

**ETERNAL BEAUTY HOLDINGS LIMITED**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED 31 MARCH 2023, 2024 AND 2025**

## ***Independent Auditor's Report***

To the Board of Directors of Eternal Beauty Holdings Limited  
(incorporated in the Cayman Islands with limited liability)

### **Opinion**

#### *What we have audited*

The consolidated financial statements of Eternal Beauty Holdings Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 5 to 90, comprise:

- the consolidated statements of financial position as at 31 March 2023, 2024, and 2025;
- the company statements of financial position as at 31 March 2024 and 2025;
- the consolidated statements of comprehensive income for the years ended 31 March 2023, 2024 and 2025 (the "Relevant Periods");
- the consolidated statements of changes in equity for the Relevant Periods;
- the consolidated statements of cash flows for the Relevant Periods; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

#### *Our opinion*

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company as at 31 March 2024 and 2025 and the consolidated financial position of the Group as at 31 March 2023, 2024 and 2025, and of its consolidated financial performance and its consolidated cash flows for the Relevant Periods in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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### **Basis for Opinion**

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") as issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.



## ***Independent Auditor's Report***

To the Board of Directors of Eternal Beauty Holdings Limited (Continued)  
(incorporated in the Cayman Islands with limited liability)

### **Other Matter**

The comparative consolidated statement of financial position as at 1 April 2022 have not been audited.

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### **Responsibilities of Directors for the Consolidated Financial Statements**

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards as issued by the HKICPA, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

***Independent Auditor's Report***

To the Board of Directors of Eternal Beauty Holdings Limited (Continued)  
(incorporated in the Cayman Islands with limited liability)

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statement  
(Continued)**

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor's report is Lai Pui Ling, Sandra (practising certificate number: PO5146).



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***Independent Auditor's Report***

To the Board of Directors of Eternal Beauty Holdings Limited (Continued)  
(incorporated in the Cayman Islands with limited liability)

**Restriction on Distribution and Use**

The consolidated financial statements are prepared for the purpose of the preparation of financial information for inclusion in the prospectus of the Company in connection with the initial public offering of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited. As a result, the consolidated financial statements may not be suitable for another purpose. Our report is intended solely for the board of directors of the Company and should not be distributed to or used by any other parties for any purpose.

A blue ink signature, likely of a representative of PricewaterhouseCoopers, written over the company name.

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 18 June 2025

**ETERNAL BEAUTY HOLDINGS LIMITED**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

**FOR THE YEARS ENDED 31 MARCH 2023, 2024 AND 2025**

	Notes	Year ended 31 March		
		2023 RMB'000	2024 RMB'000	2025 RMB'000
Revenue	5	1,699,144	1,863,761	2,083,363
Cost of sales	7	(843,153)	(925,570)	(1,035,246)
<b>Gross profit</b>		<b>855,991</b>	<b>938,191</b>	<b>1,048,117</b>
Selling and marketing expenses	7	(457,520)	(514,569)	(592,943)
Administrative expenses	7	(169,954)	(202,670)	(207,831)
(Provision for)/reversal of impairment of financial assets		(622)	(474)	605
Other income	6	12,057	12,346	6,868
Other (losses)/gains, net	8	(16,818)	(1,272)	13,402
<b>Operating profit</b>		<b>223,134</b>	<b>231,552</b>	<b>268,218</b>
Finance income	11	6,468	8,063	1,692
Finance costs	11	(2,667)	(4,034)	(6,225)
Finance income/(costs), net		3,801	4,029	(4,533)
Share of loss of a joint venture	16	-	(2,964)	(2,989)
<b>Profit before income tax</b>		<b>226,935</b>	<b>232,617</b>	<b>260,696</b>
Income tax expense	12	(53,829)	(26,144)	(33,667)
<b>Profit for the year</b>		<b>173,106</b>	<b>206,473</b>	<b>227,029</b>
<b>Other comprehensive income</b>				
Items that may be subsequently reclassified to profit or loss:				
Exchange differences on translation of foreign operations		39,148	17,333	5,416
<b>Total comprehensive income for the year</b>		<b>212,254</b>	<b>223,806</b>	<b>232,445</b>
<b>Earnings per share attributable to owners of the Company</b>				
Basic and diluted (expressed in RMB'000 per share)	13	86,553	103,237	113,515

**ETERNAL BEAUTY HOLDINGS LIMITED**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**AS AT 31 MARCH 2023, 2024 AND 2025**

	Notes	As at 1 April 2022 RMB'000	2023 RMB'000	As at 31 March 2024 RMB'000	2025 RMB'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	17	21,430	16,139	19,561	17,196
Intangible assets	18	4,822	3,988	3,685	8,761
Right-of-use assets	19(a)	75,850	66,318	81,930	72,221
Investment in a joint venture	16	-	-	2,855	7,105
Amounts due from related companies	33(f)	61,147	55,000	-	-
Deposits, prepayments and other receivables	22(b)	50,530	38,515	10,424	9,399
Deferred tax assets	20	11,575	12,025	17,142	25,189
		<u>225,354</u>	<u>191,985</u>	<u>135,597</u>	<u>139,871</u>
<b>Current assets</b>					
Inventories	24	417,753	357,578	390,309	434,059
Trade receivables	22(a)	116,511	156,959	175,279	250,399
Deposits, prepayments and other receivables	22(b)	61,742	52,670	113,861	83,617
Income tax recoverable		2,385	-	-	-
Amounts due from related companies	33(f)	13	984	51,155	43,006
Amount due from a joint venture	16	-	-	13,514	4,161
Amount due from a shareholder	33(e)	-	110	271	-
Financial asset at fair value through profit or loss	3.3	290	463	-	-
Fixed deposits	23	-	13,388	-	-
Cash and cash equivalents	23	307,393	320,462	150,929	255,998
		<u>906,087</u>	<u>902,614</u>	<u>895,318</u>	<u>1,071,240</u>
Assets classified as held for sale	25	-	-	2,481	-
		<u>906,087</u>	<u>902,614</u>	<u>897,799</u>	<u>1,071,240</u>
<b>Total assets</b>		<u>1,131,441</u>	<u>1,094,599</u>	<u>1,033,396</u>	<u>1,211,111</u>
<b>Equity and liabilities</b>					
<b>Equity</b>					
Share capital	26	-	-	*	*
Reserves		<u>512,565</u>	<u>535,398</u>	<u>458,545</u>	<u>690,990</u>
<b>Total equity</b>		<u>512,565</u>	<u>535,398</u>	<u>458,545</u>	<u>690,990</u>

\* The amounts as at 31 March 2024 and 2025 are below RMB1,000.

**ETERNAL BEAUTY HOLDINGS LIMITED**


**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)**

**AS AT 31 MARCH 2023, 2024 AND 2025**

	Notes	As at 1 April 2022 RMB'000	2023 RMB'000	As at 31 March 2024 RMB'000	2025 RMB'000
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Provision for long service payment	29	852	780	1,658	2,127
Lease liabilities	19(b)	36,773	24,769	33,074	20,416
<b>Total non-current liabilities</b>		<b>37,625</b>	<b>25,549</b>	<b>34,732</b>	<b>22,543</b>
<b>Current liabilities</b>					
Trade payables	27	229,491	113,498	93,223	119,505
Contract liabilities	5	21,541	23,015	16,307	13,353
Accruals and other payables	28	177,229	177,448	168,737	118,741
Provisions	29	7,484	8,718	9,836	10,144
Income tax payables		5,650	24,103	5,500	27,236
Amounts due to related companies	33(f)	56,543	61,941	7,045	-
Amount due to a director	33(d)	41,353	76,693	186,951	116,281
Amount due to a shareholder		1,506	-	-	-
Bank borrowings	30	-	-	-	33,183
Lease liabilities	19(b)	40,454	48,236	52,520	58,507
Financial liability at fair value through profit or loss	3.3	-	-	-	628
<b>Total current liabilities</b>		<b>581,251</b>	<b>533,652</b>	<b>540,119</b>	<b>497,578</b>
<b>Total liabilities</b>		<b>618,876</b>	<b>559,201</b>	<b>574,851</b>	<b>520,121</b>
<b>Total equity and liabilities</b>		<b>1,131,441</b>	<b>1,094,599</b>	<b>1,033,396</b>	<b>1,211,111</b>

The consolidated financial statements on pages 5 to 90 were approved by the directors on 18 June 2025 and were signed on its behalf.

  
 Mr. Lau Kui Wing  
 Director

  
 Mr. Chu Wai Tsun, Baggio  
 Director



**ETERNAL BEAUTY HOLDINGS LIMITED**

**STATEMENT OF FINANCIAL POSITION OF THE COMPANY**

**AS AT 31 MARCH 2024 AND 2025**

	Notes	As at 31 March	
		2024	2025
		RMB'000	RMB'000
<b>Assets</b>			
<b>Non-current asset</b>			
Investment in a subsidiary		-	*
<b>Current assets</b>			
Amount due from the immediate holding company	33(g)	*	*
Prepayment for listing expense	22(b)	1,357	5,942
<b>Total assets</b>		<u>1,357</u>	<u>5,942</u>
<b>Equity</b>			
Share capital	26	*	*
Accumulated losses		(5,623)	(23,350)
<b>Total deficit</b>		<u>(5,623)</u>	<u>(23,350)</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accrued listing expense	28	2,236	4,730
Amounts due to group companies	33(g)	4,744	24,562
<b>Total liabilities</b>		<u>6,980</u>	<u>29,292</u>
<b>Total equity and liabilities</b>		<u>1,357</u>	<u>5,942</u>

\* The amounts as at 31 March 2024 and 2025 are below RMB1,000.

**ETERNAL BEAUTY HOLDINGS LIMITED**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**FOR THE YEARS ENDED 31 MARCH 2023, 2024 AND 2025**

	Notes	Share capital (Note 26) RMB'000	Translation reserve RMB'000	Statutory reserve RMB'000	Share-based compensation (Note 15) RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 April 2022		-	(109,842)	4,782	12,835	604,790	512,565
Profit for the year		-	-	-	-	173,106	173,106
Other comprehensive income		-	39,148	-	-	-	39,148
Total comprehensive income for the year		-	39,148	-	-	173,106	212,254
<b>Transactions with owners in their capacity as owners</b>							
Dividends	14	-	-	-	-	(189,421)	(189,421)
Balance at 31 March 2023		-	(70,694)	4,782	12,835	588,475	535,398

**ETERNAL BEAUTY HOLDINGS LIMITED**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)**

**FOR THE YEARS ENDED 31 MARCH 2023, 2024 AND 2025**

	Notes	Share capital (Note 26) RMB'000	Translation reserve RMB'000	Statutory reserve RMB'000	Share-based compensation (Note 15) RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 April 2023		-	(70,694)	4,782	12,835	588,475	535,398
Profit for the year		-	-	-	-	206,473	206,473
Other comprehensive income		-	17,333	-	-	-	17,333
Total comprehensive income for the year		-	17,333	-	-	206,473	223,806
<b>Transaction with owners in their capacity as owners</b>							
Share option scheme							
- Value of grantee services		-	-	-	13,679	-	13,679
Incorporation of the Company	26	*	-	-	-	-	*
Dividends	14	-	-	-	-	(314,338)	(314,338)
Balance at 31 March 2024		*	(53,361)	4,782	26,514	480,610	458,545
Balance at 1 April 2024		*	(53,361)	4,782	26,514	480,610	458,545
Profit for the year		-	-	-	-	227,029	227,029
Other comprehensive income		-	5,416	-	-	-	5,416
Total comprehensive income for the year		-	5,416	-	-	227,029	232,445
Balance at 31 March 2025		*	(47,945)	4,782	26,514	707,639	690,990

\* The amounts as at 31 March 2024 and 2025 are below RMB1,000.

