My Heart Bodibra Group Limited
心心芭迪貝伊集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8297)

(1) DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF 34% OF THE ISSUED SHARE CAPITAL OF THE TARGET COMPANY AND (2) CHANGE IN USE OF PROCEEDS

THE ACQUISITION

Reference is made to the voluntary announcement of the Company dated 2 January 2019.

The Board is pleased to announce that on 11 January 2019 (after trading hours), the Purchaser and the Vendor entered into the Agreement, pursuant to which, the Purchaser has agreed to acquire and the Vendor has agreed to sell the Sale Shares at the Consideration of HK$32,640,000, which has been fully satisfied in cash upon Completion.

Completion of the Acquisition has taken place simultaneously upon signing of the Agreement. Upon Completion, the Target Company has become an associated company of the Company.

SHAREHOLDERS' AGREEMENT

Pursuant to the Agreement, upon Completion, the Target Company, the Vendor and the Purchaser have entered into the Shareholders' Agreement to regulate the respective rights and obligations of the shareholders of the Target Company and the conduct of the affairs (including but not limited to the ownership, management and operations) of the Target Company.

GEM LISTING RULES IMPLICATIONS

As all of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition exceed 5% but all applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is therefore subject to the reporting and announcement requirements, but is exempt from shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

CHANGE IN USE OF PROCEEDS

On 11 January 2019, the Board resolved to reallocate certain unutilised amount of the Net Proceeds (as defined below) as detailed in the section headed "CHANGE IN USE OF PROCEEDS" below.

INTRODUCTION

Reference is made to the voluntary announcement of the Company dated 2 January 2019.

The Board is pleased to announce that on 11 January 2019 (after trading hours), the Purchaser and the Vendor entered into the Agreement, pursuant to which, the Purchaser has agreed to acquire and the Vendor has agreed to sell the Sale Shares at the Consideration of HK$32,640,000, which has been fully satisfied in cash upon Completion.

THE AGREEMENT

The principal terms of the Agreement are set out below:

Date

11 January 2019 (after trading hours)

Parties

(i) the Vendor (as vendor)

(ii) the Purchaser (as purchaser)

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, the Vendor is an Independent Third Party.

Assets acquired

The Sale Shares, representing 34% of the issued share capital of the Target Company. Immediately before Completion, the Vendor is the legal and beneficial owner of the Sale Shares.

Consideration

Pursuant to the Agreement, the Consideration of HK$32,640,000 has been fully satisfied in cash upon Completion. The Consideration has been financed by internal resources of the Group. The Group did not utilise the Net Proceeds (as defined below) for the payment of the Consideration.

The Consideration was arrived at based on normal commercial terms after arm's length negotiations between the Purchaser and the Vendor and was determined with reference to among others, (i) the valuation of 100% equity interest of the Target Group of HK$100,000,000 as at 13 December 2018 (the "**Valuation**") prepared by an independent valuer based on market approach; (ii) the business development and future prospects of the Target Group; and (iii) the reasons for and benefits of the Acquisition as stated under the section headed "Reasons for and benefits of the Acquisition" below.

Based on the Valuation, fair value of 34% equity interest of the Target Group as at 13 December 2018 is approximately HK$34 million. The Consideration represents a discount of 4% to the fair value of 34% equity interest of the Target Group.

In view of the above, the Directors consider that the Consideration is fair and reasonable.

Completion

Completion has taken place simultaneously upon signing of the Agreement. Upon Completion, the Company has become interested in 34% of the issued share capital of the Target Company. As such, the Target Company has become an associated company of the Company and the financial results of the Target Group will not be consolidated into the accounts of the Group.

SHAREHOLDERS' AGREEMENT

Pursuant to the Agreement, upon Completion, the Target Company, the Vendor and the Purchaser have entered into the Shareholders' Agreement to regulate the respective rights and obligations of the shareholders of the Target Company and the conduct of the affairs (including but not limited to the ownership, management and operations) of the Target Company.

The material terms of the Shareholders' Agreement are summarised below:

Date

11 January 2019

Parties

(i) the Vendor;

(ii) the Purchaser; and

(iii) the Target Company. (together the "**Parties of the Shareholders' Agreement**")

Principal business of the Target Group

The Target Group shall continue to engage in, develop and expand the business of provision of medical aesthetic service such as body slimming and skin rejuvenation.

