Miricor Enterprises Holdings Limited
卓珈控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1827)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2019

HIGHLIGHTS

- The Group's revenue amounted to approximately HK$154.7 million for the year ended 31 March 2019, representing an increase of approximately HK$27.5 million or 21.6% as compared to approximately HK$127.2 million for the year ended 31 March 2018.

- Profit attributable to the owners of the Company was approximately HK$21.8 million for the year ended 31 March 2019, representing a decrease of approximately HK$4.7 million or 17.7%, as compared with the year ended 31 March 2018. The decrease was mainly due to the one-off professional services fees for the transfer of listing and write-off of leasehold improvements resulted from the early termination of the lease agreement for 30/F CWB Centre of approximately HK$4.0 million and HK$1.6 million, respectively.

- Excluding the one-off professional service fees for the transfer of listing and write-off of leasehold improvements resulted from the early termination of the lease agreement for 30/F CWB Centre, profit attributable to the owners of the Company for the year ended 31 March 2019 would have been approximately HK$27.4 million, representing a slight increase of approximately 3.4% as compared with the year ended 31 March 2018.

- Basic earnings per share for the year ended 31 March 2019 amounted to HK5.45 cents (2018: HK6.63 cents).

- The Board does not recommend the payment of any dividend for the year ended 31 March 2019.

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 2019 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 2019

	Notes	**2019** **HK$'000**	2018 *HK$'000*
REVENUE	*5*	**154,695**	127,213
Other income and gain, net	*5*	**2,570**	1,352
Cost of inventories and consumables		**(15,322)**	(13,018)
Staff costs		**(53,733)**	(46,875)
Property rentals and related expenses		**(20,455)**	(12,359)
Depreciation		**(11,222)**	(6,953)
Other expenses		**(30,144)**	(17,903)
PROFIT BEFORE TAX	*6*	**26,389**	31,457
Income tax expense	*7*	**(4,591)**	(4,944)
PROFIT FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**21,798**	26,513
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
— Basic and diluted	*9*	**HK5.45 cents**	HK6.63 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**46,270**	16,340
Goodwill		**4,305**	4,305
Deposits		**8,168**	7,445
Deferred tax assets		**1,787**	889
Total non-current assets		**60,530**	28,979
CURRENT ASSETS			
Inventories		**7,952**	4,219
Trade receivables	*10*	**26,002**	20,169
Prepayments, other receivables and other assets		**12,689**	7,242
Tax recoverable		**786**	556
Pledged time deposits		**54,269**	51,827
Cash and cash equivalents		**119,197**	110,379
Total current assets		**220,895**	194,392
CURRENT LIABILITIES			
Trade payables	*11*	**1,316**	705
Other payables and accruals		**12,259**	6,383
Contract liabilities and deferred revenue		**118,057**	93,414
Provision for reinstatement costs		**433**	497
Tax payable		**1,278**	2,354
Total current liabilities		**133,343**	103,353
NET CURRENT ASSETS		**87,552**	91,039
TOTAL ASSETS LESS CURRENT LIABILITIES		**148,082**	120,018
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**1,645**	1,385
Provision for reinstatement costs		**4,711**	1,530
Total non-current liabilities		**6,356**	2,915
Net assets		**141,726**	117,103
EQUITY			
Issued capital		**4,000**	4,000
Reserves		**137,726**	113,103
Total equity		**141,726**	117,103

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 were listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 10 January 2017. The listing of the shares of the Company has been transferred from GEM to the Main Board of the Stock Exchange with effect from 18 February 2019.

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. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014–2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than the impacts of HKFRS 9 and HKFRS 15 as explained below, the adoption of the above new and revised standards has had no significant financial effect on the Group's consolidated financial statements.

Impact of HKFRS 9 *Financial Instruments*

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The comparative information was not restated and continues to be reported under HKAS 39.

(i) Classification and measurement

Except that loans and receivables under HKAS 39 are reclassified as financial assets at amortised cost under HKFRS 9, the adoption of HKFRS 9 has had no significant impact on the classification and measurement of the Group's financial instruments.

(ii) Impairment

HKFRS 9 requires an impairment on debt instruments not held at fair value through profit or loss to be recorded based on an expected credit loss ("ECL") model either on a twelve-month basis or a lifetime basis. The Group has applied the simplified approach and recorded lifetime ECLs that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group has applied the general approach and recorded twelve-month ECLs that are estimated based on the possible default events on the Group's financial assets other than trade receivables within the next twelve months. The Group has determined that there is no significant financial impact on the opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9.