# ETERNAL BEAUTY HOLDINGS LIMITED

## CONSOLIDATED STATEMENTS OF CASH FLOWS

### FOR THE YEARS ENDED 31 MARCH 2023, 2024 AND 2025

		Year ended 31 March			
	Notes	2023 RMB'000	2024 RMB'000	2025 RMB'000	
<b>Cash flows from operating activities</b>					
Cash generated from operations	31(a)	244,018	211,308	256,649	
Income tax paid, net		(33,887)	(49,836)	(19,946)	
Net cash generated from operating activities		210,131	161,472	236,703	
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	17	(13,211)	(27,587)	(26,275)	
Purchase of intangible assets		(3,054)	(2,443)	(5,102)	
Proceeds from disposal of property, plant and equipment	31(b)	599	163	2,978	
Proceeds from disposal of assets classified as held for sale	25	-	-	17,276	
Redemption of fixed deposit		-	13,388	-	
Placement of fixed deposit		(13,388)	-	-	
Interest received	11	6,468	8,063	1,692	
Payment for investment in a joint venture	16	-	(5,607)	(7,233)	
Fund advanced to related companies		(2,789)	(2,502)	-	
Repayment from related companies		-	-	8,149	
Net cash used in from investing activities		(25,375)	(16,525)	(8,515)	
<b>Cash flows from financing activities</b>					
Interest paid	11, 31(c)	-	-	(1,383)	
Draw down of bank borrowings	31(c)	-	-	41,395	
Repayments of bank borrowings	31(c)	-	-	(8,611)	
Payment of interest element of lease liabilities	31(c)	(2,667)	(4,034)	(4,842)	
Payment of principal element of lease liabilities	31(c)	(50,211)	(61,229)	(70,844)	
Dividends paid	31(c)	(145,631)	(144,895)	(75,562)	
Advance from a shareholder	31(c)	-	-	273	
Repayment to a shareholder	31(c)	(1,614)	(156)	-	
Repayment to related parties	31(c)	(5,162)	(61,017)	(7,528)	
Advance from a director	31(c)	79	13,117	46	
Repayment to a director	31(c)	(10,319)	(76,119)	(213)	
Payment of listing expenses		-	(1,022)	(5,517)	
Net cash used in financing activities		(215,525)	(335,355)	(132,786)	
<b>Net (decrease)/increase in cash and cash equivalents</b>		(30,769)	(190,408)	95,402	
Effect of foreign exchange rate changes		43,838	20,875	9,667	
Cash and cash equivalents at beginning of the year		307,393	320,462	150,929	
<b>Cash and cash equivalents at end of the year</b>		23	320,462	150,929	255,998

For major non-cash transactions for the years ended 31 March 2023, 2024 and 2025, please refer to Note 31(d).

## **ETERNAL BEAUTY HOLDINGS LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **1 General information, reorganisation and basis of presentation**

##### **1.1 General information**

Eternal Beauty Holdings Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company under the Companies Act, Cap 22 (Law 3 of 1961) of the Cayman Islands with limited liability on 9 January 2024. The address of the Company’s registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the “Group”) are principally engaged in retail, wholesale and distribution of perfumes, skincare products, color cosmetics, personal care products, eyewear and home fragrances in the People’s Republic of China (“PRC”) including Hong Kong and Macau (“Listing Business”).

The ultimate controlling shareholder of the Company as at the date of this report is Mr. Lau Kui Wing (“Mr. Lau”) and Ms. Chan Wai Chun (“Mrs. Lau”). The ultimate controlling company of the Company as at the date of this report is Eternal Beauty International Limited which was incorporated in the British Virgin Islands on 8 January 2024 and is wholly-owned by Mr. Lau and Mrs. Lau.

These consolidated financial statements is presented in is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

##### **1.2 Reorganisation**

Prior to the incorporation of the Company and the completion of the reorganisation (the “Reorganisation”) as described below, the Listing Business was mainly carried out by Eternal Holdings Limited (“Eternal BVI”) and its subsidiaries (collectively the “Operating Companies”) and Visual Promotion Limited (“Visual Promotion”) which is beneficially owned by Mr. Lau. Before the completion of the Reorganisation, the controlling shareholders of Operating Companies were Mr. Lau and Mrs. Lau. During the Track Record Period, in order to streamline the Group’s structure and to conduct the Listing Business under the “Eternal” brand, the Group gradually diminished the business scale of Visual Promotion and ceased to conduct any business since April 2024.

In preparing for the initial public offering (“IPO”) and listing (the “Listing”) of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited, the Operating Companies underwent the Reorganisation by inserting a new holding company of the Operating Companies. The following transactions were carried out:

###### **1.2.1 Incorporation of the Company by Mr. Lau**

On 9 January 2024, the Company was incorporated in the Cayman Islands. On the same day, one share was issued and transferred to Eternal Beauty International Limited (“Eternal International”) and the Company was then wholly-owned by Eternal Beauty International Limited.

###### **1.2.2 Establishment of Eternal Development by Eternal BVI**

On 23 January 2024, Shanghai Eternal Enterprise Development Co., Ltd. (“Eternal Development”) was established in the PRC as a wholly foreign owned enterprise and was wholly owned by Eternal China Limited, a directly wholly owned subsidiary of Eternal BVI.

## **ETERNAL BEAUTY HOLDINGS LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **1 General information, reorganisation and basis of presentation (Continued)**

##### **1.2 Reorganisation (Continued)**

###### **1.2.3 Establishment of the PRC subsidiaries under Eternal Development**

On 28 February 2024, 29 February 2024 and 14 March 2024, Shanghai Eternal Trading Co., Ltd., Shanghai Eternal Brand Management Co., Ltd. and Shanghai Eternal Import and Export Co., Ltd. were established in the PRC as wholly owned subsidiaries of Eternal Development, respectively.

###### **1.2.4 Allotment of shares of Eternal Optical & Perfumery (Far East) Limited ("Eternal Far East") to Eternal BVI and transfer of shares from Mr. Lau and Mrs. Lau to Eternal BVI**

During the Relevant Periods and immediately before the reorganisation, 7,000 shares, 2,000 shares and 1,000 shares of Eternal Far East were held by Eternal BVI, Mr. Lau and Mrs. Lau as to 70%, 20% and 10%, respectively. On 9 May 2024, 9,990,000 ordinary shares of Eternal Far East were allotted and issued to Eternal BVI credited as fully-paid. Immediately after such allotment and issuance, each of Eternal BVI, Mr. Lau and Mrs. Lau held 99.97%, 0.02% and 0.01% of Eternal Far East, respectively.

On 17 June 2024, Mr. Lau and Mrs. Lau transferred 2,000 and 1,000 ordinary shares of Eternal Far East to Eternal BVI, respectively. As consideration, Eternal BVI allotted and issued 9 shares credited as fully paid at par to the Company at the direction of Mr. Lau and Mrs. Lau. Immediately after such transfers, Eternal Far East became wholly-owned by Eternal BVI.

###### **1.2.5 Transfer of shares of Eternal BVI from Mr. Lau to the Company**

On 18 June 2024, Mr. Lau transferred his only one issued share of Eternal BVI to the Company. As consideration, the Company allotted and issued one share credited as fully-paid at par to Eternal International. Immediately after such transfer, Eternal BVI became directly wholly-owned by the Company.

# ETERNAL BEAUTY HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1 General information, reorganisation and basis of presentation (Continued)

#### 1.2 Reorganisation (Continued)

Upon the completion of the Reorganisation and as at the date of this report, the Company has direct and indirect interests in the following subsidiaries:

Company name	Country/place and date of incorporation/establishment	Issued and fully paid share capital/registered capital	Percentage of attributable equity interest				Principal activities	Notes
			As at 1 April 2022	2023	2024	2025		
Eternal Holdings Limited	British Virgin Islands, 7 April 1995	10 share of US\$1 per share	100%	100%	100%	100%	Investment holding	(iii)
	Hong Kong, 18 February 1983	10,000,000 shares of HK\$0.1 per share	100%	100%	100%	100%	Trading and retailing of perfumes, skincare products, color cosmetics and eyewear	(iv)
E & C Holdings Limited	Hong Kong, 2 September 2021	10,000 shares of HK\$1 per share	100%	100%	100%	100%	Investment holding	(v)
E & C (Hong Kong) Trading Limited (賴得(香港)貿易有限公司)	Hong Kong, 30 November 2021	1,000,000 shares of HK\$1 per share	100%	100%	100%	100%	Trading and retailing of perfumes	(v)
E China Trading Limited (永欣中國貿易有限公司)	Hong Kong, 7 November 2018	10,000 shares of HK\$1 per share	100%	100%	100%	100%	Investment holding	(v)
Eternal China Limited (賴通中國有限公司)	Hong Kong, 10 April 2017	1 share of HK\$1 per share	100%	100%	100%	100%	Investment holding	(v)
Excellent Fareast Limited (卓俊遠東有限公司)	Hong Kong, 22 October 1996	300,000 shares of HK\$1 per share	100%	100%	100%	100%	Trading and retailing of perfumes, color cosmetics and skincare products	(v)
Moral Happiness Limited (喜賢有限公司)	Hong Kong, 1 October 2021	10,000 shares of HK\$1 per share	100%	100%	100%	100%	Dormant	(v)

# ETERNAL BEAUTY HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1 General information, reorganisation and basis of presentation (Continued)

#### 1.2 Reorganisation (Continued)

Percentage of attributable equity interest									
Company name	Country/place and date of incorporation/ establishment	Issued and fully paid share capital/registered capital	As at 1 April 2022	As at 31 March			As at the date of this report	Principal activities	Notes
				2023	2024	2025			
Talent Crown Limited (杰冠有限公司)	Hong Kong, 8 October 2021	10,000 shares of HK\$1 per share	100%	100%	100%	100%	100%	Retailing of skincare products	(v)
CREED Shanghai Cosmetics Limited (上海頹愷德化妝品有限公司)	PRC, 2 December 2021	RMB10,000,000	100%	100%	100%	100%	100%	Trading and retailing of perfumes	(vi), (viii)
Eternal (Shanghai) Trading Co., Ltd (頹通(上海)貿易有限公司)	PRC, 30 July 2008	HK\$20,000,000	100%	100%	100%	100%	100%	Dormant	(ii), (viii)
Shanghai Yierpai Advertising Ltd (上海一派廣告有限公司)	PRC, 1 December 2021	RMB500,000	100%	100%	100%	100%	100%	Dormant	(ii), (viii)
Eternal (Xi'an) Trading Co., Ltd (頹通(西安)貿易有限公司)	PRC, 19 December 2023	RMB1,000,000	N/A	100%	100%	100%	100%	Retailing of perfumes, color cosmetics, and skincare products	(ii), (viii)
Eternal Beauty (Shenzhen) Trading Co., Ltd (頹通美業(深圳)貿易有限公司)	PRC, 30 June 2023	RMB1,000,000	N/A	N/A	100%	100%	100%	Retailing of perfumes, color cosmetics, and skincare products	(ii), (viii)
Eternal (Shanghai) Cosmetics Ltd (上海頹通化妝品有限公司)	PRC, 15 February 2019	RMB10,000,000	100%	100%	100%	100%	100%	Trading and retailing of perfumes, color cosmetics, and skincare products	(vi), (viii)
Eternal Beauty (Shanghai) Trading Co., Ltd (頹通美妍(上海)貿易有限公司)	PRC, 14 August 2023	RMB1,000,000	N/A	N/A	100%	100%	100%	skincare products	(ii), (viii)
Eternal (China) International Trading Co., Ltd (頹通(中國)國際貿易有限公司)	PRC, 7 January 2019	RMB50,000,000	100%	100%	100%	100%	100%	Investment holding	(ii), (viii)



# ETERNAL BEAUTY HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1 General information, reorganisation and basis of presentation (Continued)

#### 1.2 Reorganisation (Continued)

Percentage of attributable equity interest									
Company name	Country/place and date of incorporation/establishment	Issued and fully paid share capital/registered capital	As at 1 April 2022		As at 31 March 2024		As at the date of this report	Principal activities	Notes
			2022	2023	2024	2025			
Eternal (Beijing) Trading Co., Ltd (穎通(北京)貿易有限公司)	PRC, 19 April 2019	RMB1,000,000	100%	100%	100%	100%	100%	Retailing of perfumes, color cosmetics, and skincare products	(ii), (viii)
Eternal Shanghai Optical Ltd (上海穎通光學有限公司)	PRC, 10 June 2021	RMB1,000,000	100%	100%	100%	100%	100%	Trading of eyewear	(ii), (viii)
Guangzhou Eternal Business Consulting Co., Ltd (廣州穎通商務諮詢有限公司)	PRC, 24 January 2019	RMB1,000,000	100%	100%	100%	100%	100%	Procurement of perfumes and color cosmetics	(ii), (viii)
Eternal (Chengdu) Trading Co., Ltd (穎通(成都)貿易有限公司)	PRC, 18 April 2019	RMB1,000,000	100%	100%	100%	100%	100%	Retailing of perfumes, color cosmetics, and skincare products	(ii), (viii)
Eternal Digintelligence Corporation (上海穎通科技應用有限公司)	PRC, 14 May 2021	RMB30,000,000	100%	100%	100%	100%	100%	System support and development	(ii), (viii)
Guangzhou Huisheng Trading Co., Ltd (廣州慧昇貿易有限公司)	PRC, 15 October 2014	RMB25,000,000	100%	100%	100%	100%	100%	Trading of perfumes, skincare products, and color cosmetics	(vii), (viii)
Eternal (Guangzhou) Trading Co., Ltd (穎通(廣州)貿易有限公司)	PRC, 24 June 2019	RMB1,000,000	100%	100%	100%	100%	100%	Retailing of perfumes, color cosmetics, and skincare products	(ii), (viii)
Shanghai Smiley Beauty Cosmetics Limited (上海微笑美肌化妝品有限公司)	PRC, 3 May 2020	RMB1,000,000	100%	100%	100%	100%	100%	Trading of color cosmetics and skincare products	(ii), (viii)

