MODERN BEAUTY SALON HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 919)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2019

The Board of Directors ("the Board") of Modern Beauty Salon Holdings Limited ("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 ("FY2019" or "the year under review"), with comparative figures for the year ended 31 March 2018 ("FY2018") as follows. The consolidated results for the year ended 31 March 2019 have been reviewed by the audit committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2019

	Note	2019 HK$'000	2018 (Note) HK$'000
Revenue	5	**576,017**	599,018
Other income	6	**3,067**	5,109
Cost of inventories sold		**(24,112)**	(23,270)
Advertising costs		**(4,382)**	(4,246)
Building management fees		**(13,993)**	(14,589)
Bank charges		**(26,717)**	(26,829)
Employee benefit expenses	7(a)	**(319,087)**	(342,245)
Depreciation and amortisation		**(15,264)**	(14,647)
Occupancy costs		**(114,450)**	(135,292)
Other operating expenses		**(63,232)**	(66,774)

	Note	**2019**	2018
			(Note)
		HK$'000	*HK$'000*
Loss from operations		**(2,153)**	(23,765)
Interest income		**688**	621
Fair value change on investment properties		**(90)**	1,030
Fair value change on purchase consideration		**—**	1,148
Impairment loss on goodwill		**—**	(2,038)
Impairment loss on property, plant and equipment		**(5,103)**	(2,180)
Net loss on disposal of subsidiaries		**(306)**	—
Loss before taxation	*7*	**(6,964)**	(25,184)
Income tax (expense)/credit	*8(a)*	**(5,833)**	2,339
Loss for the year		**(12,797)**	(22,845)
Attributable to:			
Equity shareholders of the Company		**(13,289)**	(22,855)
Non-controlling interests		**492**	10
Loss for the year		**(12,797)**	(22,845)
Loss per share *(HK cents)*	*9*		
Basic		**(1.47)**	(2.53)
Diluted		**(1.47)**	(2.53)

Note: The Group has initially applied HKFRS 9 and HKFRS 15 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Note	**2019**	2018
			(Note)
	Note	***HK$'000***	*HK$'000*
Loss for the year		**(12,797)**	(22,845)
Other comprehensive income for the year (after tax and reclassification adjustments):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations, net of Nil tax		**1,706**	(2,861)
Reserves released upon disposal of subsidiaries		**511**	—
Other comprehensive income for the year		**2,217**	(2,861)
Total comprehensive income for the year		**(10,580)**	(25,706)
Attributable to:			
Equity shareholders of the Company		**(11,072)**	(25,716)
Non-controlling interests		**492**	10
Total comprehensive income for the year		**(10,580)**	(25,706)

Note: The Group has initially applied HKFRS 9 and HKFRS 15 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Note	**31 March 2019**	31 March 2018 (Note)
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment		**80,452**	68,760
Investment properties		**13,810**	13,900
Intangible assets		**1,776**	2,147
Goodwill		**1,070**	1,070
Deposits and prepayments	*10*	**22,256**	22,798
Deferred tax assets		**3,874**	20,609
		123,238	129,284
Current assets			
Inventories		**18,881**	26,097
Trade and other receivables, deposits and prepayments	*10*	**190,077**	210,308
Tax recoverable		**5,860**	3,517
Pledged bank deposits		**53,206**	54,471
Bank deposits with original maturity over three months		**5,469**	5,556
Cash and bank balances		**182,766**	181,683
		456,259	481,632
Current liabilities			
Trade and other payables, deposits received and accrued expenses	*11*	**86,832**	92,595
Deferred revenue	*12*	**297,621**	428,719
Tax payable		**7,690**	717
		392,143	522,031
Net current assets/(liabilities)		**64,116**	(40,399)
Total assets less current liabilities		**187,354**	88,885

	Note	31 March 2019 HK$'000	31 March 2018 (Note) HK$'000
Non-current liability			
Deferred tax liabilities		**458**	457
		458	457
NET ASSETS		**186,896**	88,428
CAPITAL AND RESERVES			
Share capital		**90,448**	90,448
Reserves		**90,802**	(4,655)
Total equity attributable to equity shareholders of the Company		**181,250**	85,793
Non-controlling interests		**5,646**	2,635
TOTAL EQUITY		**186,896**	88,428

Note: The Group has initially applied HKFRS 9 and HKFRS 15 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

NOTES

1 GENERAL INFORMATION

Modern Beauty Salon Holdings Limited ("the Company") was incorporated in the Cayman Islands with limited liability. The address of its registered office is M&C Corporate Services Limited, PO Box 309 GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands. The address of its principal place of business is 6th Floor, Sino Industrial Plaza, 9 Kai Cheung Road, Kowloon Bay, Kowloon, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("the Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are provision of beauty and wellness services and the sales of skincare and wellness products. In the opinion of the directors of the Company, Dr. Tsang Yue, Joyce ("Dr. Tsang"), who is a director of the Company, is the ultimate controlling party of the Company.