Impact of HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 April 2018.

The cumulative effect of the initial application of HKFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 April 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

Set out below are the amounts by which each financial statement line item was affected as at 1 April 2018 as a result of the adoption of HKFRS 15:

	Notes	Increase/ (decrease) HK$'000
Assets		
Prepayments, other receivables and other assets	*(ii)*	2,284
Tax recoverable	*(iv)*	(162)
Total assets		2,122
Liabilities		
Contract liabilities and deferred revenue	*(i),(iii)*	(1,053)
Tax payable	*(iv)*	350
Total liabilities		(703)
Equity		
Retained profits	*(i),(ii),(iv)*	2,825

The nature of the adjustments as at 1 April 2018 are described below:

(i) Revenue recognition for prepaid packages

Before the adoption of HKFRS 15, revenue from treatment services is recognised when such services have been rendered to clients. Receipts in respect of unutilised prepaid packages for which the relevant services have not been rendered are deferred and recognised as deferred revenue in the consolidated statement of financial position. Any unutilised prepaid packages upon expiry of the service period are fully recognised in profit or loss.

Upon the adoption of HKFRS 15, such unutilised portion are referred to as breakage. The Group recognised an expected breakage amount as revenue in proportion to the historical pattern of rights exercised by the customers. Accordingly, the Group derecognised the contract liabilities of HK$1,053,000 as at 1 April 2018, which resulted in an increase in retained profits of HK$1,053,000.

(ii) Incremental costs of obtaining a contract

Under HKFRS 15, the incremental costs of obtaining a contract with a customer, which represent sales commission and bonuses paid or payable to doctors and staff, are recognised as contract costs in the consolidated statement of financial position. Such costs are recognised in profit or loss in the period in which the contract liabilities to which they relate is recognised as revenue. Accordingly, upon adoption of HKFRS 15, contract costs were increased by HK$2,284,000 as at 1 April 2018, which resulted in an increase in retained profits of HK$2,284,000.

(iii) Consideration received from customers in advance

Before the adoption of HKFRS 15, the Group recognised consideration received from customers in advance as deferred revenue. Under HKFRS 15, the amount is classified as contract liabilities.

Therefore, upon adoption of HKFRS 15, the Group reclassified HK$76,089,000 from deferred revenue to contract liabilities as at 1 April 2018 in relation to the consideration received from customers in advance as at 1 April 2018.

(iv) Other adjustments

In addition to the adjustments described above, other items of the primary financial statements such as tax and retained profits were adjusted accordingly.

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 resource 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 years ended 31 March 2019 and 31 March 2018, 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 years ended 31 March 2019 and 31 March 2018, no information about major clients in accordance with HKFRS 8 *Operating Segments* is presented.

5. REVENUE, OTHER INCOME AND GAIN, NET

An analysis of revenue, other income and gain, net is as follow:

	2019	2018
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Treatment services	**138,960**	112,828
Skin care products	**10,485**	9,830
Medical consultation services	**266**	459
Prescription and dispensing of medical products	**1,648**	1,737
Revenue recognised from unutilised prepaid packages	**3,336**	2,359
	154,695	127,213
Other income and gain, net		
Bank interest income	**2,509**	1,263
Gain on disposal of items of property, plant and equipment, net	**–**	46
Others	**61**	43
	2,570	1,352

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2019	2018
	HK$'000	*HK$'000*
Minimum lease payments under operating leases	**16,540**	10,245
Employee benefit expenses (excluding Directors' remuneration):		
Salaries, bonuses and other allowances	**49,428**	42,818
Retirement benefit scheme contributions (defined contribution scheme)	**1,347**	1,099
	50,775	43,917
Auditor's remuneration	**880**	880
Depreciation	**11,222**	6,953
Impairment of trade receivables	**26**	–
Loss/(gain) on disposal/write-off of items of property, plant and equipment, net	**1,761**	(46)
Foreign exchange differences, net	**7**	–

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at a rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2019	2018
	HK$'000	*HK$'000*
Current		
— Charge for the year	**5,222**	4,954
— Underprovision in prior years	**7**	14
Deferred tax	**(638)**	(24)
Total tax charge for the year	**4,591**	4,944

8. DIVIDEND

No dividend was paid or proposed during the year ended 31 March 2019, nor has any dividend been proposed since the end of the reporting period (2018: Nil).