# ETERNAL BEAUTY HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1 General information, reorganisation and basis of presentation (Continued)

#### 1.2 Reorganisation (Continued)

Company name	Country/place and date of incorporation/establishment	Issued and fully paid share capital/registered capital	As at 1 April 2022	Percentage of attributable equity interest			Principal activities	Notes
				As at 31 March				
				2023	2024	2025		
Shanghai Yongxin Trading Co., Ltd (上海永欣貿易有限公司)	PRC, 12 March 2013	RMB1,000,000	100%	100%	100%	100%	Trading of perfumes and color cosmetics	(ii), (viii)
Shanghai Zhuangwei Advertising Ltd (上海妝味廣告有限公司)	PRC, 1 December 2021	RMB500,000	100%	100%	100%	100%	Dormant	(ii), (viii)
Shanghai Eternal Enterprise Development Co., Ltd. (上海穎通企業發展有限公司)	PRC, 23 January 2024	RMB100,000,000	N/A	100%	100%	100%	Investment holding	(ii), (viii)
Shanghai Eternal Trading Co., Ltd. (上海穎通商貿有限公司)	PRC, 28 February 2024	RMB10,000,000	N/A	100%	100%	100%	Trading and retailing of perfumes, color cosmetics, and skincare products	(ii), (viii)
Shanghai Eternal Brand Management Co., Ltd. (上海穎通品牌管理有限公司)	PRC, 29 February 2024	RMB1,000,000	N/A	100%	100%	100%	Brand management	(ii), (viii)
Shanghai Eternal Import and Export Co., Ltd (上海穎通進出口有限公司)	PRC, 14 March 2024	RMB10,000,000	N/A	100%	100%	100%	Trading of perfumes, color cosmetics, and skincare products	(ii), (viii)
Guangzhou Eternal Import and Export Co., Ltd (廣州穎通進出口有限公司)	PRC, 27 September 2024	RMB10,000,000	N/A	N/A	100%	100%	Trading of perfumes, color cosmetics, and skincare products	(ii), (viii)

## ETERNAL BEAUTY HOLDINGS LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 1 General information, reorganisation and basis of presentation (Continued)

##### 1.2 Reorganisation (Continued)

Notes:

- (i) Except for the PRC subsidiaries which adopted 31 December as its financial year end date, all companies comprising the Group has adopted 31 March as their financial year end date.
- (ii) No audited financial statements have been issued for these companies for the years ended 31 December 2022, 2023 and 2024.
- (iii) No audited financial statements have been issued for these companies for the years ended 31 March 2023, 2024 and 2025.
- (iv) The statutory financial statements of this company for the years ended 31 March 2023 and 2024 were audited by PricewaterhouseCoopers. Up to the date of this report, the audited financial statements of this company for the year ended 31 March 2025 have not been issued.
- (v) The statutory financial statements of these companies for the years ended 31 March 2023 and 2024 were audited by WKL & Partners C.P.A. Limited. Up to the date of this report, the audited financial statements of these companies for the year ended 31 March 2025 have not been issued.
- (vi) The financial statements of these companies for the years ended 31 December 2022, 2023 and 2024 were audited by Shanghai Hddy Certified Public Accountants Co., Ltd (上海宏大東亞會計師事務所).
- (vii) The financial statements of this company for the years ended 31 December 2022 were audited by Guangdong Mingxin Certified Public Accountants Co., Ltd. (廣東明心會計師事務所).
- (viii) The English name of the company referred above represents the best effort made by management of the Company to directly translate the Chinese names as they have not registered any official English names.

##### 1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the Listing Business is mainly conducted through the subsidiaries of Eternal BVI and Visual Promotion which are under common control by the controlling shareholder of the Group. Pursuant to the Reorganisation, Eternal BVI is transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. Visual Promotion was ceased to be involved in the Listing Business in April 2024.

The Reorganisation is a recapitalisation of the Listing Business with no change in management of such business and the ultimate owners of the Listing Business remain the same. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the Listing Business under the Company and, for the purpose of this report, the Consolidated financial statements has been prepared and presented as a continuation of the Listing Business, with the assets and liabilities of the Group recognised, included these relating to the Listing Business involved by subsidiaries of Eternal BVI and Visual Promotion, and measured at the carrying amounts of the Listing Business under the consolidated financial statements of the Eternal BVI and Visual Promotion for all periods presented.

## ETERNAL BEAUTY HOLDINGS LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 2 Basis of preparation

The consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards (“HKFRSs”) as issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

HKFRSs comprise the following authoritative literature:

- Hong Kong Financial Reporting Standards
- Hong Kong Accounting Standards
- Interpretations developed by the HKICPA

The consolidated financial statements have been prepared under the historical cost convention, except for financial asset/liability at fair value through profit or loss (“FVPL”), which is measured at fair value.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Consolidated financial statements are disclosed in Note 4.

These financial statements are the first consolidated financial statements prepared by the Group in accordance with HKFRSs issued by the HKICPA, with transition date being 1 April 2022. HKFRS 1 “First-time adoption of International Financial Reporting Standards” has been applied in preparing these consolidated financial statements. No financial statements of the Group or the Company have been previously prepared under any other accounting standards. Accordingly, it is not applicable to present any reconciliation of the Group’s equity and profit or loss as reported under previous accounting standards to its equity and profit or loss as reported under HKFRSs.

The following new standards and amendments to standards have been issued but are not effective during the Relevant Periods, and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature - dependent Electricity	1 January 2026
Amendments to HKFRSs	Annual Improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

## ETERNAL BEAUTY HOLDINGS LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 2 Basis of preparation (Continued)

The Group will apply the above new standards and amendments to standards when they become effective. The Group has commenced the assessment of the expected impact of HKFRS 18 as set out below. The directors of the Company assess that the adoption of the other new standards and amendments to standards is not expected to have any significant impact on the results and the financial position of the Group.

#### HKFRS 18 *“Presentation and Disclosure in Financial Statements”*

HKFRS 18 will replace HKAS 1 *“Presentation of financial statements”*, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though HKFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statement of financial performance and providing management-defined performance measures within the financial statements.

Management is currently assessing the detailed implications of applying the new standard on the Group's consolidated financial statements and considers that the adoption of HKFRS 18 is unlikely to have a significant impact on the Group's results of operations and financial position. From the high-level preliminary assessment performed, the following potential impacts have been identified:

- Although the adoption of HKFRS 18 will have no impact on the Group's profit for the year, the Group expects that grouping items of income and expenses in the consolidated statements of comprehensive income into the new categories will impact how operating profit is calculated and reported. From the high-level impact assessment that the Group has performed, the following items might potentially impact operating profit:
  - Foreign exchange differences currently aggregated in the line item 'other (losses)/gain, net' in operating profit might need to be disaggregated, with some foreign exchange gains or losses presented below operating profit.
  - HKFRS 18 has specific requirements on the category in which derivative gains or losses are recognised – which is the same category as the income and expenses affected by the risk that the derivative is used to manage. Although the Group currently recognises some gains or losses in operating profit, there might be a change to where these gains or losses are recognised, and the Group is currently evaluating the need for change.
- The line items presented on the primary financial statements might change as a result of the application of the concept of 'useful structured summary' and the enhanced principles on aggregation and disaggregation.

## ETERNAL BEAUTY HOLDINGS LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 2 Basis of preparation (Continued)

##### HKFRS 18 *"Presentation and Disclosure in Financial Statements"* (Continued)

- The Group does not expect there to be a significant change in the information that is currently disclosed in the notes because the requirement to disclose material information remains unchanged; however, the way in which the information is grouped might change as a result of the aggregation/disaggregation principles. In addition, there will be significant new disclosures required for:
  - management-defined performance measures;
  - a break-down of the nature of expenses for line items presented by function in the operating category of the consolidated statements of comprehensive income – this break-down is only required for certain nature expenses; and
  - for the first annual period of application of HKFRS 18, a reconciliation for each line item in the consolidated statements of comprehensive income between the restated amounts presented by applying HKFRS 18 and the amounts previously presented applying HKAS 1.

The Group will apply the new standard from its mandatory effective date of 1 January 2027. Retrospective application is required, and so the comparative information for the financial year ending 31 March 2026 will be restated in accordance with HKFRS 18.

#### 3 Financial risk management

##### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, cash flow and fair value interest rate risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out under policies approved by the directors. The directors provide principles for overall risk management.

##### (a) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Hong Kong Dollar ("HK\$"), the Euros ("EUR"), the British Pound Sterling ("GBP") and the United States Dollar ("US\$") and Japanese Yen ("JPY"). Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

The Group manages its foreign exchange risks by performing regular reviews and monitoring of its foreign exchange exposures.

If HK\$ (being functional currencies of the Group's several subsidiaries) had weakened/strengthened by 5% against the RMB with all other variables held constant, profit for the year would have been approximately RMB52,000 higher/lower, RMB715,000 higher/lower and RMB4,304,000 higher/lower for the years ended 31 March 2023, 2024 and 2025, respectively, mainly as a result of foreign exchange gains/losses on the relevant cash and cash equivalents, trade receivables, other receivables, amount due from a joint venture, amount due to a director, trade payables and accruals, provisions and other payables.



## ETERNAL BEAUTY HOLDINGS LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 3 Financial risk management (Continued)

##### 3.1 Financial risk factors (Continued)

###### (a) Foreign exchange risk (Continued)

If EUR had weakened/strengthened by 5% against the RMB with all other variables held constant, profit for the year would have been approximately RMB3,731,000 higher/lower, RMB2,258,000 higher/lower and RMB3,305,000 higher/lower for the years ended 31 March 2023, 2024 and 2025, respectively, mainly as a result of foreign exchange gains/losses on translation of EUR denominated cash and cash equivalents, other receivables, trade payables, accruals, provisions and other payable.

If GBP had weakened/strengthened by 5% against the RMB with all other variables held constant, profit for the year would have been approximately RMB703,000 lower/higher, RMB7,000 lower/higher and RMB7,000 lower/higher for the years ended 31 March 2023, 2024 and 2025, respectively, mainly as a result of foreign exchange losses/gains on translation of GBP denominated cash and cash equivalents.

If US\$ had weakened/strengthened by 5% against the RMB with all other variables held constant, profit for the year would have been approximately RMB5,748,000 lower/higher, RMB947,000 lower/higher and RMB4,325,000 lower/higher for the years ended 31 March 2023, 2024 and 2025, respectively, mainly as a result of foreign exchange losses/gains on translation of US\$ denominated cash and cash equivalents, trade receivables, other receivables, amount due from a joint venture, amount due to a director, trade payable and accruals, provisions and other payable.

If JPY had weakened/strengthened by 5% against the RMB with all other variables held constant, profit for the year would have been approximately RMB257,000 higher/lower, RMB76,000 higher/lower and RMB249,000 higher/lower for the years ended 31 March 2023, 2024 and 2025, mainly as a result of foreign exchange losses/gains on translation of JPY denominated cash and cash equivalents and trade payables.

###### (b) Cash flow and fair value interest rate risk

The Group's interest rate risk is mainly attributable to its cash and cash equivalents and bank borrowings with floating interest rates. Details of the Group's cash and cash equivalents and bank borrowings have been disclosed in Notes 23 and 30 to the Consolidated financial statements respectively.

Other than cash and cash equivalents and bank borrowings, the Group does not have significant interest-bearing assets or liabilities.