2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial information relating to the financial years ended 31 March 2019 and 2018 included in this announcement of annual results does not constitute the Company's statutory annual financial statements for those financial years but is derived from those financial statements.

The consolidated financial statements for the year ended 31 March 2019 comprise the Company and its subsidiaries (together referred to as "the Group"). The consolidated results set out in this announcement do not constitute the Group's consolidated financial statements for the year ended 31 March 2019 but are extracted from those financial statements.

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair values:

— Investment properties.

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

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

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements.

(i) HKFRS 9, *Financial instruments*

(ii) HKFRS 15, *Revenue from contracts with customers*

(iii) HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(i) HKFRS 9, *Financial instruments*

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 April 2018 in accordance with the transition requirements. Therefore, the comparative information continues to be reported under HKAS 39.

HKFRS 9 largely retains the existing requirements in HKAS 39 for the classification and measurements of financial assets of the Group. Hence, the adoption of HKFRS 9 does not affect the carrying amount of the Group's financial assets as at 1 April 2018.

(ii) HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 April 2018.

The following table summarises the impact of transition to HKFRS 15 on retained earnings and the related tax impact at 1 April 2018:

	HK$'000
Retained earnings	
Earlier recognition of breakage revenue for the prepaid beauty packages	127,580
Related tax impact	(21,051)
Net increase in retained earnings at 1 April 2018	106,529

Further details of the nature and effect of the changes on previous accounting policies are set out below:

a. Timing of revenue recognition

Previously, revenue arising from sale of skincare and wellness products was generally recognised at a point in time when the customers had accepted the goods and the risks and rewards of ownership of the goods had been passed to customers. Whereas revenue from provision of beauty and wellness services was recognised when service treatments were delivered to customers. Payments that were related to services not yet rendered were deferred and shown as deferred revenue in the statement of financial position. Upon expiry of prepaid packages of beauty and wellness services, the corresponding deferred revenue was fully recognised in profit or loss.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time.

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from sale of skincare and wellness products. However, the timing of revenue recognition for the provision of beauty and wellness services is affected as follows:

The Group sells prepaid packages to customers for beauty and wellness services, which comprise multiple numbers of treatments. The Group receives upfront treatment payment of the treatment fees. Previously under HKAS 18, revenue was recognised when beauty and wellness service treatments were delivered to customers. Payments that were related to the beauty and wellness service treatments not yet rendered are deferred and shown as deferred revenue in the statement of financial position. Upon the expiry of prepaid packages of beauty and wellness service treatments, the corresponding deferred revenue was fully recognised in profit or loss.

Prepaid packages sold are non-refundable and customers may not exercise all of their contractual rights within the contract period of one year. Those unexercised contractual rights are often referred to as breakage. An expected breakage amount is determined by historical experience. Under HKFRS 15, the Group shall recognise the expected breakage amount as revenue in proportion to the pattern of rights exercised by the customers. Any residual deferred revenue at the end of the contractual service period is fully recognised in profit or loss.

As a result of this change in accounting policy, the Group has made adjustments to opening balances as at 1 April 2018 which increased retained earnings by HK$106,529,000 (net of tax).

b. Presentation of contract liabilities

Under HKFRS 15, a contract liability, rather than a payable, is recognised when a customer pays non-refundable consideration, or is contractually required to pay non-refundable consideration and the amount is already due, before the Group recognises the related revenue.

The adoption of HKFRS 15 does not affect the presentation of contract liabilities of the Group, which are presented as "deferred revenue" in the consolidated financial statements (see note 12).

c. ***Disclosure of the estimated impact on the amount reported in respect of the year ended 31 March 2019 as a result of the adoption of HKFRS 15 on 1 April 2018***

The following tables summarise the impacts of adopting HKFRS 15 on the Group's consolidated financial statements for the year ended 31 March 2019, by comparing the amounts reported under HKFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under HKAS 18 if those superseded standards had continued to be applied to 2019 instead of HKFRS 15. These tables show only those line items impacted by the adoption of HKFRS 15.

Line items in the consolidated statement of profit or loss for the year ended 31 March 2019 impacted by the adoption of HKFRS 15:

	As reported	**Adjustments**	**Amounts without adoption of HKFRS 15**
	HK$'000	***HK$'000***	***HK$'000***
Revenue	576,017	(3,030)	572,987
Income tax expense	(5,833)	502	(5,331)
Others	(582,981)	—	(582,981)
Loss for the year	(12,797)	(2,528)	(15,325)

Line items in the consolidated statement of financial position as at 31 March 2019 impacted by the adoption of HKFRS 15:

	As reported	**Adjustments**	**Amounts without adoption of HKFRS 15**
	HK$'000	***HK$'000***	***HK$'000***
Deferred tax assets	3,874	797	4,671
Others	575,623	—	575,623
Total assets	579,497	797	580,294
Tax payable	(7,690)	(295)	(7,985)
Deferred revenue	(297,621)	(3,030)	(300,651)
Others	(87,290)	—	(87,290)
Total liabilities	(392,601)	(3,325)	(395,926)
Retained earnings	(142,463)	2,528	(139,935)
Others	(44,433)	—	(44,433)
Equity	(186,896)	2,528	(184,368)

(iii) HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

This Interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial result of the Group.