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$21,798,000 (2018: HK$26,513,000), and the weighted average number of ordinary shares of 400,000,000 (2018: 400,000,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2019 and 31 March 2018.

10. TRADE RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Credit card receivables	**25,965**	20,104
Others	**63**	65
	26,028	20,169
Impairment	**(26)**	–
	26,002	20,169

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 ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follow:

	2019	2018
	HK$'000	*HK$'000*
Within 1 month	**23,992**	19,394
1 to 3 months	**1,982**	732
Over 3 months	**28**	43
	26,002	20,169

11. TRADE PAYABLES

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

	2019	2018
	HK$'000	*HK$'000*
Within 1 month	**1,316**	705

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 March 2019 (the "Year under Review"), the Group's revenue increased by HK$27.5 million, or 21.6%, to HK$154.7 million when compared with that of the previous year. The rise was mainly attributable to the increase in promotional campaigns in different marketing channels, such as the telemarketing strategy and active promotional campaigns on various social media platforms, which raised consumer awareness of the "CosMax" brand and secured more customers. Profit for the Year Under Review amounting to HK$21.8 million, decreasing by HK$4.7 million, or 17.7% when compared with that of last year. The drop was mainly due to one-off professional service fees for the transfer of listing and write-off of leasehold improvements resulted from the early termination of the lease agreement for 30/F CWB Centre. Excluding the one-off professional service fees for the transfer of listing and write-off of leasehold improvements resulted from the early termination of the lease agreement for 30/F CWB Centre, profit attributable to the owners of the Company for the year ended 31 March 2019 would have been approximately HK$27.4 million, representing a slight increase of approximately 3.4% as compared with the year ended 31 March 2018.

The Group has successfully undergone the transfer of listing from GEM to the Main Board of The Stock Exchange of Hong Kong Limited on 18 February 2019. The Group is confident that the Main Board trading platform will provide a solid base for the Group to further develop its business and expand its market share.

Currently, the Group operates three "CosMax" branded medical aesthetic centres at prime locations in Causeway Bay, Central District and Tsim Sha Tsui. The recently opened medical aesthetic centre at Harbour City, Tsim Sha Tsui has a total floor space of 6,050 sq ft comprising up to 17 treatment rooms. As the Group's first centre on the Kowloon side, Miricor sees the opening of the Tsim Sha Tsui centre as an important milestone to attract more geographically diverse customers and strengthen its customer base. Meanwhile, the integration of the two centres into a duplex unit in Soundwill Plaza of Causeway Bay has already completed and commenced operation. The overall floor area of the merged centre covers 12,156 sq ft. The integration of facilities enables the Group to better allocate resources and reap operational synergies.

The Group offers high quality and personally tailored treatments performed by experienced doctors and trained therapists using technologically-advanced treatment devices. As at 31 March 2019, the Group has 116 treatment devices for a vast range of treatment procedures. During the Year Under Review, new treatment including Magnetic Pulse Therapy, V Lift Tightening and Intensive Skin Rejuvenation were introduced for advance skin and body refinement. The devices and procedures have been clinically evaluated by doctors before being adopted to ensure a safe and quality consumer experience. The Group also offers quality skincare products to complement its treatments for optimum results. Its own "Cospeutic" and "CosMax" product lines offer a wide range of products including cleansers, toners, serums, emulsions, creams, eye products, sunblocks and masks. All products are compliant with relevant safety standards and undergo testing, including a patch test on tape-stripped skin, a heavy metals contamination test, a microbial contamination test and an SPF test for SPF-specific products.

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

	For the year ended 31 March		
	2019	2018	**% change**
Number of active clients *(Note a)*	**7,336**	6,091	20.4
Number of repeat clients *(Note b)*	**4,413**	3,751	17.6
Proportion of repeat clients amongst active clients	**60%**	62%	
Number of new clients *(Note c)*	**2,923**	2,340	24.9
Number of referred clients	**1,655**	1,395	18.6
Referral rate	**57%**	60%	

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$154.7 million for the year ended 31 March 2019, representing an increase of approximately HK$27.5 million or 21.6% as compared with HK$127.2 million for the year ended 31 March 2018. The increase was primarily attributable to the increase in promotional campaigns in different marketing channels, such as the telemarketing strategy and active promotional campaigns on various social media platforms, which raised consumer awareness of the "CosMax" brand, and secured more customers.