For the years ended 31 March 2023, 2024 and 2025, if interest rates on cash and cash equivalents and bank borrowings had been 50 basis points higher/lower with all variables held constant, profit for the year would have been approximately RMB1,602,000 higher/lower, RMB755,000 higher/lower and RMB1,114,000 higher/lower respectively, mainly as a result of higher/lower of interest income on cash and cash equivalents netted with higher/lower interest expenses on the bank borrowings.

## ETERNAL BEAUTY HOLDINGS LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 3 Financial risk management (Continued)

##### 3.1 Financial risk factors (Continued)

###### (c) Credit risk

###### (i) Risk management

Credit risk of the Group mainly arises from deposits and financial asset/liability at fair value through profit or loss with banks and financial institutions, as well as credit exposures to trade receivables, deposits and other receivables, amounts due from related companies, amount due from a joint venture and amount due from a shareholder. The carrying amounts of these balances on the statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

The Group's bank deposits and financial asset/liability at fair value through profit or loss are placed in those banks and financial institutions which are independently rated with a high credit rating. Management does not expect any losses from non-performance by these banks and financial institutions as they have no default history in the past.

For trade receivables, the normal credit terms with customers are between 30 and 90 days. There are policies in place by the Group to ensure that credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of its counterparties. The credit quality of the customers is assessed, which takes into account their financial position, past experience and other factors. In view of the history of business dealings with these customers and the collection history of the receivables due from them, management believes that there is no material credit risk inherent in the Group's outstanding receivable balance due from these customers. Management makes periodic assessment on the recoverability of trade receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any disputes with the debtors. The Group's historical experience in collection of trade receivables falls within the recorded allowances and the directors are of the opinion that adequate provision for uncollectible receivables has been made in the Consolidated financial statements.

The credit quality of the deposit and other receivables, amounts due from related companies, amount due from a joint venture and amount due from a shareholder have been assessed with reference to historical information about the counterparty default and financial position of the counterparty. Management does not believe the credit risk in relation to the deposit and other receivables and related companies/parties are significant, considering there are no history of defaults in the past and management does not expect any losses from non-performance by these counterparties and related companies/parties.

###### (ii) Impairment of financial assets

The Group's financial assets, including trade receivables, deposits and other receivables, amount due from a joint venture, amount due from a shareholder and amounts due from related companies, are subject to the expected credit loss model. While cash and cash equivalents and fixed deposits are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial as they are mainly deposited in reputable and creditworthy banks and financial institutions.



# ETERNAL BEAUTY HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 Financial risk management (Continued)

#### 3.1 Financial risk factors (Continued)

##### (c) Credit risk (Continued)

##### (ii) Impairment of financial assets (Continued)

##### Trade receivables

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

To measure the expected credit losses, the management assessed the credit risk of listed customers individually with reference to the credit rating report in the market and also the default history of the customers. The loss rates are further adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the gross domestic product growth and the money supply in Hong Kong, and gross domestic product growth and merchandise trade balance in PRC to be the most relevant forward-looking factors, and accordingly adjust the default rate based on expected changes in these factors. As those customers are classified as investment grade with reference to the Moody's credit agency report, the Directors of the Company are of the opinion that the expected credit loss of these customers is not significant.

##### Measurement of expected credit loss - collective basis

To measure the expected credit losses, the management assessed the credit risk of non-listed customers collectively with reference to the general industrial default risk and also the default history of those customers. The loss rates are further adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the gross domestic product growth and the money supply in Hong Kong, and gross domestic product growth and merchandise trade balance in PRC to be the most relevant forward-looking factors, and accordingly adjust the default rate based on expected changes in these factors.

In addition to the individual and collective assessment of the listed and non-listed customers respectively, receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for separate provision for impairment allowance.

The following table presents the balances of gross carrying amount and the respective loss allowance as at end of each reporting period.

	As at 1 April 2022	2023	As at 31 March 2024	2025
Gross carrying amount (RMB'000)	116,886	157,243	175,726	251,062
Expected credit loss rates	0.32%	0.18%	0.25%	0.26%
Loss allowance (RMB'000)	(375)	(284)	(447)	(663)
Net carrying amount (RMB'000)	<u>116,511</u>	<u>156,959</u>	<u>175,279</u>	<u>250,399</u>

# ETERNAL BEAUTY HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 Financial risk management (Continued)

#### 3.1 Financial risk factors (Continued)

##### (c) Credit risk (Continued)

##### (ii) Impairment of financial assets (Continued)

##### Trade receivables (Continued)

The loss allowance provision for trade receivables as at 31 March 2023, 2024 and 2025 reconciles to the opening loss allowance for that provision as follows:

	Trade receivables RMB'000
As at 1 April 2022	375
Reversal of provision for impairment	(92)
Exchange difference	1
	<hr/>
As at 31 March 2023	284
Provision for impairment	162
Exchange difference	1
	<hr/>
As at 31 March 2024	447
Provision for impairment	216
	<hr/>
As at 31 March 2025	663
	<hr/>

##### Other financial assets at amortised cost

Other financial assets at amortised cost including deposits and other receivables, amounts due from related companies, amount due from a joint venture and amount due from a shareholder are subject to impairment requirement of HKFRS 9. The Group has assessed that the expected credit losses for these balances under general approach. The credit quality of these balances have been assessed with reference to historical information about the default rates and financial position of the counterparties. As at 1 April 2022, 31 March 2023, 2024 and 2025, loss allowances of RMB7,092,000, RMB7,805,000, RMB8,116,000 and RMB7,295,000 have been provided for deposits and other receivables, respectively. Such balance included credit-impaired other receivables of approximately RMB6,800,000 that are evaluated based on life-time expected losses with the remaining deposits and other receivables that are evaluated under 12-month credit losses at default rate of 0.5% - 5.0% during the respective years. Except for these counterparties, management is of the opinion that the credit risk of amounts due from related companies, amount due from a joint venture and amount due from a shareholder are low due to the sound collection history and financial stability of the counterparties. Therefore, expected credit loss rate of these balances is assessed to be immaterial as at 1 April 2022, 31 March 2023, 2024 and 2025.

# ETERNAL BEAUTY HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 Financial risk management (Continued)

#### 3.1 Financial risk factors (Continued)

##### (c) Credit risk (Continued)

##### (ii) Impairment of financial assets (Continued)

##### Other financial assets at amortised cost (Continued)

The loss allowance provision for deposits and other receivables as at 1 April 2022, 31 March 2023, 2024 and 2025 reconciles to the opening loss allowance for that provision as follows:

	Deposits and other receivables RMB'000
As at 1 April 2022	7,092
Provision for impairment	714
Exchange difference	(1)
	<hr/>
As at 31 March 2023	7,805
Provision for impairment	312
Exchange difference	(1)
	<hr/>
As at 31 March 2024	8,116
Reversal of provision for impairment	(821)
	<hr/>
As at 31 March 2025	<u>7,295</u>

##### (d) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due, resulting from amount and maturity mismatches of assets and liabilities.

The Group employs projected cash flow analysis to manage liquidity risk by forecasting the amount of cash required and monitoring the Group's working capital to ensure that all liabilities due and known funding requirements could be met. In order to meet their liquidity requirements in the short and longer term, the Group may adjust the amount of dividends paid to shareholders and drawdown available bank facilities. Furthermore, management performs monthly review of receivables and payables ageing analysis to ensure the Group is able to maintain sufficient financial resources to meet its liquidity requirements and to follow up on any overdue balances.

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date for:

- (a) All non-derivative financial liabilities; and
- (b) Net and gross settled financial asset/liability at fair value through profit or loss financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

**ETERNAL BEAUTY HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**3 Financial risk management (Continued)**

**3.1 Financial risk factors (Continued)**

(d) Liquidity risk (Continued)

As at 1 April 2022

	On demand RMB'000	Within 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Total RMB'000
Trade payables	-	229,491	-	-	229,491
Accruals and other payables	-	139,615	-	-	139,615
Amounts due to related companies	56,543	-	-	-	56,543
Amount due to a director	41,353	-	-	-	41,353
Amount due to a shareholder	1,506	-	-	-	1,506
Lease liabilities and interest payments	-	40,517	27,021	12,495	80,033
	<u>99,402</u>	<u>409,623</u>	<u>27,021</u>	<u>12,495</u>	<u>548,541</u>
<b>Financial asset at its fair value</b>					
Gross settled (foreign currency contract)					
- Inflow	-	77,046	-	-	77,046
- (Outflow)	-	(76,756)	-	-	(76,756)
	<u>-</u>	<u>290</u>	<u>-</u>	<u>-</u>	<u>290</u>

ETERNAL BEAUTY HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(d) Liquidity risk (Continued)

As at 31 March 2023

	On demand RMB'000	Within 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Total RMB'000
Trade payables	-	113,498	-	-	113,498
Accruals and other payables	-	121,327	-	-	121,327
Amounts due to related companies	61,941	-	-	-	61,941
Amount due to a director	76,693	-	-	-	76,693
Lease liabilities and interest payments	-	51,109	22,498	2,302	75,909
	<u>138,634</u>	<u>285,934</u>	<u>22,498</u>	<u>2,302</u>	<u>449,368</u>
<b>Financial asset at its fair value</b>					
Gross settled (foreign currency contract)					
- Inflow	-	165,249	-	-	165,249
- (Outflow)	-	(164,786)	-	-	(164,786)
	<u>-</u>	<u>463</u>	<u>-</u>	<u>-</u>	<u>463</u>

As at 31 March 2024

	On demand RMB'000	Within 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Total RMB'000
Trade payables	-	93,223	-	-	93,223
Accruals and other payables	-	123,161	-	-	123,161
Amounts due to related companies	7,045	-	-	-	7,045
Amount due to a director	186,951	-	-	-	186,951
Lease liabilities and interest payments	-	54,115	28,911	7,741	90,767
	<u>193,996</u>	<u>270,499</u>	<u>28,911</u>	<u>7,741</u>	<u>501,147</u>

ETERNAL BEAUTY HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(d) Liquidity risk (Continued)

As at 31 March 2025

	On demand RMB'000	Within 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Total RMB'000
Trade payables	-	119,505	-	-	119,505
Accruals and other payables	-	70,649	-	-	70,649
Amount due a to director	116,281	-	-	-	116,281
Bank borrowings	33,183	-	-	-	33,183
Lease liabilities and interest payments	-	60,979	17,457	3,574	82,010
	<u>149,464</u>	<u>251,133</u>	<u>17,457</u>	<u>3,574</u>	<u>421,628</u>

**Financial liability at its fair value**

Gross settled  
(foreign currency contract)

- Inflow	-	18,916	-	-	18,916
- (Outflow)	-	(19,544)	-	-	(19,544)
	<u>-</u>	<u>(628)</u>	<u>-</u>	<u>-</u>	<u>(628)</u>

Where the loan agreement contains a repayable on demand clause which gives the lender the unconditional right to call the loan at any time, the amounts repayable are classified in the earliest time bracket in which the lender could demand repayment. Based on the internal information provided by management, it is expected that the lender will not exercise its rights to demand repayment. The expected cash flows with reference to the schedule of repayments set out in the loan agreements are as follows:

	Within 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Total RMB'000
Bank borrowings	<u>15,095</u>	<u>15,095</u>	<u>5,026</u>	<u>35,216</u>

# ETERNAL BEAUTY HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 Financial risk management (Continued)

#### 3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group mainly uses equity to finance its operations. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt or repay bank borrowings when cash received from non-trade receivables. Also, the Group continues to monitor and maintain the sufficiency of banking facilities for its operations.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings and lease liabilities less cash and cash equivalents and fixed deposits. Total capital is calculated as "equity" as shown in the consolidated statements of financial position, plus net debt.

The gearing ratio at 1 April 2022, 31 March 2023, 2024 and 2025 were as follows:

	Notes	As at 1 April 2022 RMB'000	2023 RMB'000	As at 31 March 2024 RMB'000	2025 RMB'000
Bank borrowings	30	-	-	-	33,183
Lease liabilities	19(b)	77,227	73,005	85,594	78,923
Less: Cash and cash equivalents	23	(307,393)	(320,462)	(150,929)	(255,998)
Less: Fixed deposits	23	-	(13,388)	-	-
Net cash		(230,166)	(260,845)	(65,335)	(143,892)
Total equity		512,565	535,398	458,545	690,990
Total capital		282,399	274,553	393,210	547,098
Gearing ratio		N/A	N/A	N/A	N/A

## **ETERNAL BEAUTY HOLDINGS LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **3 Financial risk management (Continued)**

##### **3.3 Fair value estimation**

The carrying values of trade receivables, deposits and other receivables, amounts due from related companies, amount due from a joint venture, amount due from a shareholder, fixed deposits, cash and cash equivalents, trade payables, accruals and other payables, amounts due to related companies, amount due to a director, bank borrowings and lease liabilities are a reasonable approximation of their fair values and financial asset/liability at FVPL is stated at fair value. The fair value of financial asset and liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable



## ETERNAL BEAUTY HOLDINGS LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 3 Financial risk management (Continued)

##### 3.3 Fair value estimation (Continued)

For assets and liabilities that are recognised in the Consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year.