4 SEGMENT INFORMATION

The Group has two reportable segments as follows:

Beauty and wellness services	—	Provision of beauty and wellness services
Skincare and wellness products	—	Sales of skincare and wellness products

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. Segment profits do not include other income, interest income, fair value changes on investment properties and purchase consideration, unallocated costs, which comprise corporate administrative expenses, and income tax (expense)/credit. Segment assets do not include properties held for corporate uses, investment properties, deferred tax assets and tax recoverable. Segment liabilities do not include tax payable, deferred tax liabilities and amounts due to related companies and the ultimate controlling party.

(a) Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2019 and 2018 is set out below.

	Beauty and wellness services *HK$'000*	**Skincare and wellness products** *HK$'000*	**Total** *HK$'000*
Year ended 31 March 2019			
Revenue from external customers	**543,147**	**32,870**	**576,017**
Reportable segment profit	**9,772**	**10,143**	**19,915**
Other segment information:			
Additions to property, plant and equipment	**32,051**	**546**	**32,597**
Depreciation and amortisation	**14,116**	**1,148**	**15,264**
As at 31 March 2019			
Reportable segment assets	**532,553**	**9,462**	**542,015**
Reportable segment liabilities	**372,694**	**11,670**	**384,364**

	Beauty and wellness services *HK$'000*	Skincare and wellness products *HK$'000*	Total *HK$'000*
Year ended 31 March 2018 ***(Note)***			
Revenue from external customers	574,737	24,281	599,018
Reportable segment (loss)/profit	(5,442)	3,489	(1,953)
Other segment information:			
Additions to property, plant and equipment	20,164	1,180	21,344
Depreciation and amortisation	14,220	427	14,647
As at 31 March 2018 ***(Note)***			
Reportable segment assets	545,379	12,838	558,217
Reportable segment liabilities	507,960	10,003	517,963

Note: The Group has initially applied HKFRS 9 and HKFRS 15 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

(b) Reconciliations of reportable segment profit/(loss), assets and liabilities

	2019	2018
	HK$'000	*HK$'000*
Profit/(loss)		
Reportable segment profit/(loss)	**19,915**	(1,953)
Other income	**3,067**	5,109
Interest income	**688**	621
Fair value change on investment properties	**(90)**	1,030
Fair value change on purchase consideration	**—**	1,148
Unallocated costs	**(30,544)**	(31,139)
Income tax (expenses)/credit	**(5,833)**	2,339
Consolidated loss for the year	**(12,797)**	(22,845)
Assets		
Reportable segment assets	**542,015**	558,217
Properties held for corporate use	**13,938**	14,673
Investment properties	**13,810**	13,900
Deferred tax assets	**3,874**	20,609
Tax recoverable	**5,860**	3,517
Consolidated total assets	**579,497**	610,916
Liabilities		
Reportable segment liabilities	**384,364**	517,963
Tax payable	**7,690**	717
Deferred tax liabilities	**458**	457
Amounts due to related companies	**87**	1,926
Amount due to the ultimate controlling party	**2**	1,425
Consolidated total liabilities	**392,601**	522,488

(c) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current asset is based on the physical location of the asset, in the case of property, plant and equipment. Specified non-current assets do not include investment properties, intangible assets, goodwill, deferred tax assets and deposits.

	Revenue from external customers		**Specified non-current assets**	
	2019	2018 *(Note)*	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**491,232**	519,054	**76,633**	63,298
PRC	**19,439**	23,318	**814**	1,672
Singapore	**60,802**	48,385	**2,604**	3,419
Malaysia	**285**	1,681	**—**	—
Taiwan	**678**	4,604	**—**	—
Australia	**3,581**	1,976	**401**	371
	576,017	599,018	**80,452**	68,760

Note: The Group has initially applied HKFRS 15 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

5 REVENUE

The principal activities of the Group are the provision of beauty and wellness services and sales of skincare and wellness products.

The amount of each significant category of revenue is as follows:

	2019	2018 *(Note)*
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Revenue recognised from provision of beauty and wellness services and expiry of prepaid beauty packages	**543,147**	574,737
Sales of skincare and wellness products	**32,870**	24,281
	576,017	599,018

Note: The Group has initially applied HKFRS 15 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

Since all the revenue comprises revenue recognised from provision of beauty and wellness services and expiry of prepaid beauty packages and sales of skincare and wellness products transferred to customers at a point in time, no revenue derived from services transferred over time.

