cash and cash equivalents		135,444	29,251
Total current assets		146,487	63,307
CURRENT LIABILITIES			
Trade payables	<i>11</i>	887	727
Other payables and accruals		6,730	3,384
Deferred revenue		68,717	57,388
Provision for reinstatement costs		877	433
Tax payable		537	1,359
Total current liabilities		77,748	63,291
NET CURRENT ASSETS		68,739	16
TOTAL ASSETS LESS CURRENT LIABILITIES		92,875	20,821
NON-CURRENT LIABILITIES			
Deferred tax liabilities		1,355	935
Provision for reinstatement costs		930	1,138
Total non-current liabilities		2,285	2,073
Net assets		90,590	18,748
EQUITY			
Issued capital	<i>12</i>	4,000	–
Reserves		86,590	18,748
Total equity		90,590	18,748

NOTES:

1. CORPORATE AND GROUP INFORMATION

The Company is an exempted company with limited liability incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at Room 1605, 16th Floor, Leighton Centre, 77 Leighton Road, Causeway Bay, Hong Kong.

The Company is an investment holding company and the Company's subsidiaries were principally engaged in the provision of medical aesthetic services, and the sale of skin care products in Hong Kong.

In the opinion of the Directors, the immediate holding company and the ultimate holding company of the Company is Sunny Bright Group Holdings Limited, a company incorporated in the British Virgin Islands.

The shares of the Company was listed on GEM of The Stock Exchange on 10 January 2017.

2.1 REORGANISATION AND BASIS OF PRESENTATION

Pursuant to the reorganisation of the Company in connection with the Listing (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group on 13 September 2016. The companies now comprising the Group were under the common control of Sunny Bright Group Holdings Limited (the "Controlling Shareholder"), the ultimate holding company of the Company, before and after the Reorganisation. Accordingly, these financial statements have been prepared by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the earliest period presented. Details of the Reorganisation are set out in the section headed "History, Reorganisation and Corporate Structure — Reorganisation" in the prospectus of the Company dated 30 December 2016.

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 of the Group for the year ended 31 March 2017 include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or business first came under the common control of the Controlling Shareholder, where this is a shorter period. The consolidated statement of financial position of the Group as at 31 March 2017 has been prepared to present the assets and liabilities of the subsidiaries and/or business using the existing book values from the Controlling Shareholder's perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

2.2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

3. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the financial statements.

HK(IFRIC)–Int 22	<i>Foreign Currency Transactions and Advance Consideration</i> ²
Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i> ²
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i> ²
HKFRS 9	<i>Financial Instruments</i> ²
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
HKFRS 15	<i>Revenue from Contracts with Customers</i> ²
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i> ²
HKFRS 16	<i>Leases</i> ³
Amendments to HKAS 7	<i>Disclosure Initiative</i> ¹
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i> ¹
Amendments to HKAS 40	<i>Transfers of Investment Property</i> ²
<i>Annual Improvements 2014–2016 Cycle</i>	Amendments to a number of HKFRSs ⁵

¹ Effective for annual periods beginning on or after 1 January 2017

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

⁴ No mandatory effective date yet determined but available for adoption

⁵ Effective for annual periods beginning on or after 1 January 2017 or 2018, as appropriate

4. OPERATING SEGMENT INFORMATION

The Group has one reportable operating segment, namely the non-surgical medical aesthetic services segment, and is principally engaged in the provision of medical aesthetic services and the sale of skin care products in Hong Kong. Information reported to the Group's management, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and therefore no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Information about geographical areas

Since all of the Group's revenue and profit were generated from the provision of medical aesthetic services and the sale of skin care products in Hong Kong and all of the Group's non-current assets were located in Hong Kong during the year, no geographical segment information in accordance with HKFRS 8 *Operating Segments* is presented.

Information about major clients

Since no revenue derived from sales to a single client of the Group has individually accounted for over 10% of the Group's total revenue during the year, no information about major clients in accordance with HKFRS 8 *Operating Segments* is presented.