Board composition

Each board of directors of the members of the Target Group (each, the "**Member Board**") shall consist of a minimum of 2 directors. The Company shall be entitled to nominate 1 director to the Member Board while the Vendor shall nominate 2 directors to the Member Board.

Selling restrictions

The Parties of the Shareholders' Agreement agree that it will not create or permit to arise or subsist any mortgage, pledge, lien, charge or other encumbrance on or over or in respect of any of the shares of the Target Company issued or to be issued to it thereunder, unless agreed between the Parties of the Shareholders' Agreement.

Each shareholder of the Target Company agrees that it will not transfer, assign, encumber or otherwise dispose of any of the shares of the Target Company except with the consent of the other shareholder of the Target Company.

Dividend Policy

For the purpose of proposing distribution of dividends, each Member Board will measure the capital needs in future years based on the future capital budget plan of the Target Group and consider factors such as profitability and financial structure of the Target Group comprehensively. The target dividend to be distributed to the shareholders of the Target Company in any financial year shall be not less than 30% of the Target Group's profit attributable to the shareholders of the Target Company (if any) in that financial year, which is payable wholly in cash or in non-cash benefits or partly in cash and partly in non-cash benefits, subject to the respective articles of association of the Target Group and the applicable laws and regulations.

INFORMATION OF THE TARGET GROUP

The Target Company is a company incorporated in the British Virgin Islands with limited liability whose principal business activity is investment holding. The Target Group is principally engaged in provision of non-surgical medical aesthetic services in Hong Kong and operates two medical aesthetic centres in prime locations of Central and Tsim Sha Tsui.

The non-surgical medical aesthetic services of the Target Group can be generally categorised as (i) energy-based procedures involving skin rejuvenation, improve pigmentation, fat reduction and hair removal; and (ii) minimally invasive procedures involving injection of dermal fillers, botulinum toxin type A and other aesthetics treatments. Services offered by the Target Group aim to meet different skincare and aesthetic objectives relating to skin tone, skin surface, wrinkles and body contouring as well as personal needs of the clients.

The Target Group possesses a competent and professional team of doctors and trained therapists with over 10 years and 5 years of practicing experience in medical aesthetic services industry respectively.

The customers of the Target Group comprise of individual retail clients who mainly purchase prepaid package treatments rather than one-off treatments. For the year ended 31 March 2018, over 10,000 customers have made at least one purchase of service(s) and/or received at least one treatment session.

FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below are the unaudited combined financial information of the Target Group for the two financial years ended 31 March 2017 and 31 March 2018:

	For the year ended 31 March 2017 (unaudited) *HK$'000*	For the year ended 31 March 2018 (unaudited) *HK$'000*
Revenue	14,177	22,524
Net profit before taxation	2,664	9,189
Net profit after taxation	2,334	8,086

According to the unaudited combined management accounts of the Target Group, it recorded unaudited net assets of approximately HK$16.1 million as at 30 November 2018.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the business of manufacturing and retail sales of lingerie products in Hong Kong, Macau and the PRC. The Group offers lingerie products which are designed with shaping functions with the aim to achieve better body appearances.

Apart from pursuing development of the existing business, in order to improve the business operations and financial position of the Group and enhance value to the Shareholders, the Group has been proactively seeking potential investment opportunities which will expand the existing business portfolio of the Group, broaden its source of income and bring potential synergy to business of the Group.

Medical aesthetic services are services and/or procedures that improve consumers' appearance. The growth of medical aesthetic service industry is driven by (i) emerging technologies, such as transdermal delivery of injectable products for face contouring and energy-based treatment for skin rejuvenation and wrinkle reduction, which offer less intrusive experiences, less downtime and better effectiveness for the patients; (ii) greater acceptance of medical aesthetic services from the influence of more developed medical aesthetic service markets such as South Korea and Taiwan; and (iii) growth in disposable income in Hong Kong, as illustrated by the growth in per capita gross income from HK$335,010 in 2015 to HK$375,629 in 2017.