Disaggregation of revenue from contracts with customers by geographical segment is disclosed in note 4(c).

6 OTHER INCOME

	2019	2018
	HK$'000	*HK$'000*
Rental income	**1,015**	1,015
Compensation received	**932**	535
Government grants	**234**	204
Net gain on disposals of property, plant and equipment	**107**	115
Commission income	**—**	139
Foreign exchange gain, net	**—**	2,664
Others	**779**	437
	3,067	5,109

7 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Employee benefit expenses

	2019	2018
	HK$'000	*HK$'000*
Wages and salaries	**301,246**	321,353
Contributions to defined contribution retirement plans	**17,553**	19,347
Other staff welfare	**288**	1,545
	319,087	342,245

(b) Other items

	2019	2018
	HK$'000	*HK$'000*
Auditor's remuneration	**3,157**	3,116
Operating lease charges for land and buildings	**114,450**	135,292

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2019	2018
	HK$'000	*HK$'000*
Current tax — Hong Kong Profits Tax		
Provision for the year	**4,010**	3,566
(Over)/under-provision in respect of prior years	**(130)**	26
	3,880	3,592
Current tax — Overseas		
Provision for the year	**2,007**	293
Over-provision in respect of prior years	**(54)**	(123)
	1,953	170
Deferred tax		
Origination and reversal of temporary differences	**—**	(6,101)
	5,833	(2,339)

The provision for Hong Kong Profits Tax for 2019 is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits for the year, taking into account a reduction granted by the Hong Kong SAR Government of 75% of the tax payable for the year of assessment 2017–18 subject to a maximum reduction of HK$30,000 for each business (2018: a maximum reduction of HK$20,000 was granted for the year of assessment 2016–17 and was taken into account in calculating the provision for 2018). Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

9 LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of HK$13,289,000 (2018: loss attributable to ordinary equity shareholders of the Company of HK$22,855,000) and the weighted average number of 904,483,942 ordinary shares (2018: weighted average number of 904,483,942 ordinary shares) in issue during the year. Diluted loss per share is the same as basic loss per share as there were no dilutive potential shares in issue throughout the years ended 31 March 2018 and 2019.

10 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2019	2018
	HK$'000	*HK$'000*
Non-current asset		
Deposits and prepayments	**22,256**	22,798
Current assets		
Trade receivables, net of loss allowance	**31,033**	35,402
Trade deposits retained by banks/credit card companies *(Note)*	**133,959**	134,137
Rental and other deposits, prepayments and other receivables	**24,501**	36,789
Amounts due from related companies	**584**	3,980
	190,077	210,308
	212,333	233,106

Note: Trade deposits represent trade receivables that were retained by the banks/credit card companies in reserve accounts to secure the Group's performance of services to customers who paid for the services by credit cards, in accordance with the merchant agreements entered into between the Group and the banks/credit card companies.

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date and net of allowance for doubtful debts, is as follows:

	2019	2018
	HK$'000	*HK$'000*
0–30 days	**15,678**	19,116
31–60 days	**5,332**	5,960
61–90 days	**4,779**	5,529
91–180 days	**4,853**	4,583
Over 180 days	**391**	214
	31,033	35,402

Trade receivables are due within 7–180 days (2018: 7–180 days) from the date of billing.

The ageing analysis of the trade receivables based on the payment due date and net of provision is as follows:

	2019	2018
	HK$'000	*HK$'000*
Neither past due nor impaired	**25,763**	35,217
Less than 30 days past due	**4,596**	—
31–60 days past due	**271**	90
61–90 days past due	**3**	23
91–150 days past due	**380**	28
Over 150 days past due	**20**	44
	31,033	35,402

(b) Impairment of trade receivables

The movement in the expected credit loss allowance in respect of trade receivables during the year is as follows:

	2019	2018
	HK$'000	*HK$'000*
At 1 April and 31 March	**828**	828

Prior to 1 April 2018, an impairment loss was recognised only when there was objective evidence of impairment under HKAS 39. At 31 March 2018, trade and other debtors of HK$828,000 was determined to be impaired.

11 TRADE AND OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUED EXPENSES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**861**	2,103
Other payables, deposits received and accrued expenses	**85,882**	87,141
Amount due to the ultimate controlling party	**2**	1,425
Amounts due to related companies	**87**	1,926
	86,832	92,595

All of the trade and other payables, deposit received and accrued expenses are expected to be settled or recognised as income within one year or are repayable on demand.