The level within which the financial asset/liability is classified is determined based on the lowest level of significant input to the fair value measurement. The financial asset/liability measured at fair value in the consolidated statement of financial positions are grouped into the fair value hierarchy as follows:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>As at 1 April 2022</b>				
<b>Assets</b>				
Financial asset at FVPL	-	290	-	290
	<hr/>	<hr/>	<hr/>	<hr/>
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>As at 31 March 2023</b>				
<b>Asset</b>				
Financial asset at FVPL	-	463	-	463
	<hr/>	<hr/>	<hr/>	<hr/>
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>As at 31 March 2025</b>				
<b>Liability</b>				
Financial liability at FVPL	-	(628)	-	(628)
	<hr/>	<hr/>	<hr/>	<hr/>

There were no transfers between levels 1, 2 and 3 during the years ended 31 March 2023, 2024 and 2025.

#### 4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

## **ETERNAL BEAUTY HOLDINGS LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **4 Critical accounting estimates and judgements (Continued)**

##### **(a) Impairment of non-financial assets**

The Group's management assesses at the end of each reporting period whether there is objective evidence that the investments in non-financial assets, including property, plant and equipment, right-of-use assets and intangible assets are impaired. The assessment of impairment requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of the assets and impairment in the period in which such estimates have been changed.

##### **(b) Net realisable value of inventories**

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses these estimates at the end of each reporting date.

##### **(c) Provision of financial assets**

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group used judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing marketing conditions as well as forward looking estimates at the end of each reporting period.

##### **(d) Current and deferred income taxes**

The Group is subject to income tax in Hong Kong and the PRC. Significant judgement is required in determining the provision for income tax in each of these jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. Deferred tax liabilities relating to temporary differences between the carrying amount and tax bases of investments in foreign operations are not recognised where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. When the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets/liabilities and taxation charges in the period in which such estimate is changed.

#### **5 Revenue and segment information**

The chief operating decision maker (the "CODM") has been identified as the executive directors of the Company that make strategic decisions. The CODM regards the Group's business as a single operating segment and review Consolidated financial statements accordingly. As the Group has only one operating segment qualified as reporting segment under HKFRS 8 and the information that regularly reviewed by the executive directors for the purposes of allocating resources and assessing performance of the operating segment is the Consolidated financial statements of the Group, no separate segmental analysis is presented in the Consolidated financial statements.

Since all of the Group's revenue and operating profit are generated from the PRC (including Hong Kong and Macau) during the Relevant Periods, no geographical information is presented.

# ETERNAL BEAUTY HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 5 Revenue and segment information (Continued)

As at 31 March 2023, 2024, 2025, all the Group's non-current assets are located in the PRC (including Hong Kong and Macau).

During the Relevant Periods, no customer individually contributes 10% or above of the Group's total revenue. Accordingly, no analysis of major customers was presented for the Relevant Periods.

The revenue recognised during the Relevant Periods is as follows:

	Year ended 31 March		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Sales of goods, net of sales rebates, discounts and returns	1,666,931	1,852,558	2,077,750
Service and management fee income	32,213	11,203	5,613
	<u>1,699,144</u>	<u>1,863,761</u>	<u>2,083,363</u>
Timing of revenue recognition			
- At a point in time	1,666,931	1,852,558	2,077,750
- Over time	32,213	11,203	5,613
	<u>1,699,144</u>	<u>1,863,761</u>	<u>2,083,363</u>

The Group has recognised the following liabilities related to contracts with customers:

	As at 1 April 2022	2023	As at 31 March 2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Contract liabilities (Note)	<u>21,541</u>	<u>23,015</u>	<u>16,307</u>	<u>13,353</u>

Note: Contract liabilities are recognised by the Group when the customer pays consideration but before the Group sells the goods to the customer.

The following table shows the revenue recognised during the Relevant Periods related to carried-forward contract liabilities.

	Year ended 31 March		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Revenue recognised that was included in the contract liabilities at the beginning of the year	<u>21,541</u>	<u>23,015</u>	<u>16,307</u>

The Group has elected the practical expedient for not to disclose the remaining performance obligation because the performance obligation is part of a contract that have an original expected duration of one year or less.

## **ETERNAL BEAUTY HOLDINGS LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **5 Revenue and segment information (Continued)**

##### **Accounting policies of revenue**

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts granted. Discounts granted to customers are classified as a reduction of revenue. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group; and when specific criteria have been met for each of the Group's activities as described below.

##### **(a) Sales of goods**

The Group operates a chain of retail stores and consignment counters in the PRC (including Hong Kong and Macau) selling perfumes, skincare products, color cosmetics, personal care products, eyewear and home fragrances. Revenue from the sale of goods is recognised when control of the products has transferred to the customer. Payment of the transaction price is due immediately when the customer purchases the products.

The Group also engages in the wholesale and distribution of perfumes, skincare products, color cosmetics, personal care products, eyewear and home fragrances to the wholesalers and distributors in the PRC (including Hong Kong and Macau). Sales are recognised when control of the products has transferred, being when the products are delivered to the retailers and distributors, the retailers and distributors have full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler and distributor's acceptance of the products.

##### **(b) Service and management fee income**

The Group operates and manages the daily operation of the online and offline stores of certain customers under their brand names and charge service fee in connection therewith. Revenue from rendering of services is recognised over the period in which the services are rendered.

##### **(c) Sales rebates**

Retrospective sales rebates may be provided to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are recognised in contract liabilities of the Group. To estimate the variable consideration for the expected future rebates, the most likely amount method is used for contracts with a single volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. Accumulated experience is used to estimate the provision for the sales rebates and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

##### **(d) Sales returns**

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount to which the Group will be entitled. Refund liabilities, which are reduced from revenue, are estimated based on historical data the Group has maintained and subject to adjustments to the extent that actual returns differ or expected to differ.

## **ETERNAL BEAUTY HOLDINGS LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **5 Revenue and segment information (Continued)**

##### **(e) Significant financing components**

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

##### **(f) Principal versus agent analysis**

In determining whether revenue of the Group should be reported gross or net is based on a continuing assessment of various factors. When determining whether the Group is acting as the principal or agent in offering goods or services to the customer, the Group needs to first identify who controls the specified goods or services before they are transferred to the customer. The Group is a principal who obtains control any of the following: (i) a good or another asset from the other party that the Group then transfers to the customer; (ii) a right to a service to be performed by the other party, which gives the Group the ability to direct that party to provide the service to the customer on the Group's behalf; (iii) a good or service from the other party that the Group then consolidates with other goods or services in providing the specified good or service to the customer. If control is unclear, when the Group is primarily obligated in a transaction, is subject to inventory risk, has latitude in establishing prices, or has several but not all of these indicators, the Group recognise revenue on a gross basis. Otherwise, the Group records the net amount earned as commissions from products sold or services provided.

The Group has assessed the revenue recognition of all its revenue stream based on the abovementioned factors and considered that the Group is acting as a principal in the sales of goods or services. As such, the Group should recognise the revenue on a gross basis.

##### **(g) Contract liabilities**

When either party to a contract has performed, the Group presents the contract in the statement of financial position as contract assets or contract liabilities, depending on the relationship between the Group's performance and the customer's payment. Contract liabilities are the Group's obligation to transfer products or services to its customer for which the Group has received consideration from the customer.

**ETERNAL BEAUTY HOLDINGS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****6 Other income**

	Year ended 31 March		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Government grants (Note i)	11,979	10,748	5,468
Management fee income	78	1,598	-
Exhibition support service income (Note ii)	-	-	1,400
	<u>12,057</u>	<u>12,346</u>	<u>6,868</u>

Note i: Government grants are related to financial support fund in the PRC and HKSAR government's Employment Support Scheme. There are no unfulfilled conditions or other contingencies attaching to these grants.

Note ii: During the year ended 31 March 2025, the Group has entered into an exhibition cooperation agreement with an independent third party to provide planning, coordination and support services for a perfume exhibition in the PRC.

**Accounting policies of government grant**

Grants from the government are recognised at their fair value when there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statements of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

**ETERNAL BEAUTY HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**7 Expenses by nature**

	Year ended 31 March		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cost of inventories sold (Note 24)	801,337	891,178	1,005,984
Provision for impairment of inventories (Note 24)	3,767	6,312	5,869
Employee benefit expenses (Note 9)	336,194	377,216	358,445
Advertising and promotion expenses, net of reimbursement received	113,537	80,340	165,153
Expenses relating to variable lease payments (Note 19(c))	34,570	51,700	41,829
Expenses relating to short-term leases (Note 19(c))	26,338	29,318	20,845
Depreciation of property, plant and equipment (Note 17(c))	16,325	23,051	25,466
Amortisation of intangible assets (Note 18)	853	1,602	2,237
Depreciation of right-of-use assets (Note 19(c))	50,889	57,635	70,939
Provision for impairment of property, plant and equipment (Note 17(b))	2,570	33	523
Provision for impairment of right-of-use assets (Note 19(c))	4,704	63	3,143
Auditors' remuneration			
- audit services	507	490	501
- non-audit services	-	214	-
Warehousing and logistic expenses	26,872	26,131	29,105
Travelling expenses	3,827	13,266	11,052
Office expenses	11,839	13,456	12,322
Listing expenses	-	5,623	18,672
Others	36,498	65,181	63,935
Total cost of sales, selling and marketing expenses and administrative expenses	1,470,627	1,642,809	1,836,020



**ETERNAL BEAUTY HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**8 Other (losses)/gains, net**

	Year ended 31 March		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Exchange losses, net	(17,429)	(1,584)	(183)
Gains/(losses) on financial asset/liability at FVPL	145	(479)	(620)
Gains/(losses) on early termination of leases	21	844	(773)
Gains/(losses) on disposal of property, plant and equipment (Note 31(b))	445	(53)	183
Gains on disposal of assets classified as held for sale (Note 25)	-	-	14,795
	<u>(16,818)</u>	<u>(1,272)</u>	<u>13,402</u>

**9 Employee benefit expenses**

	Year ended 31 March		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Salaries, wages and bonuses (Note)	282,457	302,964	300,790
Pension costs - defined contribution plan	51,619	55,279	49,914
Other welfare and allowances	1,793	3,938	6,996
(Reversal of)/provision for long service payment	(144)	1,046	431
Provision for unutilised annual leave	469	394	314
Share-based payment expense (Note 15)	-	13,595	-
	<u>336,194</u>	<u>377,216</u>	<u>358,445</u>

Note: The balances include redundancy costs amounting to RMB3,921,000, RMB6,626,000 and RMB9,140,000 during the years ended 31 March 2023, 2024 and 2025, respectively.



## **ETERNAL BEAUTY HOLDINGS LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **9 Employee benefit expenses (Continued)**

##### **Accounting policies of employee benefit expenses**

###### **(a) Short-term obligations**

Liabilities for wages and salaries are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statements of financial position.

###### **(b) Pension obligations**

The subsidiaries in Hong Kong participate in a defined contribution plan in Hong Kong and pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis.

The subsidiaries in the PRC participate in defined contribution retirement plans and other employee social security plans, including pension, medical, other welfare benefits, organised and administered by the relevant governmental authorities for employees in the PRC. The Group contributes to these plans based on certain percentages of the total salary of employees, subject to a certain ceiling, as stipulated by the relevant regulations.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

During the Relevant Periods, no forfeited contributions were utilised by the Group to reduce its contributions for the years.

###### **(c) Bonus**

The Group recognises a liability and an expense for bonus where contractually obliged or where there is a past practice that has created a constructive obligation.