5. REVENUE AND OTHER INCOME

Revenue represents the value of services rendered; and the net invoiced value of goods sold, after allowances for returns and trade discounts. An analysis of revenue and other income is as follow:

	2017	2016
	HK\$'000	HK\$'000
Revenue		
Treatment services	90,074	74,081
Skin care products	4,681	3,842
Medical consultation services	677	613
Prescription and dispensing of medical products	2,178	2,797
Revenue recognised from unutilised prepaid packages	2,494	2,019
	100,104	83,352
Other income		
Bank interest income	241	297
Insurance compensation	725	5
Others	117	43
	1,083	345

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2017 HK\$'000	2016 <i>HK\$'000</i>
Minimum lease payments under operating leases	8,152	7,649
Employee benefit expenses (excluding directors' remuneration):		
Salaries, bonuses and other allowances	35,123	26,226
Retirement benefit scheme contributions (defined contribution scheme)	847	747
	35,970	26,973
Auditor's remuneration	880	132
Listing expenses	14,926	–
Depreciation	6,228	6,174
Forfeiture of deposits	2,950	–
Loss on disposal/write-off of items of property, plant and equipment	15	9
Foreign exchange differences, net	–	644

7. INCOME TAX EXPENSE

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

Hong Kong profits tax has been provided at a rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2017 HK\$'000	2016 <i>HK\$'000</i>
Current		
— Charge for the year	3,320	3,461
— Overprovision in prior years	(105)	–
Deferred tax	235	2
Total tax charge for the year	3,450	3,463

8. DIVIDEND

	2017 HK\$'000	2016 <i>HK\$'000</i>
Interim dividend	–	10,600

The Board does not recommend the payment of any dividend for the year ended 31 March 2017.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK\$59,000 (2016: HK\$18,488,000), and the weighted average number of ordinary shares of 322,191,781 (2016: 300,000,000) in issue during the year, on assumption that the Reorganisation had been completed on 1 April 2015.

Basic earnings per share for the year ended 31 March 2017 amounted to HK0.02 cents (2016: HK6.16 cents).

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2017 and 31 March 2016.

10. TRADE RECEIVABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Credit card receivables	851	1,190
Others	1	–
	852	1,190

The Group's trading terms with its clients are mainly on cash and/or credit card settlement while the trading terms with its corporate customers are on credit. The credit period is generally 2 to 30 days for credit card settlement for the respective financial institutions and up to 60 days for corporate customers. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables, based on the invoice date, is as follow:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within 1 month	852	1,169
1 to 3 months	–	21
	852	1,190

An aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follow:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Neither past due nor impaired	852	1,104
1 to 3 months past due	–	86
	852	1,190

Receivables that were neither past due nor impaired were related to a number of receivables due from financial institutions in respect of credit card settlements and corporate customers for whom there was no recent history of default.

Receivable that was past due but not impaired was related to a financial institution that has a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of the balance as there has not been a significant change in credit quality and the balance is still considered fully recoverable.

11. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follow:

	2017 HK\$'000	2016 <i>HK\$'000</i>
Within 1 month	<u>887</u>	<u>727</u>

The trade payables are non-interest-bearing and generally have an average settlement term of 30 days.

12. SHARE CAPITAL

Shares

	2017 HK\$'000	2016 <i>HK\$'000</i>
Authorised: 2,000,000,000 ordinary shares of HK\$0.01 each	<u>20,000</u>	<u>–</u>
Issued and fully paid: 400,000,000 ordinary shares of HK\$0.01 each	<u>4,000</u>	<u>–</u>

A summary of movements in the Company's authorised and issued share capital during the period from 6 July 2016 (date of incorporation) to 31 March 2017 is as follow:

	<i>Notes</i>	Number of ordinary shares	Nominal value of ordinary shares <i>HK\$'000</i>
Authorised:			
Upon incorporation on 6 July 2016	<i>(a)</i>	38,000,000	380
Increase in authorised share capital	<i>(b)</i>	<u>1,962,000,000</u>	<u>19,620</u>
At 31 March 2017		<u><u>2,000,000,000</u></u>	<u><u>20,000</u></u>
Issued and fully paid:			
Upon incorporation on 6 July 2016	<i>(a)</i>	2	–
Issue of shares pursuant to the Reorganisation	<i>(c)</i>	299,999,998	3,000
Issue of shares under initial public offering	<i>(d)</i>	<u>100,000,000</u>	<u>1,000</u>
At 31 March 2017		<u><u>400,000,000</u></u>	<u><u>4,000</u></u>

Notes:

- (a) On 6 July 2016, the Company was incorporated with authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 share. On the same date, 1 ordinary share of HK\$0.01 was issued and allotted to Mr. Ma Ting Keung Patrick and another 1 ordinary share of HK\$0.01 was issued and allotted to Ms. Lai Ka Yee Gigi.
- (b) Pursuant to an ordinary resolution passed on 19 December 2016, the authorised share capital of the Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of 1,962,000,000 additional ordinary shares of HK\$0.01 each, ranking pari passu in all respects with the existing shares of the Company.
- (c) Pursuant to an ordinary resolution passed on 19 December 2016, 299,999,998 ordinary shares of HK\$0.01 each were issued, allotted and credited as fully paid at par by way of capitalisation from the share premium account to the holder of shares whose name appeared on the register of members of the Company at the close of business on 19 December 2016 in proportion to their respective shareholding. This allotment and capitalisation issue were conditional on the share premium account being credited as a result of the placing of new shares in connection with the Company's initial public offering as detailed in note (d) below.
- (d) In connection with the Company's initial public offering, 100,000,000 ordinary shares of HK\$0.01 each were issued at a price of HK\$0.8 each per share for a total cash consideration, before expenses, of approximately HK\$80,000,000. Dealing in the shares of the Company on GEM of The Stock Exchange commenced on 10 January 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Miricor is a provider of medical aesthetic services in Hong Kong. It operates two medical aesthetic centres branded “CosMax” at prime locations in Causeway Bay and Central District, providing customers a broad range of non-surgical medical aesthetic services and skin care products that can help improve their complexion and overall physical appearance. We tailor solutions for customers specific to their individual needs, with treatments performed by doctors and trained therapists. Our Group’s non-surgical medical aesthetic services include energy-based procedures, injection procedures and other treatments. Miricor was successfully listed on GEM of the Stock Exchange on 10 January 2017 (the “**Listing**”) by way of placing (the “**Placing**”).

As at 31 March 2017, our Group had 71 treatment devices (including devices used for training purpose) for performing various treatment procedures involving the use of laser, radiofrequency, ultrasound and iontophoresis. All treatment devices deployed by our Group have been critically evaluated and assessed by our doctors with relevant clinical knowledge and experience to ensure that they are safe and effective in producing the desired results for customers. The business is constantly offering up-to-date treatments and products. During the year under review, new technologies such as PicoSure and SculpSure were imported from the United States, featuring innovative FDA-approved aesthetic laser that can refine both skin and body shape. In addition, as the exclusive retailer for Skin Management System in Hong Kong, Macau and China, we incorporate products with rejuvenating power that helps to regain youthful and healthy skin for clients with skin concerns.

Our Group also offers more than 50 different skin care products, including those under our own brands “CosMax” and “Cospeutic” and products of other brands. The types of products available to customers include cleanser, toner, moisturiser, eye care products, and ultraviolet (UV) protection products, that can help improve the skin conditions of customers and enhance treatment results.

In order to seize the opportunity created by increasing customer demands at our existing centres, we have expanded the operation scale of our Causeway Bay centre by leasing an additional floor of space in the same building aiming to facilitate the continuous growth of our business. Nevertheless, we experienced a hold up in opening of our new medical aesthetic centre in Kowloon. In March 2017, we decided to terminate the renovation work on the leased premises for our planned new medical aesthetic centre in Kowloon and surrendered the property back to the landlord, shortly after we have been informed that there would be better leasing space available in another large scale shopping complex located in the most popular area in Tsim Sha Tsui early next year. We consider the location of the shopping complex that we plan to switch to is a more ideal choice, particularly in terms of potential customer traffic, which will be critical to our long term business growth. Our Directors are confident that, notwithstanding the fact that we recognised a financial loss of approximately HK\$2.9 million as result of this change in plan, our Group’s future business growth will be still kept on the right track.