As of the end of the reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

	2019	2018
	HK$'000	*HK$'000*
Within 90 days	**851**	2,034
Over 90 days	**10**	69
	861	2,103

12 DEFERRED REVENUE

(a) An ageing analysis of deferred revenue, based on invoice date, is as follows:

	2019	2018
	HK$'000	*HK$'000*
Within 1 year	**297,621**	428,719

(b) Movement of deferred revenue:

	2019	2018
	HK$'000	*HK$'000*
At beginning of year	**428,719**	439,367
Impact of changes in accounting policy	**(127,580)**	—
	301,139	439,367
Gross receipts from sales of prepaid beauty packages	**543,181**	563,069
Revenue recognised for provision of beauty and wellness services and expiry of prepaid beauty packages	**(543,147)**	(574,737)
Adjustment on disposal of subsidiaries	**(1,826)**	—
Exchange differences	**(1,726)**	1,020
At end of year	**297,621**	428,719

13 DIVIDENDS

(i) Dividends payable to equity shareholders of the Company attributable to the year

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

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2019	2018
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of nil per ordinary share (2018: HK1.25 cents per ordinary share)	**—**	11,306

BUSINESS REVIEW

Overview

During the financial year ended 31 March 2019, revenue of the Group amounted to approximately HK$576.0 million, representing a decrease of 3.8% compared with approximately HK$599.0 million for the year ended 31 March 2018 ("FY2018" or the "same period last year"). The receipts from sales of prepaid beauty packages during the year under review was HK$543.2 million, a decrease of 3.5% over the same period last year. The employees benefit expenses and occupancy costs decreased by 6.8% to HK$319.1 million and decreased by 15.4% to HK$114.5 million respectively as compared with the same period last year. The Group recorded an operating loss of HK$2.2 million during the year under review (FY2018: HK$23.8 million).

Below is the key statistics:

	For the year ended 31 March		
	2019	2018	Change
Revenue *(HK$ million)*	**576.0**	599.0	−3.8%
Operating loss margin *(%)*	**−0.4**	−4.0	+3.6 percentage points
Net loss margin *(%)*	**−2.2**	−3.8	+1.6 percentage points
Number of shops	**59**	62	−3
Employee benefit expenses *(HK$ million)*	**319.1**	342.2	−6.8%
Occupancy costs *(HK$ million)*	**114.5**	135.3	−15.4%
Total dividend per ordinary share *(HK cents)*	**Nil**	Nil	—
Annual dividend pay-out ratio *(%)*	**N/A**	N/A	—

Hong Kong

Hong Kong's economy expanded modestly by 0.6% year-on-year in real terms in the first quarter of 2019, after the growth of 1.2% in the preceding quarter. Growth is set to slow in 2019 due to mainland China's economy slowdown and the persistent drag from the trade war between China and the U.S..

During the financial year ended 31 March 2019, with the restructure of our shop portfolio and streamlined optimisation of our workforce, both the employees benefit expenses and occupancy costs were reduced compared with that of last year. We will continue to ensure the safety and quality of the services and products offered in our beauty and wellness centres.

Revenue for the year under review decreased by 5.0%. Revenue from services rendered and receipts from prepaid beauty packages for the year under review were HK$471.2 million and HK$475.4 million respectively (FY2018: HK$504.0 million and HK$482.4 million). Revenue from sales of skincare and wellness products was HK$20.1 million in FY2019 (FY2018: HK$13.3 million). Our customers in Hong Kong amounted up to a total of approximately 419,000 during the year under review, representing an increase of 1.2% as compared to approximately 414,000 in the same period last year.

Various comprehensive high quality beauty, slimming and facial services are offered to the general public including, inter alia, skincare, slimming, hairstyling, cosmetics, manicures, pedicures, electrology, and aesthetics services. In an effort to further strengthen its leading market position, the Group introduced a number of innovative beauty, slimming and antiaging treatments and machineries during the period under review, such as the TherMatrix which heats up the dermis with mono-polar radio frequency to tighten the collagen and, at the same time, promotes the remodeling and growth of collagen. The skin can thus restore its plumpness, elasticity and firmness.

In terms of the sales of skincare and wellness products, as of 31 March 2019, the Group had a total of 12 stores under the names of "be Beauty Shop", locating across Hong Kong, Kowloon and New Territories. More than 100 varieties of products are available for sale under different series of skincare service, including "Y.U.E", "Advanced Natural", "Bioline", "BeYu", "Malu Wilz" which can fulfill the needs of customers with different skin types.

Mainland China

During the FY2019, we disposed our Beijing foreign enterprise to reallocate our resources to other cities in Mainland China. The document procedures in China are underway as at the end of the period under review. With the disposal of our Beijing foreign enterprise, our Mainland China operations are now conducted through two wholly owned foreign enterprises established in Shanghai and Guangzhou. These two wholly owned foreign enterprises operate a total of 3 service centres at the two cities referred to. During the period under review, our service income and receipts from prepaid beauty packages in Mainland China amounted to HK$15,726,000 and HK$12,930,000 respectively, representing a decrease of 15.2% and 35.0% respectively, as compared to the same period last year.