###### **(d) Employee leave entitlements**

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

###### **(e) Termination benefits**

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

# ETERNAL BEAUTY HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 10 Five highest paid salaries information

For each of the Relevant Periods, the five individuals whose emoluments were the highest in the Group include 3, 3 and 3 directors, whose emoluments were reflected in Note 34. The emoluments paid to the remaining 2, 2 and 2 individuals, respectively, are as follows:

	Year ended 31 March		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Salaries, wages and bonuses	4,693	4,864	4,815
Pension costs - defined contribution plan	285	304	302
Share-based payment expense	-	5,011	-
	<u>4,978</u>	<u>10,179</u>	<u>5,117</u>

The emoluments of above individuals are within the following bands:

Emoluments bands	Number of individuals Year ended 31 March		
	2023	2024	2025
HK\$2,000,001 to HK\$2,500,000	1	-	1
HK\$2,500,001 to HK\$3,000,000	-	-	-
HK\$3,000,001 to HK\$3,500,000	1	1	1
HK\$8,000,000 to HK\$8,500,000	-	1	-
	<u>-</u>	<u>1</u>	<u>-</u>

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any of the five highest paid individuals during the Relevant Periods.

# ETERNAL BEAUTY HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 11 Finance income/(costs), net

	Year ended 31 March		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Finance income:			
- Interest income from bank deposits	6,468	8,063	1,692
	<u>6,468</u>	<u>8,063</u>	<u>1,692</u>
Finance costs:			
- Interest expense on bank borrowings	-	-	(1,383)
- Interest expense on lease liabilities (Note 19(c))	(2,667)	(4,034)	(4,842)
	<u>(2,667)</u>	<u>(4,034)</u>	<u>(6,225)</u>
Finance income/(costs), net	<u>3,801</u>	<u>4,029</u>	<u>(4,533)</u>

### 12 Income tax expense

#### (a) Cayman Islands income tax

The Company is incorporated in the Cayman Islands and is not subject to corporate income taxes.

#### (b) British Virgin Islands income tax

The Group's subsidiaries incorporated in the British Virgin Islands are not subject to corporate income taxes.

#### (c) Hong Kong profits tax

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits during the Relevant Periods, except for one entity that is qualified under the two-tiered profits tax rate regime, under which the first HK\$2 million of its assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

#### (d) PRC corporate income tax

PRC corporate income tax is calculated at 25% on the taxable profits of the relevant PRC entities during the Relevant Periods.

# ETERNAL BEAUTY HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 12 Income tax expense (Continued)

The amount of income tax charged/(credited) to the consolidated statements of comprehensive income represents:

	Year ended 31 March		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current income tax			
- Hong Kong profits tax	54,789	18,615	37,057
- PRC corporate income tax	(542)	12,618	6,560
Overprovision of tax in prior year			
- PRC corporate income tax	-	-	(1,935)
Deferred income tax (Note 20)	(418)	(5,089)	(8,015)
	<u>53,829</u>	<u>26,144</u>	<u>33,667</u>

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rates applicable to profits of the entities under the Group as follows:

	Year ended 31 March		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Profit before income tax	226,935	232,617	260,696
Tax calculated at domestic tax rates applicable to profits in respective countries/places of business	30,507	48,710	46,607
Tax effects of:			
Income not subject to tax	(2,443)	(2,161)	(4,783)
Effect of two-tier tax rate regimes	(143)	(150)	(152)
Overprovision of tax in prior year	-	-	(1,935)
Expenses not deductible for tax purpose	6,586	8,642	7,796
Temporary differences not recognised	6,334	(5,876)	(4,598)
Previously unrecognised tax losses now recouped to reduce current tax expense (Note)	(1,930)	(28,899)	(12,455)
Tax effect of tax loss not recognised	14,923	5,881	3,191
Tax concession	(5)	(3)	(4)
	<u>53,829</u>	<u>26,144</u>	<u>33,667</u>

Note: In order to normalise the operating performance of the certain PRC subsidiaries in accordance with the Group's operational model, the Group has communicated with the PRC tax bureau in December 2023 and agreed a new transfer pricing arrangement for the intra-group transactions for these PRC subsidiaries with a Hong Kong subsidiary starting from the year ended 31 March 2024. Subsequently, the Group has further adopted the same transfer pricing arrangement for a PRC subsidiary with that Hong Kong subsidiary during the year ended 31 March 2025. The new transfer pricing arrangement allows the PRC subsidiaries to retain a targeted profit margin. Management considered this is a change in estimation of the current tax provision based on the communication with the PRC tax bureau in December 2023 and thus accounted for such transfer pricing arrangement prospectively during the year when the Group adopted the new transfer pricing arrangement for the PRC subsidiaries.

## **ETERNAL BEAUTY HOLDINGS LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **12 Income tax expense (Continued)**

##### **Accounting policies for current and deferred income tax**

The tax expense for the year comprises current and deferred income tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

**(a) Current income tax**

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the country where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

**(b) Deferred income tax**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

**(c) Offsetting**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## ETERNAL BEAUTY HOLDINGS LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 13 Earnings per share

##### (a) Basic earnings per share

Basic earnings per share are calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the Relevant Periods.

In the calculation of weighted average number of ordinary shares outstanding during the Relevant Periods, two shares issued to owners of the Company during the Reorganisation (Note 1.2.1) had been adjusted retrospectively as if those shares had been issued since 1 April 2022.

	Year ended 31 March		
	2023	2024	2025
Profit attributable to the ordinary equity holders of the Company (RMB'000)	173,106	206,473	227,029
Weighted average number of ordinary share in issue	2	2	2
Basic earnings per share (expressed in RMB'000 per share)	86,553	103,237	113,515

##### (b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

During the Relevant Periods, the Company's dilutive potential ordinary shares include share options granted to certain directors and employees of the Group. As the share options are conditionally exercisable upon the completion of the capitalisation issue and the global offering of the Group, the potential issuable shares were not included in the calculation of diluted earnings per share during the year reported. Accordingly, diluted earnings per share is equal to basic earnings per share in the Relevant Periods.

## ETERNAL BEAUTY HOLDINGS LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 14 Dividends

No dividend has been paid or declared by the Company during the Relevant Periods. Dividends during the Relevant Periods represented dividends declared by the companies now comprising the Group to the then equity holders of the companies for each of the respective years, after elimination of intra-group dividends. The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

On 13 May 2025, the Company has declared the payment of a final dividend of RMB120,000,000 for the year ended 31 March 2025. The amount has not been recognised as a liability in the consolidated financial statements, but will be reflected as an appropriation of equity for the year ending 31 March 2026.

#### 15 Share-based payments

The Group has approved and adopted a Pre-IPO share option plan ("Pre-IPO ESOP") under Eternal BVI pursuant to a shareholder's resolution passed in 2019. Share options were granted in 1 December 2019 and 31 March 2024 to attract, retain and motivate the grantees to strive for future developments and expansion of the Group.

On 1 December 2019, share options of 17,294,487 were granted to a total of 10 grantees, which include certain directors and employees of the Group with no vesting condition. The exercise price of the share option is HK\$0.1 per share. The vested share options are exercisable upon listing and 40% of the exercised shares are only saleable one month after the listing of the Group, 30% are saleable 1 year after the listing of the Group and the remaining are saleable 2 years after the listing of the Group.

On 31 March 2024, share options of 8,898,690 was further granted to a total of 8 grantees, which include certain employees of the Group with no vesting condition. The exercise price of the share option is HK\$0.1 per share. The timeline for these share options to be exercised are similar to the share options granted in 2019.

The grantee needs to inform the Company 28 days before they exercise their share options. The Group does not have a legal or constructive obligation to repurchase or settle the options in cash.

The fair values of services received in return for share options granted are measured by reference to the fair value of share options granted. The range of fair value of options granted determined by using the Binomial model and significant inputs into the model were as follows:

	Share options as at grant date	
	1 December 2019	31 March 2024
Fair value of Pre-IPO ESOP granted (RMB)	12,835,000	13,595,000
Expected volatility (Note)	50.07%	52.13%
Expected option life (years)	10	10
Dividend yield	0%	0%
Risk-free rate	1.82%	3.70%

Note: Expected volatility is assumed to be based on historical volatility of comparable companies.

The variables and assumptions used in estimating the fair value of the share options were the directors' best estimates. Change in subjective input assumptions can materially affect the fair value.

## ETERNAL BEAUTY HOLDINGS LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 15 Share-based payments (Continued)

The number of share options outstanding as at 31 March 2023, 2024 and 2025 is 17,294,487, 26,193,177 and 26,193,177, respectively. There are no exercise, lapse or forfeiture of the share options in the Relevant Periods.

During the years ended 31 March 2023, 2024 and 2025, share-based payment expense of nil, RMB13,595,000 and nil were recognised in profit or loss, respectively.

On 18 June 2024, the Company adopted a Pre-IPO share option scheme ("Cayman Option Scheme") in exchange for the surrender of the Pre-IPO ESOP under Eternal BVI. The options grantees previously granted under the Pre-IPO ESOP were granted the options under Cayman Option Scheme on a one-on-one basis for the surrender and cancellation of the Pre-IPO ESOP.

#### Accounting policies for share-based payments

The Group operates an equity-settled share-based compensation plan (i.e. share option scheme), under which the Group receives services from employees, as consideration for equity instruments of the Company. Share options granted to the grantees of the Group are measured at the grant date based on the fair value of equity instruments and are recognised as employee benefit expenses over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied, with a corresponding increase in equity as "share-based compensation".

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (e.g. the entity's share price),
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability and remaining as an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or hold shares for a specific period of time).

#### 16 Investment in a joint venture

	Year ended 31 March	
	2024 RMB'000	2025 RMB'000
Opening carrying value	-	2,855
Addition of unquoted shares - at cost	5,607	7,233
Share of loss of a joint venture	(2,964)	(2,989)
Share of results of a joint venture - currency translation difference	212	6
Closing carrying value	<u>2,855</u>	<u>7,105</u>

The Group and the joint venture partner were mutually committed to further invest in the joint venture amounting to HK\$4,315,000 (equivalent to approximately RMB4,017,000) by 31 March 2026. There are no contingent liabilities in respect of the joint venture as at 31 March 2024 and 2025.



**ETERNAL BEAUTY HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**16 Investment in a joint venture (Continued)**

**(a) Amount due from a joint venture**

	As at 31 March	
	2024	2025
	RMB'000	RMB'000
Amount due from a joint venture	13,514	4,161

As at 31 March 2024 and 2025, the balances were trading in nature, unsecured, interest-free and repayable on demand. The carrying values of the balances approximate their fair value. The amount due from a joint venture was denominated in HK\$ and RMB. The balances due from a joint venture will not be fully settled prior to Listing.

The particulars of the joint venture is summarised as below.