Set forth below is a breakdown of our total revenue during the years ended 31 March 2019 and 2018:

	For the year ended 31 March			
	2019		2018	
	HK$'000	*%*	*HK$'000*	*%*
Treatment services	**138,960**	**89.8**	112,828	88.7
Medical consultation services	**266**	**0.2**	459	0.4
Prescription and dispensing of medical products	**1,648**	**1.1**	1,737	1.4
Skin care products	**10,485**	**6.8**	9,830	7.7
Revenue recognised from unutilised prepaid packages	**3,336**	**2.1**	2,359	1.8
Total revenue	**154,695**	**100.0**	127,213	100.0

(i) Revenue from treatment services

During the year ended 31 March 2019, most of our revenue was derived from treatment services. Revenue from treatment services amounted to HK$139.0 million for the year ended 31 March 2019 and HK$112.8 million for the year ended 31 March 2018, representing 89.8% and 88.7% 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$0.3 million for the year ended 31 March 2019 and HK$0.5 million for the year ended 31 March 2018, representing 0.2% and 0.4% 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$1.6 million for the year ended 31 March 2019 and HK$1.7 million for the year ended 31 March 2018, representing 1.1% and 1.4% 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$10.5 million for the year ended 31 March 2019 and HK$9.8 million for the year ended 31 March 2018, representing 6.8% and 7.7% of our total revenue, respectively. The increase of approximately HK$0.7 million, or 7.1%, was primarily due to the expansion of its "Cospeutic" and"CosMax" product lines, the launch of the new promotions and the active promotional campaigns mounted on various social media platforms for skin care products.

(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$3.3 million for the year ended 31 March 2019 and HK$2.4 million for the year ended 31 March 2018, representing only 2.1% and 1.8% of our total revenue, respectively.

Other income and gain, net

Other income and gain, net accounted for approximately HK$2.6 million and HK$1.4 million for the years ended 31 March 2019 and 2018, representing 1.7% and 1.1% of the total revenue for the respective year. The increment mainly arose from bank interest income from more time deposits placed at various financial institutions during the year ended 31 March 2019.

Cost of inventories and consumables

Cost of inventories and consumables amounted to approximately HK$15.3 million and HK$13.0 million for the years ended 31 March 2019 and 2018, representing 9.9% and 10.2% of the total revenue, respectively.

Staff costs

Staff costs increased by approximately HK$6.8 million, or 14.5%, from approximately HK$46.9 million for the year ended 31 March 2018 to approximately HK$53.7 million for the year ended 31 March 2019. 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 the increase in sales of packages and total revenue, commissions payable to doctors and front-line staff increased for the year ended 31 March 2019. The increase in staff costs was also attributable to the increase in headcount to 120 employees as at 31 March 2019 (2018: 96).

Property rentals and related expenses

Property rentals and related expenses increased by approximately HK$8.1 million, or 65.3%, from approximately HK$12.4 million for the year ended 31 March 2018 to HK$20.5 million for the year ended 31 March 2019. The increase was primarily due to additional rental expenses and other related costs such as management fee and government rates for the new medical aesthetic centres in Tsim Sha Tsui and CWB Centre.

Depreciation

Depreciation expense amounted to approximately HK$11.2 million and HK$7.0 million for the years ended 31 March 2019 and 2018, representing 7.3% and 5.5% of total revenue for the respective years.

Other expenses

Other expenses increased by approximately HK$12.2 million, or 68.2%, from approximately HK$17.9 million for the year ended 31 March 2018 to approximately HK$30.1 million for the year ended 31 March 2019. The increase was primarily attributable to the one-off professional service fees of approximately HK$4.0 million incurred for the transfer of listing and write-off of leasehold improvements of approximately HK$1.6 million for 30/F CWB Centre resulted from the early termination of the lease agreement. Also, approximately HK$2.4 million increment in promotional campaigns for different marketing channels and various social media platforms.

Income tax expense

Income tax expense was approximately HK$4.6 million for the year ended 31 March 2019 and HK$4.9 million for the year ended 31 March 2018. The decrease was primarily attributable to the net effect of the decrease in profit for the period and the effect of non-deductible expenses such as professional fees in relation to the transfer of listing incurred during the period.