Further, according to the statistics published by Statista in December 2016, an international online statistics provider of market and consumer data, the average expenditure per consumer on medical aesthetic services in Hong Kong demonstrated an upward trend from HK$3,637 in 2011 to HK$5,397 in 2015, which represented an compound annual growth rate ("**CAGR**") of approximately 10.4%, and is further projected to reach HK$9,729 in 2020 with CAGR of approximately 12.5%. Coupled with the growing acceptance toward medical aesthetic procedures and increasing per capita income in Hong Kong, consumer expenditures in medical aesthetic services are likely to increase. Hence, it will create growth opportunity for the medical aesthetic service industry.

The Target Group is a medical aesthetic service provider which offers various services such as body slimming and skin rejuvenation with established client base of over 10,000 customers. The Target Group has a profit-making record for the two years ended 31 March 2018. The unaudited revenue of the Target Group increased by approximately 58.5% from approximately HK$14.2 million for the year ended 31 March 2017 to approximately HK$22.5 million for the year ended 31 March 2018. The Target Group recorded unaudited net profit after tax of approximately HK$8.1 million for the year ended 31 March 2018 as compared with that of approximately HK$2.3 million for the year ended 31 March 2017.

Apart from the proven profit-making track record, given the established business presence, competent and professional team of doctors and trained therapists and large client base of the Target Group, the Directors consider that the investment in the Target Group will enable the Group to tap into the medical aesthetic industry with promising prospect and capitalise on the potential growth.

Taking into account (i) the dividend policy as stipulated under the Shareholders' Agreement which indicated the agreement among the Parties of the Shareholders' Agreement with targeted dividend distribution of not less than 30% of net profit made by the Target Group to its shareholders; and (ii) profit making track record of the Target Group, it may result in potential dividend income to the Group for recouping its investment in the Target Group.

In addition, by forging partnership with the Target Group, it may achieve potential cross-selling activities among the client base of the Group and the Target Group in areas of retail sales of lingerie products and provision of medical aesthetic services. Hence, the rise of potential consumer volume in both segments may enhance the business scale of the Group and bring in additional income stream to the Group.

The Directors believe that the Acquisition is in line with the Group's business diversification strategy and represents an attractive investment opportunity for the Group to expand and diversify its business portfolio and to enhance the Group's long-term development potential.

Base on the foregoing, the Directors consider that the terms of the Acquisition are fair and reasonable, on normal commercial terms and the Acquisition is in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As all of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition exceed 5% but all applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is therefore subject to the reporting and announcement requirements, but is exempt from shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

CHANGE IN USE OF PROCEEDS

References are made to (i) the prospectus of the Company dated 26 June 2017 (the "**Prospectus**") in relation to the public offer and listing of the Shares on the GEM (the "**Public Offer**"); and (ii) the interim report (the "**2018 Interim Report**") of the Company for the six months ended 30 September 2018.

Use of proceeds

The net proceeds from the Public Offer were approximately HK$16.7 million (the "**Net Proceeds**") after deducting commission and expenses borne by the Company in connection with the Public Offer. As disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus, the Net Proceeds were intended to be applied as follows:

(a) approximately 80.4% will be used for expanding the retail network of the Group (covering costs relating to rental deposits and expenses, purchase of inventories, store renovation, sales staff salaries and sales managers' salaries);

(b) approximately 3.0% will be used for further strengthening the brand awareness and reputation of the Group (covering costs relating to placing advertisements on social media, websites, billboards, newspapers and magazines);

(c) approximately 7.1% will be used for increasing the production capacity and product development capabilities of the Group (covering costs relating to fixed asset costs, rental deposit and renovation for factory and warehouse);

(d) approximately 8.1% will be used for strengthening the operational efficiency of the Group (covering costs relating to the enhancement of the POS (i.e. acronym for point-of-sale) system and VIP (i.e. very important person) credit function in the retail stores, installation of new computerised system for facilitating the purchase, production and warehousing functions in existing factories and the new PRC factory, and the purchase of new computers for the retail stores); and

(e) approximately 1.4% will be used for general working capital of the Group.