Singapore and Malaysia

During the FY2019, we disposed our Malaysia shop in June 2018 to reallocate our resources to our shops in Singapore. The Group operates a total of 11 beauty and wellness service centres in Singapore. In FY2019, the number of service centres in Singapore is 11 (FY2018: 11). During the FY2019, the revenue from operations in Singapore and Malaysia was HK$61.1 million, as compared with HK$50.1 million for the same period last year. Revenue recognised for provision of beauty and wellness services and receipts from sales of prepaid beauty packages in Singapore and Malaysia amounted to HK$55.6 million and HK$54.6 million respectively, as compared with HK$47.5 million and HK$57.6 million for the same period last year.

Despite the sluggish local economic growth and dampened overall consumer confidence, we will continue to focus on the provision of quality services to lay a solid foundation for our business, build up local customers' confidence in the Group and enhance our brand awareness.

Taiwan

During the FY2019, we disposed our 2 service centres in Taiwan to consolidate the resources. We will continue to maintain a prudent approach in developing our business in other Southeast Asian region.

FINANCIAL REVIEW

Revenue

Set out below is a breakdown on the revenue of the Group by service lines and product sales during FY2019 (with comparative figures for FY2018):

	For the year ended 31 March				
	2019		2018		
Sales mix	***HK$'000***	**Percentage of revenue**	*HK$'000*	Percentage of revenue	Change
Beauty & facial	**453,706**	**78.8%**	432,514	72.2%	+4.9%
Slimming	**64,477**	**11.2%**	102,735	17.1%	−37.2%
Spa and massage	**24,964**	**4.3%**	39,488	6.6%	−36.8%
Beauty and wellness services	**543,147**	**94.3%**	574,737	95.9%	−5.5%
Sales of skincare and wellness products	**32,870**	**5.7%**	24,281	4.1%	+35.4%
Total	**576,017**	**100%**	599,018	100%	−3.8%

Revenue of the Group was mainly contributed by the beauty, facial and slimming services. The Group's revenue from beauty and wellness services decreased by about 5.5% from approximately HK$574.7 million in FY2018 to approximately HK$543.1 million in the FY2019.

The Group reported that the sales of new prepaid beauty packages of the Group amounted to HK$543.2 million, representing a decrease of 3.5% compared with HK$563.1 million for FY2018, while cash and cash equivalents in hand were maintained at a healthy level.

Set out below is an analysis on the deferred revenue:

	For the year ended 31 March									
	2019					2018				
Movement of deferred revenue	**Hong Kong**	**Mainland**	**Taiwan**	**Singapore and Malaysia**	**Total**	Hong Kong	Mainland	Taiwan	Singapore and Malaysia	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of the year	**370,697**	**10,315**	**832**	**46,875**	**428,719**	392,345	9,021	2,311	35,690	439,367
Impact of changes in accounting policy	**(113,750)**	**—**	**—**	**(13,830)**	**(127,580)**	—	—	—	—	—
	256,947	**10,315**	**832**	**33,045**	**301,139**	392,345	9,021	2,311	35,690	439,367
Exchange differences	**—**	**(690)**	**(33)**	**(1,003)**	**(1,726)**	—	(41)	(35)	1,096	1,020
Gross receipts from sales of prepaid beauty packages	**475,420**	**12,930**	**253**	**54,578**	**543,181**	482,400	19,883	3,160	57,626	563,069
Revenue recognised for provision of beauty and wellness services and expiry of prepaid beauty package	**(471,156)**	**(15,726)**	**(677)**	**(55,588)**	**(543,147)**	(504,048)	(18,548)	(4,604)	(47,537)	(574,737)
Adjustment on disposal of subsidiaries	**—**	**(979)**	**(375)**	**(472)**	**(1,826)**	—	—	—	—	—
At the end of the year	**261,211**	**5,850**	**—**	**30,560**	**297,621**	370,697	10,315	832	46,875	428,719

Employee benefit expenses

Employee benefit expenses (including staff's salaries and bonuses as well as directors' remunerations) represented the largest component of the Group's operating costs. During the year under review, employee benefit expenses decreased by about 6.8% from HK$342.2 million in FY2018 to approximately HK$319.1 million. Employee benefit expenses accounted for 55.4% of our revenue in FY2019, as compared to 57.1% for FY2018. The total headcount of the Group as at 31 March 2019 decreased by 13.6% to 1,167, as compared to a headcount of 1,350 for the FY2018. The decrease of the amount of employee benefits expenses and headcount is mainly due to the continuous cost efficiency that we endeavor to pursue. The Group's remuneration policies are in line with the prevailing market practices and are determined based on the individual performance and experience. For the purpose of motivating and rewarding our staff, discretionary bonus and share options are granted to eligible employees based on individual performance and the Group's results. The Group introduced the elite system since the first quarter of 2010, whereby excellent staff with outstanding performance will receive discretionary bonus in recognition of their contribution.