A year-over-year analysis of key clients are set out below:

	For the year ended 31 March		
	2017	2016	% change
Number of active clients (<i>Note a</i>)	5,156	4,848	6.4
Number of repeat clients (<i>Note b</i>)	3,454	3,334	3.6
Proportion of repeat clients amongst active clients	67%	69%	
Number of new clients (<i>Note c</i>)	1,702	1,514	12.4
Number of referred clients	912	770	18.4
Referral rate	54%	51%	

Notes:

- a. Clients who have made at least one purchase of services or products, or received at least one treatment session in the relevant financial year.
- b. Clients who (i) have made at least one purchase of services or products or received at least one treatment session in the relevant financial year; and (ii) have previously consulted us or made purchase of services or products in the past.
- c. Clients who for the first time have made at least one purchase of services or products in the relevant financial year.

FINANCIAL REVIEW

Revenue

Our revenue is mainly derived from the provision of medical aesthetic services, which include treatment services, consultation services, as well as the prescription and dispensing of medical products. In addition, we sell skin care products to our clients.

Our Group's revenue amounted to approximately HK\$100.1 million for the year ended 31 March 2017, representing an increase of approximately HK\$16.7 million or 20.0% as compared with HK\$83.4 million for the year ended 31 March 2016. The increase was primarily attributable to the successful launch of our member referral scheme and introduction of two new facial & body treatments.

Set forth below is a breakdown of our total revenue during the years ended 31 March 2017 and 2016:

	For the year ended 31 March			
	2017		2016	
	HK\$'000	%	HK\$'000	%
Treatment services	90,074	90.0	74,081	88.9
Medical Consultation services	677	0.7	613	0.7
Prescription and dispensing of medical products	2,178	2.1	2,797	3.4
Skin care products	4,681	4.7	3,842	4.6
Revenue recognised from unutilised prepaid packages	2,494	2.5	2,019	2.4
Total revenue	<u>100,104</u>	<u>100.0</u>	<u>83,352</u>	<u>100.0</u>

(i) Revenue from treatment services

During the year ended 31 March 2017, most of our revenue was derived from treatment services. Revenue from treatment services amounted to HK\$90.1 million for the year ended 31 March 2017 and HK\$74.1 million for the year ended 31 March 2016, representing 90.0% and 88.9% of our total revenue, respectively.

(ii) Revenue from consultation services

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

Revenue from consultation services amounted to HK\$0.7 million for the year ended 31 March 2017 and HK\$0.6 million for the year ended 31 March 2016, representing 0.7% and 0.7% of our total revenue, respectively.

(iii) Revenue from prescription and dispensing of medical products

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

Revenue from prescription and dispensing of medical products amounted to HK\$2.2 million for the year ended 31 March 2017 and HK\$2.8 million for the year ended 31 March 2016, representing 2.1% and 3.4% of our total revenue, respectively.

(iv) Revenue from sale of skin care products

Skin care products include cleanser, toner, serum, moisturiser, eye care products, ultraviolet (UV) protection products and masks. We offer two lines of private label skin care products, namely “CosMax” and “Cospeutic”, that treat a range of skin conditions. To provide more choices and meet individual needs of clients, we also sell several other selected brands of skin care products provided by third party manufacturers.

Revenue from sale of skin care products amounted to HK\$4.7 million for the year ended 31 March 2017 and HK\$3.8 million for the year ended 31 March 2016, representing 4.7% and 4.6% of our total revenue, respectively. The increase of approximately HK\$0.9 million, or 23.7%, was primarily due to the launch of the Skin Management System products which our Group has exclusive selling rights in Hong Kong, Macau and China.