Name of entity	Country/place and date of incorporation/ establishment	Principal activities	Class of share held	Proportion of ownership interest and voting rights	
				As at 31 March 2024	2025
B&E China Holdings Limited	Hong Kong, 8 May 2023	Trading and retailing of skincare products	Ordinary	50%	50%

ETERNAL BEAUTY HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17

Property, plant and equipment

	Leasehold improvements RMB'000	Buildings RMB'000	Office equipment RMB'000	Air- conditioning plant RMB'000	Computer equipment RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Total RMB'000
<b>At 1 April 2022</b>								
Cost	32,187	2,326	3,601	1,372	26,789	5,901	3,363	75,539
Accumulated depreciation	(20,933)	(1,200)	(3,478)	(597)	(21,677)	(3,355)	(2,869)	(54,109)
Net book amount	11,254	1,126	123	775	5,112	2,546	494	21,430

Year ended 31 March

<b>2023</b>								
Opening net book amount	11,254	1,126	123	775	5,112	2,546	494	21,430
Additions	9,249	-	87	174	2,220	1,213	268	13,211
Impairment	(2,570)	-	-	-	-	-	-	(2,570)
Disposal	-	-	-	-	(7)	(147)	-	(154)
Depreciation charge (Note 7)	(11,455)	(62)	(61)	(203)	(2,913)	(1,473)	(158)	(16,325)
Exchange difference	125	103	5	59	26	229	-	547
Closing net book amount	6,603	1,167	154	805	4,438	2,368	604	16,139

At 31 March 2023

Cost	42,135	2,540	3,915	1,658	27,194	6,331	3,802	87,575
Accumulated depreciation	(35,532)	(1,373)	(3,761)	(853)	(22,756)	(3,963)	(3,198)	(71,436)
Net book amount	6,603	1,167	154	805	4,438	2,368	604	16,139

ETERNAL BEAUTY HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 Property, plant and equipment (Continued)

	Leasehold improvements RMB'000	Buildings RMB'000	Office equipment RMB'000	Air- conditioning plant RMB'000	Computer equipment RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Total RMB'000
<b>Year ended 31 March</b>								
<b>2024</b>								
Opening net book amount	6,603	1,167	154	805	4,438	2,368	604	16,139
Additions	24,860	-	205	64	1,581	859	18	27,587
Assets classified as held for sale (Note 25)	-	(1,143)	-	-	-	-	-	(1,143)
Impairment	(33)	-	-	-	-	-	-	(33)
Disposal	(196)	-	(4)	(3)	(13)	-	-	(216)
Depreciation charge (Note 7)	(19,057)	(65)	(67)	(233)	(2,101)	(1,355)	(173)	(23,051)
Exchange difference	94	41	3	26	20	94	-	278
Closing net book amount	12,271	-	291	659	3,925	1,966	449	19,561
<b>At 31 March 2024</b>								
Cost	66,729	-	3,859	1,775	28,804	6,542	3,904	111,613
Accumulated depreciation and impairment	(54,458)	-	(3,568)	(1,116)	(24,879)	(4,576)	(3,455)	(92,052)
Net book amount	12,271	-	291	659	3,925	1,966	449	19,561

ETERNAL BEAUTY HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 Property, plant and equipment (Continued)

	Leasehold improvements RMB'000	Office equipment RMB'000	Air- conditioning plant RMB'000	Computer equipment RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Total RMB'000
<b>Year ended 31 March 2025</b>							
Opening net book amount	12,271	291	659	3,925	1,966	449	19,561
Additions	23,840	27	140	1,486	700	82	26,275
Impairment	(523)	-	-	-	-	-	(523)
Disposal	(2,478)	-	(22)	(238)	-	(57)	(2,795)
Depreciation charge (Note 7)	(21,805)	(73)	(175)	(1,941)	(1,304)	(168)	(25,466)
Exchange difference	81	3	9	20	31	-	144
Closing net book amount	11,386	248	611	3,252	1,393	306	17,196
<b>At 31 March 2025</b>							
Cost	87,379	3,638	1,901	28,906	6,550	3,932	132,306
Accumulated depreciation and impairment	(75,993)	(3,390)	(1,290)	(25,654)	(5,157)	(3,626)	(115,110)
Net book amount	11,386	248	611	3,252	1,393	306	17,196

(a) Details of the property, plant and equipment pledged to the Group's banking facilities are included in Note 30.

## ETERNAL BEAUTY HOLDINGS LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 17 Property, plant and equipment (Continued)

- (b) The Group regards each individual shop and counter as a separately identifiable cash-generating unit. Due to the under-performance of certain shops and counters against the budget or having loss-making performance during year, management carried out an impairment assessment for property, plant and equipment and right-of-use assets of those shops and counters whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable.

The carrying amount of the shops and counters are written down to its recoverable amount (the higher of fair value less costs to sell or value-in-use) if the asset's carrying amount is greater than its estimated recoverable amount. The estimates of the recoverable amounts were based on value-in-use calculations using discounted cash flow projections based on the financial forecasts approved by management covering the remaining tenure of the lease, with major assumptions such as revenue growth rate and pre-tax discount rate. As a result of the impairment assessment, impairment loss of property, plant and equipment amounting to RMB2,570,000, RMB33,000 and RMB523,000 and impairment loss of right-of-use assets amounting to RMB4,704,000, RMB63,000 and RMB3,143,000 are recognised on certain shops and counters of the Group during the years ended 31 March 2023, 2024 and 2025. For the other shops and counters, the recoverable amounts exceed the asset's carrying amounts of the shops and counters with sufficient headroom.

Key inputs to the determination of the recoverable amount includes average revenue growth and pre-tax discount rate. As at 31 March 2023, 2024 and 2025, the pre-tax discount rates used to determine the recoverable amounts for Hong Kong and the PRC are 10%-12%, 11%-12% and 12%-14%, respectively.

- (c) Depreciation charges of RMB11,455,000, RMB19,057,000 and RMB21,805,000 have been included in selling and marketing expenses and RMB4,870,000, RMB3,995,000 and RMB3,661,000 have been included in administrative expenses for the years ended 31 March 2023, 2024 and 2025, respectively.

#### Accounting policies for property, plant and equipment

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values, where appropriate, over their estimated useful lives, as follows:

	Over 3 years or remaining period of the lease, whichever is shorter
Leasehold improvements	
Buildings	2-3%
Air-conditioning plant	10%
Furniture and fixtures	20%
Office equipment	20%
Computer equipment	25%
Motor vehicles	33%

The Group's property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

# ETERNAL BEAUTY HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 17 Property, plant and equipment (Continued)

#### Accounting policies for property, plant and equipment (Continued)

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 36.6).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

### 18 Intangible assets

	Club membership RMB'000	Computer software RMB'000	Total RMB'000
<b>At 1 April 2022</b>			
Cost	209	5,577	5,786
Accumulated depreciation	-	(964)	(964)
<b>Net book amount</b>	<b>209</b>	<b>4,613</b>	<b>4,822</b>
<b>Year ended 31 March 2023</b>			
Opening net book amount	209	4,613	4,822
Amortisation charged (Note 7)	-	(853)	(853)
Exchange difference	19	-	19
<b>Closing net book amount</b>	<b>228</b>	<b>3,760</b>	<b>3,988</b>
<b>At 31 March 2023</b>			
Cost	228	5,577	5,805
Accumulated amortisation	-	(1,817)	(1,817)
<b>Net book amount</b>	<b>228</b>	<b>3,760</b>	<b>3,988</b>
<b>Year ended 31 March 2024</b>			
Opening net book amount	228	3,760	3,988
Additions	-	1,290	1,290
Amortisation charged (Note 7)	-	(1,602)	(1,602)
Exchange difference	9	-	9
<b>Closing net book amount</b>	<b>237</b>	<b>3,448</b>	<b>3,685</b>

**ETERNAL BEAUTY HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**18 Intangible assets (Continued)**

	Club membership RMB'000	Computer software RMB'000	Total RMB'000
<b>At 31 March 2024</b>			
Cost	237	6,867	7,104
Accumulated amortisation	-	(3,419)	(3,419)
<b>Net book amount</b>	<b>237</b>	<b>3,448</b>	<b>3,685</b>
<b>Year ended 31 March 2025</b>			
Opening net book amount	237	3,448	3,685
Additions	-	7,308	7,308
Amortisation charged (Note 7)	-	(2,237)	(2,237)
Exchange difference	5	-	5
Closing net book amount	242	8,519	8,761
<b>At 31 March 2025</b>			
Cost	242	12,785	13,027
Accumulated amortisation	-	(4,266)	(4,266)
<b>Net book amount</b>	<b>242</b>	<b>8,519</b>	<b>8,761</b>

During the Relevant Periods, the Group externally acquired the computer software from independent third parties.

Amortisation on computer software is recognised as administrative expenses for the Relevant Periods.

**Accounting policies for intangible assets**

Intangible assets represent a club membership that is stated at cost less impairment losses, if any, and computer software with useful life of 4 years that is stated at cost less accumulated amortisation.

**ETERNAL BEAUTY HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**19 Leases**

**(a) Right-of-use assets**

	As at 1 April 2022 RMB'000	2023 RMB'000	As at 31 March 2024 RMB'000	2025 RMB'000
Offices	18,855	14,202	12,498	19,877
Warehouses	12,662	9,907	8,433	1,934
Shops and counters	41,650	39,477	59,857	49,508
Copy machines	1,411	1,398	1,142	902
Leasehold land	1,272	1,334	-	-
	<u>75,850</u>	<u>66,318</u>	<u>81,930</u>	<u>72,221</u>

Additions to the right-of-use assets were RMB54,330,000, RMB75,958,000 and RMB72,761,000 for the years ended 31 March 2023, 2024 and 2025, respectively. During the year ended 31 March 2024, right-of-use assets of approximately RMB1,338,000 was reclassified into assets classified as held for sale (Note 25).

Details of the right-of-use assets pledged to the Group's banking facilities are included in Note 30.

**(b) Lease liabilities**

	As at 1 April 2022 RMB'000	2023 RMB'000	As at 31 March 2024 RMB'000	2025 RMB'000
Current portion	40,454	48,236	52,520	58,507
Non-current portion	36,773	24,769	33,074	20,416
	<u>77,227</u>	<u>73,005</u>	<u>85,594</u>	<u>78,923</u>

The total cash outflows for leases including payments of short-term leases, variable lease, leases liabilities and payments of interest on leases for the years ended 31 March 2023, 2024 and 2025 were approximately RMB113,786,000, RMB146,281,000 and RMB138,360,000 respectively.



# ETERNAL BEAUTY HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 19 Leases (Continued)

#### (c) Amounts recognised in the consolidated statements of comprehensive income

	Year ended 31 March		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Depreciation of right-of-use assets (Note 7)	50,889	57,635	70,939
Provision for impairment of right-of-use assets (Note 7)	4,704	63	3,143
Interest expense on lease liabilities (Note 11)	2,667	4,034	4,842
Expenses relating to variable lease payments (included in selling and marketing expenses) (Note 7)	34,570	51,700	41,829
Expenses relating to short-term leases (included in selling and marketing expenses) (Note 7)	26,338	29,318	20,845
Rent concession (included in selling and marketing expenses) (Note 7)	-	-	-

Some of the property leases which the Group is the lessee contain variable lease payment terms that are linked to sales generated from the leased shops and counters. Variable lease terms are used to link lease payments to store cash flows and reduce fixed cost. The variable lease payments depend on sales and consequently on the overall economic development over the next few years.

For details of impairment losses on right-of-use assets, refer to Note 17(b).

#### (d) The Group's leasing activities and how these are accounted for

The Group leases various offices, warehouses, shops, counters, copy machines and leasehold land. Rental contracts are typically made for fixed periods of 1 year to 3 years but may have extension options.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

## ETERNAL BEAUTY HOLDINGS LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 19 Leases (Continued)

##### (d) The Group's leasing activities and how these are accounted for (Continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use assets in a similar economic environment with similar terms, security and conditions. To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing; and
- makes adjustments specific to the lease, e.g., term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use assets are depreciated over the underlying asset's useful life.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

##### (e) Variable lease payments

Some property leases contain variable payment terms that are linked to sales generated from a store. For individual stores, the lease payments are on the basis of variable payment terms with percentages ranging from 15% to 35% of sales. Variable lease payments that depend on sales are recognised in consolidated statements of comprehensive income in the period in which the condition that triggers those payments occurs.

##### (f) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

# ETERNAL BEAUTY HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 20 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax recoverable against current income tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The offset amounts are as follows:

	As at 1 April 2022 RMB'000	2023 RMB'000	As at 31 March 2024 RMB'000	2025 RMB'000
Deferred income tax assets, net	11,575	12,025	17,142	25,189

The net movement on the deferred income tax asset is as follows:

	Year ended 31 March		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
At the beginning of the year	11,575	12,025	17,142
Credited to consolidated statements of comprehensive income (Note 12)	418	5,089	8,015
Exchange realignment	32	28	32
At the end of the year	12,025	17,142	25,189

The movement in deferred income tax assets and liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets	Decelerated tax depreciation RMB'000	Tax losses RMB'000	Unrealised profit on inventories RMB'000	Lease liabilities RMB'000	Provisions and others RMB'000	Total RMB'000
Balance at 1 April 2022	-	-	6,929	10,449	4,491	21,869
(Charged)/credited to profit or loss	-	-	(1,189)	(3,855)	357	(4,687)
Exchange realignment	-	-	-	-	46	46
Balance at 31 March 2023	-	-	5,740	6,594	4,894	17,228

**ETERNAL BEAUTY HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**20 Deferred income tax (Continued)**

Deferred income tax assets	Decelerated tax depreciation RMB'000	Tax losses RMB'000	Unrealised profit on inventories RMB'000	Lease liabilities RMB'000	Provisions and others RMB'000	Total RMB'000
Balance at 1 April 2023	-	-	5,740	6,594	4,894	17,228
Credited/(charged) to profit or loss	495	4,434	(875)	(602)	1,951	5,403
Exchange realignment	3	-	-	-	26	29
Balance at 31 March 2024	498	4,434	4,865	5,992	6,871	22,660
Balance at 1 April 2024	498	4,434	4,865	5,992	6,871	22,660
Credited/(charged) to profit or loss	133	4,104	2,465	(163)	1,244	7,783
Exchange realignment	11	-	-	-	21	32
Balance at 31 March 2025	642	8,538	7,330	5,829	8,136	30,475

Deferred income tax liabilities	Accelerated tax depreciation RMB'000	Right of use assets RMB'000	Total RMB'000
Balance at 1 April 2022	173	10,121	10,294
Credited to profit or loss	(160)	(4,945)	(5,105)
Exchange realignment	14	-	14
Balance at 31 March 2023	27	5,176	5,203
Balance at 1 April 2023	27	5,176	5,203
(Credited)/charged to profit or loss	(28)	342	314
Exchange realignment	1	-	1
Balance at 31 March 2024	-	5,518	5,518
Balance at 1 April 2024	-	5,518	5,518
Credited to profit or loss	-	(232)	(232)
Balance at 31 March 2025	-	5,286	5,286

# ETERNAL BEAUTY HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 20 Deferred income tax (Continued)

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets in the PRC of RMB17,752,000 as at 1 April 2022, RMB22,670,000 as at 31 March 2023, RMB4,269,000 at 31 March 2024 and RMB2,659,000 at 31 March 2025 in respect of the tax losses in the amount of RMB71,008,000, RMB90,681,000, RMB17,077,000 and RMB10,636,000, respectively, which will expire in one to five years for offsetting against future taxable profits of the entity in which the losses arose.