Profit for the year

Profit attributable to the owners of the Company was approximately HK$21.8 million for the year ended 31 March 2019, representing a decrease of approximately HK$4.7 million as compared with the year ended 31 March 2018. For the year ended 31 March 2019, the one-off professional services fees for the transfer of listing and write-off of leasehold improvements resulted from the early termination of the lease agreement for 30/F CWB Centre were approximately HK$4.0 million and HK$1.6 million, respectively. Excluding the one-off professional service fees for the transfer of listing and write-off of leasehold improvements of 30/F CWB Centre resulted from the early termination of the lease agreement, profit attributable to the owners of the Company for the year ended 31 March 2019 would have been approximately HK$27.4 million, representing a slight increase of approximately 3.4% as compared with the year ended 31 March 2018.

	2019	2018
	HK$'000	*HK$'000*
Profit for the year and total comprehensive income for the year attributable to owners of the Company	**21,798**	26,513
Adjustments for one-off expenses:		
Transfer of listing expenses	**4,008**	–
Write-off of leasehold improvements resulted from early termination of lease agreement	**1,644**	–
Adjusted profit for the year	**27,450**	26,513

DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 31 March 2019 (2018: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

Financial Resources

We continue to maintain a strong financial position with cash and cash equivalents of HK$119.2 million as at 31 March 2019. Our working capital, represented by net current assets was HK$87.6 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 2019, most of our cash and bank balances was denominated in Hong Kong Dollar.

Cash Flow Analysis

The tables below sets forth the information as extracted from the consolidated statement of cash flows of our Group for the years ended 31 March 2019 and 2018:

	2019	2018	
	HK$'000	*HK$'000*	**% change**
Net cash flows from/(used in) operating activities	**46,599**	(14,258)	N/A
Net cash flows used in investing activities	**(113,189)**	(43,277)	161.5
Net decrease in cash and cash equivalents	**(66,590)**	(57,535)	15.7
Cash and cash equivalents at beginning of the year	**77,909**	135,444	(42.5)
Cash and cash equivalents at end of the year	**11,319**	77,909	(85.5)

Our cash and cash equivalents at the end of the year were approximately HK$11.3 million as at 31 March 2019, as compared to approximately HK$77.9 million as at 31 March 2018, the decrease was due to the increase in non-pledged time deposits with original maturity more than three months when acquired.

Net Cash Flows From/(Used In) Operating Activities

For the year ended 31 March 2019, our net cash flows from operating activities was HK$46.6 million, representing an increase of approximately HK$60.9 million as compared with the year ended 31 March 2018.

Net Cash Flows Used In Investing Activities

For the year ended 31 March 2019, our net cash flows used in investing activities was HK$113.2 million, which was primarily attributable to increase in purchases of items of property, plant and equipment and increase in non-pledged time deposits with original maturity of more than three months when acquired.

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 2019, our Group's operating lease commitments amounted to approximately HK$63.3 million (2018: approximately HK$33.7 million).

As at 31 March 2019, our Group had capital commitments in respect of the acquisition of items of property, plant and equipment of approximately HK$0.3 million (2018: HK$0.4 million).

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired items of plant and equipment amounting to HK$43.0 million (2018: HK$9.3 million).

INDEBTEDNESS

Interest-bearing Bank Borrowings

As at 31 March 2019, our Group had no outstanding interest-bearing bank borrowings (2018: Nil).

Contingent Liabilities and Guarantees

As at 31 March 2019, our Group had no significant contingent liabilities and guarantees (2018: Nil).

Charge of Assets

As at 31 March 2019, there was no charge on the assets of our Group except for the time deposits of HK$54.3 million (2018: HK$51.8 million) pledged for banking facilities as security for credit card instalments programmes.

Gearing Ratio

As at 31 March 2019, our Group had no interest-bearing borrowings (2018: 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 years ended 31 March 2019 and 31 March 2018.

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 2019, 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 2019, our Group has a total of 120 employees (2018: 96). Staff costs, including Directors' remuneration, of our Group were approximately HK$53.7 million for the year ended 31 March 2019 (2018: approximately HK$46.9 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 Company was successfully listed on GEM of the Stock Exchange on 10 January 2017 by way of placing (the "Placing"). 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 2019 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) *HK$'000*	**Planned use of proceeds as shown in the Prospectus from the date of the Listing to 31 March 2019 (adjusted on a pro rata basis based on the actual net proceeds)** *HK$'000*	**Actual use of proceeds from the date of the Listing to 31 March 2019** *HK$'000*	**Unutilised amount as at 31 March 2019** *HK$'000* *(Note a)*
Expand our network of medical aesthetic centres in Hong Kong	24,200	24,200	24,200	–
Broaden the variety of treatment services and product offering	14,600	14,600	8,815	5,785 *(Note b)*
Refurbish our CWB Centre	4,500	4,500	4,500	–
Upgrade our IT infrastructure	7,700	7,700	7,700	–
General working capital	4,600	4,600	4,600	–
	55,600	55,600	49,815	5,785

Notes:

(a) The unused proceeds are deposited in licensed banks in Hong Kong.