(v) Revenue recognised from unutilised prepaid packages

Prepaid packages are offered to clients in connection with our treatments. When designing the number of treatment sessions in a prepaid package, we take into account, among other things, our doctors’ assessment and also the protocols recommended by the suppliers of treatment devices in respect of the number of optimal sessions which should be taken to achieve the desired results.

Revenue recognised from unutilised prepaid package amounted to HK\$2.5 million for the year ended 31 March 2017 and HK\$2.0 million for the year ended 31 March 2016, representing only 2.5% and 2.4% of our total revenue, respectively.

Other income

Other income accounted for approximately HK\$ 1.1 million and HK\$0.3 million for the year ended 31 March 2017 and 2016, representing 1.1% and 0.4% of the total revenue for the respective year. The increment was mainly arose from insurance compensation for the year ended 31 March 2017 representing the amount received during the year in respect of a workplace accident that happened in 2012 involving injury suffered by an employee at work. All claim from this employee were fully settled and the amount received from the insurance company under our labour insurance plan represented full compensation of the medical expenses and the employee’s salaries for the period during which she was not able to work.

Cost of inventories and consumables

Cost of inventories and consumables amounted to approximately HK\$9.8 million and HK\$8.1 million for the years ended 31 March 2017 and 2016, representing 9.8% and 9.7% of the total revenue, respectively.

Staff costs

Staff costs increased by approximately HK\$9.9 million, or 33.7%, from approximately HK\$29.4 million for the year ended 31 March 2016 to approximately HK\$39.3 million for the year ended 31 March 2017. The increase was primarily attributable to the increase in commissions paid to doctors and front-line staff whose incentive scheme is tied to various key performance indicators such as the number of packages sold or number of treatments conducted. As a result of increase in sales of packages and increase in total revenue, commissions payable to doctors and front-line staff increased for the year ended 31 March 2017. The increase in staff costs was also attributable to the increase in headcount to 82 employees as at 31 March 2017 (2016: 66).

Property rentals and related expenses

Property rentals and related expenses increased by approximately HK\$0.5 million, or 5.3%, from approximately HK\$9.4 million for the year ended 31 March 2016 to HK\$9.9 million for the year ended 31 March 2017. The increase was primarily due to additional office rental expenses and other related costs such as management fee and government rates, etc.

Depreciation

Depreciation expenses amounted to approximately HK\$6.2 million and HK\$6.2 million for the year ended 31 March 2017 and 2016, representing 6.2% and 7.4% of total revenue for the respective years.

Other expenses

Other expenses increased by approximately HK\$23.7 million, or 272%, from approximately HK\$8.7 million for the year ended 31 March 2016 to approximately HK\$32.4 million for the year ended 31 March 2017. The increase was primarily attributable to the recognition of the listing expenses of approximately HK\$14.9 million in connection with the Listing and the forfeiture of rental-related deposits of approximately HK\$2.9 million as a result of surrendering the leased premises to the landlord as explained in the relevant paragraph under “Business Review” in this announcement.

Income tax expense

Income tax expense was approximately HK\$3.5 million for the year ended 31 March 2017 and HK\$3.5 million for the year ended 31 March 2016. During the year ended 31 March 2017, the Group incurred one-off listing expenses which are not deductible for taxation purpose.

Profit for the year

Profit attributable to the owners of the Company was approximately HK\$0.1 million for the year ended 31 March 2017, representing a decrease of approximately HK\$18.4 million, or 99.5%, as compared with the year ended 31 March 2016. The decrease was mainly due to the recognition of the listing expenses of approximately HK\$14.9 million in connection with the Listing and the forfeiture of rental-related deposits of approximately HK\$2.9 million.

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Profit for the year and total comprehensive income for the year attributable to owners of the Company	<u>59</u>	<u>18,488</u>
Adjustments for one-off expenses:		
Listing expenses	14,926	–
Forfeited deposits	<u>2,950</u>	<u>–</u>
Adjusted profit for the year	<u>17,935</u>	<u>18,488</u>

Excluding the one-off listing expenses and the forfeited rental-related deposits, profit attributable to the owners of the Company for the year ended 31 March 2017 would have been approximately HK\$17.9 million, representing a slight decrease of approximately 3.2% as compared with the year ended 31 March 2016.

DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 31 March 2017 (2016: interim dividend of HK\$10,600,000).

LIQUIDITY AND FINANCIAL RESOURCES

Financial Resources

We continue to maintain a strong financial position with cash and cash equivalents of HK\$135.4 million as at 31 March 2017. During the year ended 31 March 2017, we received net proceeds from Placing of approximately HK\$55.6 million. Our working capital, represented by net current assets was HK\$68.7 million. Based on our steady cash inflows from operations, coupled with sufficient cash and bank balances, we have adequate liquidity and financial resources to meet our working capital requirements and to fund our budgeted expansion plans in the next financial year.

As at 31 March 2017, all of our cash and bank balances was denominated in Hong Kong Dollar.

Cash Flow Analysis

The table below sets forth the information as extracted from the consolidated statement of cash flow of our Group for the years ended 31 March 2017 and 2016:

	2017	2016	
	HK\$'000	HK\$'000	% change
Net cash flows from operating activities	43,302	9,293	365.9
Net cash flows used in investing activities	(8,897)	(2,179)	308.3
Net cash flows from/(used in) financing activities	71,788	(10,600)	N/A
Net increase/(decrease) in cash and cash equivalents	106,193	(3,486)	N/A
Cash and cash equivalents at beginning of the year	29,251	32,737	(10.7)
Cash and cash equivalents at the end of the year	135,444	29,251	363.0

Our cash and cash equivalents at the end of the year were approximately HK\$135.4 million as at 31 March 2017, as compared to approximately HK\$29.3 million as at 31 March 2016, the increase was due to the net proceeds received from the Placing.

Net Cash Flows from Operating Activities

For the year ended 31 March 2017, our net cash flows from operating activities was HK\$43.3 million, which was primarily attributable to settlements of HK\$24.5 million from related parties and increase in receipts from sales of treatment packages.

Net Cash Flows Used In Investing Activities

For the year ended 31 March 2017, our net cash flows used in investing activities was HK\$8.9 million, which was primarily attributable to increase in purchases of items of property, plant and equipment.

Net Cash Flows from/(Used In) Financing Activities

For the year ended 31 March 2017, our net cash flows from financing activities was HK\$71.8 million, resulted from the net of cash proceeds of HK\$80 million received from the Placing and the share issue expenses of HK\$8.2 million.

COMMITMENTS

The contractual commitments of our Group were primarily related to the leases of our office premises, medical aesthetic centres, car park space and certain office equipment. As at 31 March 2017, our Group's operating lease commitments amounted to approximately HK\$15.8 million (2016: approximately HK\$14.9 million).

As at 31 March 2017, our Group had capital commitments in respect of the acquisition of items of property, plant and equipment of approximately HK\$0.4 million (2016: Nil).

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired items of plant and equipment amounting to HK\$6.6 million (2016: HK\$2.2 million).

INDEBTEDNESS

Interest-bearing Bank Borrowings

As at 31 March 2017, our Group had no outstanding interest-bearing bank borrowings (2016: Nil).

Contingent Liabilities and Guarantees

As at 31 March 2017, our Group had no significant contingent liabilities and guarantees (2016: Nil).

Charge of Assets

As at 31 March 2017, there was no charge on the assets of our Group except for the time deposits of HK\$3.3 million (2016: HK\$3.4 million) pledged for banking facilities as security for credit card instalments programme.

Gearing Ratio

As at 31 March 2017, our Group had no interest-bearing borrowings (2016: Nil).

Foreign Currency Risk

Our Group carries out its business in Hong Kong and most of its transactions are denominated in Hong Kong Dollar. Our Group did not experience any material impact or difficulties in liquidity on its operations resulting from the fluctuation in exchange rate, and no hedging transaction or forward contract arrangement was made by the Group during the year ended 31 March 2017.

Interest Rate Risk

Our Group has no significant interest rate risk. Our Group currently does not have any specific policies in place to manage interest rate risk and has not entered into any interest rate swap transactions to mitigate interest rate risk, but will closely monitor related risk in the future.