Change in use of proceeds

On 11 January 2019, the Board resolved to reallocate certain unutilised amount of the Net Proceeds, being approximately HK$8 million which was originally intended for expanding the Group's retail network to the working capital of the Group and other general corporate purposes (the "**Reallocation**"). Save for the Reallocation, the Company intends to allocate the remaining Net Proceeds as originally intended. The details of the original allocation of the Net Proceeds, the utilised amount of the Net Proceeds up to 30 September 2018, the unutilised amount of the Net Proceeds as at 30 September 2018 and the remaining balance of the Net Proceeds after the Reallocation are set out as follows:

	Original allocation of the Net Proceeds	Utilised amount of the Net Proceeds up to 30 September 2018	Unutilised amount of the Net Proceeds as at 30 September 2018	Remaining balance of the Net Proceeds after the Reallocation
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Expand the Group's retail network	13.4	3.2	10.2	2.2
Strengthen the Group's brand awareness and reputation	0.5	0.5	—	—
Increase the Group's production capacity and product development capabilities	1.2	—	1.2	1.2
Strengthen the Group's operational efficiency	1.4	1.1	0.3	0.3
Working capital and other general corporate purposes	0.2	—	0.2	8.2
Total	16.7	4.8	11.9	11.9

REASONS FOR THE CHANGE IN USE OF PROCEEDS

Following the listing on 13 July 2017, after taking into account the Group's business development and availability of suitable shop premises, the Directors anticipate that the funding requirement for retail network expansion of the Group will be lower than expected. The Directors consider that the Net Proceeds can be better utilised. As disclosed in the 2018 Interim Report, the loss before tax of the Group surged by approximately 117.0% from approximately HK$5.3 million for the six months ended 30 September 2017 to approximately HK$11.5 million for the six months ended 30 September 2018. In addition, the Group recorded negative net cash flows from operating activities of approximately HK$7.2 million for the six months ended 30 September 2018. In view of the current operational needs of the Group, the Directors consider that it will be beneficial for the Group to reallocate approximately HK$8 million of the remaining Net Proceeds from expansion of the Group's retail network to working capital and general corporate purposes for supporting its business operation. The Directors are of the view that the Reallocation will enable the Group to deploy its financial resources more efficiently and is in the interest of the Company and the Shareholders as a whole.

DEFINITIONS

In this announcement, unless the context specifies otherwise, the following defined expressions have the following meanings:

"Acquisition"	the proposed acquisition of the Sale Shares pursuant to the terms and conditions of the Agreement
"Agreement"	the sale and purchase agreement dated 11 January 2019 entered into between the Purchaser and the Vendor in relation to the Acquisition
"Board"	the board of Directors
"Company"	My Heart Bodibra Group Limited 心心芭迪貝伊集團有限公司 (stock code: 8297), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the GEM
"Completion"	completion of the Acquisition in accordance with the terms and conditions of the Agreement
"connected person(s)"	has the meaning ascribed thereto under the GEM Listing Rules
"Consideration"	the consideration for the Acquisition, being HK$32,640,000
"Director(s)"	the director(s) of the Company
"GEM"	the GEM of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	third party(ies) independent of and not connected with the Company and any of its connected persons (having the meaning ascribed to it under the GEM Listing Rules)
"Macau"	the Macau Special Administrative Region of the PRC
"PRC"	the People's Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
"Purchaser"	Wish Enterprise Limited, a company incorporated in the British Virgin Islands with limited liability, a direct wholly-owned subsidiary of the Company

"Sale Shares"	3,400 ordinary shares of the Target Company, representing 34% of the issued share capital of the Target Company
"Share(s)"	ordinary share(s) with par value of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Shareholders' Agreement"	the shareholders' agreement entered into among the Vendor, the Purchaser and the Target Company upon Completion in connection with the conduct of the affairs of the Target Group
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Honour Achieve International Investment Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly owned by the Vendor immediately prior to Completion
"Target Group"	the Target Company and its subsidiaries
"Vendor"	an individual who is an Independent Third Party, being the vendor of the Sale Shares
"%"	per cent.

By order of the Board
My Heart Bodibra Group Limited
Tam Chak Chi
Executive Director

Hong Kong, 11 January 2019

As at the date of this announcement the executive Directors are Mr. Tam Chak Chi and Mr. Wong Wai Kit; the non-executive Director is Mr. Ng Chi Ho Dennis; and the independent non-executive Directors are Mr. Cai Chun Fai, Ms. Chan Ka Ming and Mr. Ong King Keung.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication and will also be published on the Company's website at www.bodibra.com.