(b) We brought forward the broadening of the variety of treatment services and product offering in order to provide better service to our customer.

PROSPECTS

In view of the growing public acceptance and market demand for treatments in recent years, the Group remains optimistic about the outlook of the medical aesthetic industry. The Group believes that with the strategic expansion of Cosmax, coupled with the transfer of listing to the Main Board trading platform, it is well positioned to grasp the immense opportunities arising.

In addition, the Group will continue to sharpen its competitive advantage by strengthening product offerings and services. It endeavours to keep up-to-date with the latest technologies and procure the best devices to perfect its services and provide premium treatment to its customers. The Group will also continue to place efforts in marketing campaigns to increase penetration in the Hong Kong market. Meanwhile, the management will observe and review any expansion opportunities so as to strengthen its market-leading position.

The Group also values its talent. It will constantly evaluate its incentive programmes and improve internal training in order to attract and retain talent, as well as to better equip its employees to provide the best treatment and services.

Ultimately, the Group strives to adhere to and promote its vision to pursue beauty for its customers through non-surgical means. In the meantime, it endeavours to strategically implement its growth plans to achieve stable business development and generate lucrative returns for shareholders.

ANNUAL GENERAL MEETING

The annual general meeting ("AGM") of the Company will be held on Friday, 20 September 2019. A notice convening the meeting will be issued and sent to the Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 17 September 2019 to Friday, 20 September 2019, 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 not later than 4:30 pm on Monday, 16 September 2019. The address of Tricor Investor Services Limited is currently at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. With effect from 11 July 2019, Tricor Investor Services Limited will change its address to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 March 2019, 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 GEM Listing Rules (applicable to the Company prior to Transfer of Listing) and Appendix 14 of Listing Rules (applicable to the Company immediately after the Transfer of Listing). During the year ended 31 March 2019, 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 Chairlady and Chief Executive Officer 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 the Model Code for Securities Transactions Directors of Listed Issuers contained in Appendix 15 of GEM Listing Rules (applicable to the Company prior to the Transfer of Listing) and Appendix 10 of the Listing Rules (applicable to the Company immediately after the Transfer of Listing) of the Stock Exchange. Having made specific enquiries to all the Directors, all the Directors confirmed that they had complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company during the Period.

EVENTS AFTER THE REPORTING PERIOD

There was no significant event occurred after the reporting period.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed the consolidated financial statements of the Group for the year ended 31 March 2019, including the accounting principles and practices adopted by the Group in conjunction, with the Company's external auditor.

AUDIT COMMITTEE

An audit committee has been established by the Board with specific written terms of reference following the Rules 3.21 to 3.24 of the Listing Rules and the CG Code, the code provision C.3.3 of the CG Code of Appendix 15 of GEM Listing Rules. The audit committee of the Company (the "Audit Committee") is authorised to commit Company funds in order to obtain advice from outside legal counsel, accountants, investigatory services or other expert advice. Details of the authority and responsibilities of the Audit Committee are available on the websites of the Company and the Stock Exchange.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Cheng Fu Kwok David, Mr. Cheng Yuk Wo and Mr. Li Wai Kwan and Mr. Cheng Yuk Wo is the chairman of the Audit Committee.

The Audit Committee held four meetings during the year ended 31 March 2019 and the meeting was attended by the Company's external auditor so that the members of the Audit Committee could exchange their views and concerns on the financial reporting process of the Group with the auditor.

During the Year Under Review, the Audit Committee had reviewed with the Management and the external auditor the accounting principles and practices adopted by the Group and discussed auditing, internal controls, and financial reporting matters including the following:

- the review of the audited financial statements for the year ended 31 March 2018;
- the review of the quarterly and interim results;
- the recommendation to the Board for the proposal for re-appointment of the external auditor of the Company and approval of the remuneration and terms of engagement of the external auditor; and
- the review of the risk management and internal control systems of the Company and its subsidiaries.

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

Hong Kong, 20 June 2019

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.