Significant Investments, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures, and Future Plans for Material Investments or Capital Assets

Save as disclosed in this announcement, there were no significant investments held by the Company during the year ended 31 March 2017, nor were there any material acquisitions and disposals of subsidiaries, associates and joint ventures during the reporting period. Save as disclosed in this announcement, there is no plan authorised by the Board for other material investments or additions of capital assets as at the date of this announcement.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2017, our Group has a total of 82 employees (2016: 66). Staff costs, including Directors' remuneration, of our Group were approximately HK\$39.3 million for the year ended 31 March 2017 (2016: approximately HK\$29.4 million). Remuneration is determined with reference to factors such as comparable market salaries and work performance, time commitment and responsibilities of each individual. Employees are provided with relevant in-house and/or external training from time to time. In addition to a basic salary, year-end bonuses are offered to employees who performed outstandingly to attract and retain eligible employees to contribute to our Group.

USE OF PROCEEDS

The net proceeds from the Placing were approximately HK\$55.6 million, which was based on the placing price of HK\$0.8 per share and the actual expenses related to the Listing. After the Listing, these proceeds were and will be used for the purposes in accordance with the future plans as set out in the prospectus of the Company dated 30 December 2016.

The net proceeds from the Placing from the date of the Listing to 31 March 2017 were used as follows:

	Planned use of proceeds as shown in the Prospectus (adjusted on a pro rata basis based on the actual net proceeds) <i>HK\$'000</i>	Planned use of proceeds as shown in the Prospectus from the date of the Listing to 31 March 2017 (adjusted on a pro rata basis based on the actual net proceeds) <i>HK\$'000</i>	Actual use of proceeds from the date of the Listing to 31 March 2017 <i>HK\$'000</i>	Unutilised amount as at 31 March 2017 <i>HK\$'000</i> <i>(Note a)</i>
Expand our network of medical aesthetic centres in Hong Kong	24,200	3,500	–	3,500 (Note b)
Broaden the variety of treatment services and product offering	14,600	–	4,787	– (Note c)
Refurbish our CWB Centre	4,500	–	–	–
Upgrade our IT infrastructure	7,700	–	3,119	– (Note d)
General working capital	4,600	1,000	1,000	–
	<u>55,600</u>	<u>4,500</u>	<u>8,906</u>	<u>3,500</u>

Note:

- (a) The unused proceeds are deposited in a licensed bank in Hong Kong.
- (b) The listing proceeds of approximately HK\$3.5 million have not been utilised as at 31 March 2017, as we postponed our plan to open a new medical aesthetic centre in Kowloon from this year to mid 2018 due to the availability of leasing space in a large scale shopping complex located in the most popular area in Tsim Sha Tsui early next year.
- (c) We brought forward the broadening of the variety of treatment services and product offering in order to provide better service to our customer.
- (d) We brought forward the upgrading of our IT infrastructure in order to optimise our operation and increase overall efficiency. We are at the initial stage of upgrading the Accounting, Human Resource & POS system. The above systems expect to be completed at the end of year of 2017.

PROSPECTS

Following the footsteps of the more developed medical aesthetic services markets, acceptance of medical aesthetic services in Hong Kong has been growing fast in the past few years. The aging population plus individuals today paying more attention to their appearance, wishing to stay youthful and attractive as well as self-confident are also the reasons behind the greater demand for medical aesthetic services. In addition, from the industry's perspective, the hastened pursuit of technological innovation and improvement of treatment devices have presented players with abundant growth opportunities and also helped enhance the overall competitiveness of the industry.

Seeing strong potential in the medical aesthetic services industry in Hong Kong, our Group plans to enlarge its market share by broadening the variety of its medical aesthetic treatment services and product offerings. Our Group will continue to stay abreast of development of treatment technology and skin care products, with the support of market research findings and by maintaining close relationships with suppliers aiming for product enhancement. To satisfy the growing and more and more sophisticated needs of customers, we will work hard on all fronts to upgrade existing services, not limited to procuring latest treatment devices and sourcing new skin care products.