Occupancy costs

As of 31 March 2019, the Group operated a total of 36 service centres in Mainland China and Hong Kong with a total weighted average gross floor area of approximately 236,000 square feet, representing a decrease of 4.8% as compared to 248,000 square feet in FY2018 (included 2 services centres in Taiwan). The number of product sales points of the Group was 59 during the FY2019 (FY2018: 62). As of 31 March 2019, the Group had 11 beauty service centres in Singapore, with a total weighted average gross floor area of approximately 21,000 square feet (FY2018: approximately 22,000 square feet). The Group's occupancy costs in FY2019 were approximately HK$114.5 million (FY2018: HK$135.3 million), accounting for approximately 19.9% of our revenue (FY2018: 22.6%).

Depreciation and amortisation

Depreciation for the year under review increased by 4.2% to HK$15.3 million as compared with HK$14.6 million for FY2018. The increase is mainly due to the opening of some new shops during FY2019 with more cost being incurred in the renovations, beauty equipment and fixtures.

Other operating expenses

Other operating expenses include bank charges, advertising costs, utilities and building management fees. Bank charges recorded changes in line with sales of new prepaid beauty packages, which decreased by 0.4% to HK$26.7 million. Advertising costs increased to HK$4.4 million from HK$4.2 million for the same period last year. Advertising cost as a percentage of revenue in FY2018 was 0.8% which remained stable compared with that of the same period last year. This reflected the Group's ability to enjoy cost advantage in advertising cost as it could spread such costs across an enlarged service centre network that covers Hong Kong, Mainland China and Singapore. Advertising cost is allocated in an effective way to raise brand awareness and capture a greater market share.

Net loss

The net loss attributable to equity shareholders of the Company was approximately HK$13.3 million in FY2019, as compared to the net loss of HK$22.9 million in FY2018. The Group will continue to expand its business when opportunities arise in order to achieve the long-term value-added objective of maximising shareholders' returns.

Dividend per share

The Board did not recommend any final dividend to the shareholders of the Company for the year under review (FY2018: Nil). As no interim dividend had been approved by the Board for the six months ended 30 September 2018, the total dividend for the year ended 31 March 2019 will be nil (FY2018: Nil).

Liquidity, financial resources and capital structure

The Group generally finances its liquidity requirements through the receipts from sales of prepaid beauty packages and settlement of credit card prepayment transactions with banks. During the year under review, we maintained a strong financial position with abundant cash and bank balances of approximately HK$188.2 million (FY2018: HK$187.2 million) with no bank borrowings. Our cash is primarily used as working capital and to finance our normal operating expenses, as well as to pay for the purchase of skincare and wellness products, materials and consumable used in the provision of beauty and wellness services. During the year under review, except for the fund required for operation, the majority of the Group's cash was held under fixed and savings deposits as in line with the Group's prudent treasury policies.

Capital expenditure

The total capital expenditure of the Group during the year under review was approximately HK$32.6 million, as compared to HK$21.3 million for the same period last year. The amount was mainly used for the additions of leasehold improvements, motor vehicles and equipment and machinery in connection with the expansion and integration of its service network in Hong Kong, Mainland China and Singapore.

Contingent liabilities and capital commitment

The Board considered that there was no material contingent liabilities as at 31 March 2019. The Group had capital commitment of HK$4.9 million as at 31 March 2019 (31 March 2018: HK$1.4 million), mainly for the acquisition of plant and equipment.

Charges on assets

As of 31 March 2019, the Group had pledged bank deposits of HK$53.2 million (31 March 2018: HK$54.5 million) in favour of certain banks to secure banking facilities granted to certain subsidiaries in the Group.

Foreign exchange risk exposures

The Group's transactions were mainly denominated in Hong Kong Dollars. However, the exchange rates of Hong Kong Dollars against Renminbi and Singapore Dollars also affected the operating costs as the Group expanded its business to Mainland China and

Singapore. The management will closely monitor the risk exposures faced by the Group, and will take necessary actions to minimise potential risks and strike a balance between our exposure and return so as to properly hedge such exposures.

Human resources and training

The Group had a workforce of 1,167 staff as of 31 March 2019 (31 March 2018: 1,350 staff), including 959 front-line service centre staff in Hong Kong, 38 in Mainland China and 70 in Singapore. Back office staff totaled 72 in Hong Kong, 5 in Mainland China, 20 in Singapore and 3 in Australia. The Group reviews its remuneration policies on a regular basis with reference to the legal framework, market conditions and performance of the Group and individual staff. The Remuneration Committee also reviews the remuneration policies and packages of executive directors and the senior management.

Pursuant to the remuneration policies of the Group, employees' remunerations comply with the legal requirements of all jurisdictions in which we operate, and are in line with the market rates. During the year under review, total employee benefit expenses including directors' emoluments amounted to HK$319.1 million, representing a 6.8% decrease as compared to HK$342.2 million in FY2018. To enhance the service quality and core skills of our staff members, the Group regularly organises training programs designed by the Group's senior management for its staff. In addition, the seminars also facilitate the interaction and communication between the Group's management and the general staff.