To expand our network of medical aesthetic centres in Hong Kong, our Group continues to keep an eye on prime locations to expand our network of medical aesthetic centres and has identified a leasing space in a large scale shopping complex located in the most popular area in Tsim Sha Tsui. We believe it will enable us to capture the anticipated growth of the medical aesthetic services industry.

Customer safety is of utmost importance to our Group, thus we practise strict internal controls to ensure all employees are properly trained and place customers' interests first. Our Group will continue to execute and evaluate its internal control protocols, such as injection procedures and procedures deemed high risk by its doctors, measures for monitoring and preventing excessive pitching of prepaid packages, and ensuring the quality of own-label skin care products and treatment consumables.

Last but not least, our Group owes its success to the experience of our senior management and professional team and we appreciate the dedication and efforts of all employees. Thus, we will continue to put resources into providing training and professional development opportunities to employees as encouragement and also a means to retain experienced personnel. Such moves speak to the determination of our Group to ensure employee and service excellence and that our professional teams — our Group's vital and valuable asset — are able to continue proffering their expertise and knowledge to help foster growth of our Group.

Our Group is confident of our capability to provide customers with quality service and from the heart. Moving forward, to keep fortifying this confidence, our Group will focus on bringing our strengths, customer base and reputation plus other advantages to full play so as to assure the stable development of our core business and in turn generate lucrative returns for shareholders.

ANNUAL GENERAL MEETING

The annual general meeting (“AGM”) of the Company will be held on Friday, 22 September 2017. A notice convening the meeting will be issued and sent to the Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 15 September 2017 to Friday, 22 September 2017, both dates inclusive, during which period no transfer of shares can be registered. In order to be eligible to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 14 September 2017.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Since the listing date to 31 March 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s shares.

CORPORATE GOVERNANCE CODE

Miricor Enterprises Holdings Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) recognise the importance of achieving the highest standard of corporate governance consistent with the needs and requirements of its businesses and the best interest of all of its stakeholders, and the board of directors (the “**Board**”) is fully committed to doing so. The Board believes that high standards of corporate governance provide a framework and solid foundation for the Group to manage business risks, enhance transparency, achieve high standard of accountability and protect stakeholders’ interests.

The Company has adopted the principles and the code provisions set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 15 of the GEM Listing Rules. During the period from the listing date to 31 March 2017, the Company had complied with all the applicable code provisions of the CG Code, except the deviation stipulated below.

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

COMPLIANCE OF CODE OF CONDUCT FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the period from the listing date to 31 March 2017.

EVENTS AFTER THE REPORTING PERIOD

There was no significant event occurred after the reporting period.

AUDIT COMMITTEE

The Company had established its audit committee (the “**Audit Committee**”) on 19 December 2016 with written terms of reference in compliance with the GEM Listing Rules. The terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Company, make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and review the Company’s financial information.

The Audit Committee currently consists of three independent non-executive Directors, namely, Mr. Cheng Yuk Wo, Mr. Cheng Fu Kwok David and Mr. Li Wai Kwan. Mr. Cheng Yuk Wo is the chairman of the Audit Committee. The Audit Committee has reviewed the Group’s consolidated financial statements for the year ended 31 March 2017, including the accounting principles and practices adopted by the Group, in conjunction with the Company’s external auditor.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is available for viewing on the website of the GEM at www.hkgem.com and on the website of the Company at www.miricor.com. The annual report of the Company for year ended 31 March 2017 containing the information required by the GEM Listing Rules will be dispatched to the shareholders of the Company and made available on the above websites in due course.

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

Hong Kong, 20 June 2017

As at the date of this announcement, the Board comprises two executive directors, namely, Ms. Lai Ka Yee Gigi and Mr. Ma Ting Wai Barry; and three independent non-executive directors, namely, Mr. Cheng Yuk Wo, Mr. Cheng Fu Kwok David and Mr. Li Wai Kwan.

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least seven days from the date of its posting. This announcement will also be published on the Company’s website at www.miricor.com.