OUTLOOK

Hong Kong's economy in the first quarter of 2019 expanded at the weakest pace since the aftermath of the global financial crisis ten years ago, as the fragile global outlook and the U.S.-China trade war dampened activity.

During the year under review, the Group reshuffled the shop portfolio such that some shops were closed while new shops were opened. It is expected that the reshuffled service centre network will provide customers with convenient access, which will help the Group to expand customer coverage, promote brand name and develop business. Rental for premises in Hong Kong stands high as driven by the economic environment. The Group believes that the service centre network will be beneficial to the Group's control on occupancy costs. Apart from occupancy costs, the Group will continue taking the initiative to exercise strict cost control in all aspects, provided that the quality of services and products is unaffected.

Capitalising on the business opportunities, subsequent to the year under review the Group has acquired ICONX electronic name card apps software. This software functions as a platform for social network such that users can exchange their electronic name card synchronously through the QR code. The software can also serve as a marketing platform for the users, including our Group, to promote their business and serve as an e-commerce platform to sell their services and products.

In future, the Group will keep our active yet prudent pace in exploring different business opportunities in a bid to obtain new source of business revenue.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year under review, the Company did not redeem, and neither the Company nor any of its subsidiaries purchased or sold, any of the Company's listed securities.

CLOSURE OF REGISTER OF MEMBERS

The Annual General Meeting ("AGM") is scheduled to be held on Friday, 30 August 2019. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 27 August 2019 to Friday, 30 August 2019, both days inclusive, during which period no transfer of Share will be effected. In order to be eligible to attend and vote at the AGM, all transfers of Shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, Level 24, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 26 August 2019.

CORPORATE GOVERNANCE PRACTICE

The Company is committed to principles of good corporate governance consistent with prudent management and enhancement of shareholder value, which emphasise transparency, accountability and independence.

The Company has adopted the code provisions ("Code Provisions") set out in the Corporate Governance Code (taking effect from 1 April 2012) (the "Code") as set out in Appendix 14 to the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

During the year under review, the Company met the Code Provisions in the Code, except for the deviation from Code provision A.2.1, Code provision A.6.7 and Code provision E.1.2 as set out below.

CHAIRPERSON AND CHIEF EXECUTIVE OFFICER ("CEO")

During the year under review, Dr. Tsang Yue, Joyce ("Dr. Tsang") was both the Chairperson and CEO of the Company. Code provision A.2.1 of the Code stipulates that the role of chairperson and chief executive should be separate and should not be performed by the same individual. After reviewing the management structure, the Board is of the opinion that Board decisions are collective decisions of all Directors made by way of voting and not decisions of the Chairperson of the Board alone. Further, there is a clear division of responsibilities between the management of the Board and the day-to-day management of the business of the Company, which relies on the support of the senior management. As such, the power of management of the Company is not concentrated in any one individual. The Board considers that the present structure will not impair the balance of power and authority between the Board and the senior management of the Group.

CODE PROVISION A.6.7

Code Provision A.6.7 provides that Independent Non-executive Directors and other Non-executive Directors of the Company should attend general meetings and develop a balanced understanding of the views of the shareholders.

Ms. Liu Mei Ling, Rhoda, an Independent Non-executive Director of the Company, was absent from the Annual General Meeting of the Company held on 29 August 2018 due to personal reason.

CODE PROVISION E.1.2

Code Provision E.1.2 provides that the chairman of the board should attend the annual general meeting.

Dr. Tsang Yue, Joyce, the Chairperson of the Board, was absent from the Annual General Meeting of the Company held on 29 August 2018 due to personal reason.

SCOPE OF WORK OF KPMG

The financial figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2019 have been compared by the Company's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 March 2019 and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagement or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

AUDIT COMMITTEE

The composition of the Audit Committee is as follows:

Independent Non-executive Director
Ms. Liu Mei Ling, Rhoda *(Chairperson)*
Mr. Wong Man Hin, Raymond
Mr. Hong Po Kui, Martin

The Audit Committee has reviewed and approved the Group's annual results for the year ended 31 March 2019 prior to their approval by the Board.

PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the website of the Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk under "Latest Listed Company Information" and on the website of the Company at www.modernbeautysalon.com under "Investor Relations — Statutory Announcements". The Annual Report and the Notice of Annual General Meeting will be despatched to the shareholders on or about 25 July 2019 and will be available at the Stock Exchange's and the Company's websites at the same time.

On behalf of the Board,
DR. TSANG YUE, JOYCE
Chairperson & Chief Executive Officer

Hong Kong, 27 June 2019

As at the date of this announcement, the Board consists of three executive Directors, Dr. Tsang Yue, Joyce, Mr. Yip Kai Wing and Ms. Yeung See Man and four independent non-executive Directors, Ms. Liu Mei Ling, Rhoda, Mr. Wong Man Hin, Raymond, Mr. Hong Po Kui, Martin and Mr. Lam Tak Leung.