According to the new CIT Law, starting from 1 January 2008, a 10% withholding tax will be levied on the immediate holding company established out of the PRC when their PRC subsidiaries declare dividends out of their profits earned after 1 January 2008.

During the Relevant Periods, deferred income tax liabilities of RMB1,947,000, nil, nil and nil have not been recognised for the withholding tax that would be payable on the unremitted earnings of subsidiaries in the PRC as at 1 April 2022, 31 March 2023, 2024 and 2025, in the amount of RMB19,474,000, nil, nil and nil, respectively.

### 21 Financial instruments by categories

	As at 1 April 2022 RMB'000	2023 RMB'000	As at 31 March 2024 RMB'000	2025 RMB'000
<b>Assets as per consolidated statements of financial position</b>				
Financial assets measured at amortised cost				
- Trade receivables (Note 22(a))	116,511	156,959	175,279	250,399
- Other receivables and deposits (excluding non-financial assets) (Note 22(b))	73,710	62,826	87,221	47,938
- Amounts due from related companies (Note 33(f))	61,160	55,984	51,155	43,006
- Amount due from a shareholder (Note 33(e))	-	110	271	-
- Amount due from a joint venture (Note 16)	-	-	13,514	4,161
- Fixed deposits (Note 23)	-	13,388	-	-
- Cash and cash equivalents (Note 23)	307,393	320,462	150,929	255,998
	<u>558,774</u>	<u>609,729</u>	<u>478,369</u>	<u>601,502</u>
Financial asset at FVPL	290	463	-	-
<b>Total</b>	<u>559,064</u>	<u>610,192</u>	<u>478,369</u>	<u>601,502</u>

**ETERNAL BEAUTY HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**21 Financial instruments by categories (Continued)**

	As at 1 April 2022 RMB'000	2023 RMB'000	As at 31 March 2024 RMB'000	2025 RMB'000
<b>Liabilities as per consolidated statements of financial position</b>				
Financial liabilities measured at amortised cost				
- Trade payables (Note 27)	229,491	113,498	93,223	119,505
- Accruals and other payables (excluding non-financial liabilities) (Note 28)	139,615	121,327	123,161	70,649
- Amount due to a director (Note 33(d))	41,353	76,693	186,951	116,281
- Amounts due to related companies (Note 33(f))	56,543	61,941	7,045	-
- Amounts due to a shareholder (Note 33(e))	1,506	-	-	-
- Bank borrowings (Note 30)	-	-	-	33,183
- Lease liabilities (Note 19(b))	77,227	73,005	85,594	78,923
	545,735	446,464	495,974	418,541
Financial liability at FVPL	-	-	-	628
<b>Total</b>	<b>545,735</b>	<b>446,464</b>	<b>495,974</b>	<b>419,169</b>

**22 Trade and other receivables**

**(a) Trade receivables**

	As at 1 April 2022 RMB'000	2023 RMB'000	As at 31 March 2024 RMB'000	2025 RMB'000
Trade receivables	116,886	157,243	175,726	251,062
Less: Loss allowance	(375)	(284)	(447)	(663)
Trade receivables, net	116,511	156,959	175,279	250,399

The ageing analysis of the trade receivables based on invoice date is as follows:

	As at 1 April 2022 RMB'000	2023 RMB'000	As at 31 March 2024 RMB'000	2025 RMB'000
Within 30 days	84,010	106,001	107,895	198,659
31 - 90 days	26,204	37,668	48,784	39,778
Over 90 days	6,672	13,574	19,047	12,625
	116,886	157,243	175,726	251,062
Less: Loss allowance	(375)	(284)	(447)	(663)
Trade receivables, net	116,511	156,959	175,279	250,399

# ETERNAL BEAUTY HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 22 Trade and other receivables

#### (a) Trade receivables (Continued)

The carrying values of trade receivables approximate their fair values. The Group generally allows an average credit period of 30 to 90 days to its trade customers

The carrying amounts of trade receivables are denominated in the following currencies:

	As at 1 April 2022 RMB'000	2023 RMB'000	As at 31 March 2024 RMB'000	2025 RMB'000
HK\$	34,523	59,112	57,178	65,984
US\$	10,602	19,333	16,056	65,450
RMB	71,386	78,514	102,045	118,965
	<u>116,511</u>	<u>156,959</u>	<u>175,279</u>	<u>250,399</u>

#### (b) Deposits, prepayments and other receivables - Group and Company

##### The Group

	As at 1 April 2022 RMB'000	2023 RMB'000	As at 31 March 2024 RMB'000	2025 RMB'000
Prepayments for inventories and other operating expenses	31,460	13,903	23,317	22,194
Prepayments for non-financial assets	-	3,054	4,207	2,001
Prepayment for listing expense	-	-	1,357	5,942
Advance to third parties (note i)	46,089	28,061	28,284	-
Other receivables (note ii)	14,886	17,202	32,824	22,203
VAT tax recoverable	7,102	11,402	8,183	14,941
Deposits	12,735	17,563	26,113	25,735
	<u>112,272</u>	<u>91,185</u>	<u>124,285</u>	<u>93,016</u>
Less: Non-current deposits	(4,441)	(7,400)	(6,217)	(7,398)
Less: Non-current prepayments	-	(3,054)	(4,207)	(2,001)
Less: Advance to third parties	(46,089)	(28,061)	-	-
Current portion	<u>61,742</u>	<u>52,670</u>	<u>113,861</u>	<u>83,617</u>

Notes:

- (i) As at 1 April 2022, 31 March 2023 and 2024, balances of advance to third parties are unsecured, interest-free and repayable on demand. The carrying values of the balances approximate to their fair value. The balances are denominated in HK\$ and RMB. As at 1 April 2022 and 31 March 2023, the directors of the Company do not expect such balances to be repaid by the third parties within 12 months of the reporting period and classified the balances as non-current assets.



**ETERNAL BEAUTY HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**22 Trade and other receivables (Continued)**

**(b) Deposits, prepayments and other receivables - Group and Company (Continued)**

**The Group (Continued)**

**(ii) Other receivables**

	As at 1 April 2022 RMB'000	2023 RMB'000	As at 31 March 2024 RMB'000	2025 RMB'000
Other receivables	21,978	25,007	40,940	29,498
Less: Loss allowance	(7,092)	(7,805)	(8,116)	(7,295)
Other receivables, net	14,886	17,202	32,824	22,203

The carrying amounts of deposits, prepayments and other receivables are denominated in the following currencies:

	As at 1 April 2022 RMB'000	2023 RMB'000	As at 31 March 2024 RMB'000	2025 RMB'000
HK\$	2,309	18,912	28,701	21,408
RMB	102,976	62,716	74,394	50,921
US\$	1,145	3,820	3,977	10,858
EUR	5,819	5,628	17,099	9,829
Japanese Yen ("JPY")	23	109	114	-
	112,272	91,185	124,285	93,016

The carrying amounts of deposits and other receivables approximate to their fair values.

**The Company**

	As at 31 March 2024 RMB'000	2025 RMB'000
Prepayment for listing expense	1,357	5,942



**ETERNAL BEAUTY HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**23 Cash and cash equivalents and fixed deposits**

	As at 1 April 2022 RMB'000	2023 RMB'000	As at 31 March 2024 RMB'000	2025 RMB'000
Cash and bank balances	307,393	320,462	150,929	255,998
Fixed deposits (maturity date over 3 months)	-	13,388	-	-
	<u>307,393</u>	<u>333,850</u>	<u>150,929</u>	<u>255,998</u>
Maximum exposure to credit risk	<u>307,366</u>	<u>333,819</u>	<u>150,895</u>	<u>255,976</u>

Cash and cash equivalents and fixed deposits approximated their fair values as at 1 April 2022, 31 March 2023, 2024 and 2025 are denominated in the following currencies:

	As at 1 April 2022 RMB'000	2023 RMB'000	As at 31 March 2024 RMB'000	2025 RMB'000
US\$	13,085	135,570	26,273	32,763
HK\$	41,594	109,125	44,825	55,740
RMB	173,046	35,055	71,865	157,495
GBP	76,683	16,850	166	173
Australian dollar	-	37,028	-	-
Others	2,985	222	7,800	9,827
	<u>307,393</u>	<u>333,850</u>	<u>150,929</u>	<u>255,998</u>

The conversion of cash and bank balances denominated in RMB into foreign currencies and remittance of these deposits or cash out of the PRC are subject to the relevant rules and regulations of foreign exchange promulgated by the PRC government. As at 1 April 2022, 31 March 2023, 2024 and 2025, the Group's cash at banks and in hand of RMB29,151,000, RMB29,476,000, RMB40,183,000 and RMB52,864,000, respectively, were deposited at banks in the PRC.

# ETERNAL BEAUTY HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 24 Inventories

	As at 1 April 2022 RMB'000	2023 RMB'000	As at 31 March 2024 RMB'000	2025 RMB'000
Finished goods - at cost	321,873	332,763	379,355	421,993
Goods in transit	119,635	53,764	46,977	54,344
Less: Stock provision	(23,755)	(28,949)	(36,023)	(42,278)
Inventories, net of provision	<u>417,753</u>	<u>357,578</u>	<u>390,309</u>	<u>434,059</u>

The cost of inventories recognised as expenses and included in cost of sales amounting to approximately RMB801,337,000, RMB891,178,000 and RMB1,005,984,000 for the years ended 31 March 2023, 2024 and 2025, respectively.

Provision for impairment of inventories of RMB3,767,000, RMB6,312,000 and RMB5,869,000 were recognised for the years ended 31 March 2023, 2024 and 2025, respectively, in the consolidated statements of comprehensive income as cost of sales.

#### Accounting policies for inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

### 25 Assets classified as held for sale

	As at 1 April 2022 RMB'000	2023 RMB'000	As at 31 March 2024 RMB'000	2025 RMB'000
Assets classified as held for sale	-	-	2,481	-

In March 2024, Eternal Far East entered into a provisional sale and purchase agreement with Land Pacific Investment Limited, an entity controlled by Mr. Lau, pursuant to which Eternal Far East agrees to sell the land and building located in Hong Kong with carrying amount of RMB1,338,000 and RMB1,143,000, respectively at the consideration of HK\$18,800,000 (equivalent to approximately RMB17,276,000). The consideration is determined based on the market value of the land and building. The transaction has been completed on 30 May 2024 and the consideration has been settled as at the same date. Upon the completion, a gain on disposal of assets classified as held for sale of RMB14,795,000 is recognised for the year ended 31 March 2025.

Details of the assets classified as held for sale pledged to the Group's banking facilities are included in Note 30.

**ETERNAL BEAUTY HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**26 Share capital**

	Number of ordinary shares	Equivalent nominal value of ordinary share RMB'000
<b>Authorised:</b>		
Ordinary shares of HK\$0.001 each	380,000,000	347
<b>Issued:</b>		
At 9 January 2024 (date of incorporation)		
Issue of ordinary share on 9 January 2024 pursuant to the Reorganisation	1	*
As at 31 March 2024	1	*
Issue of ordinary share on 18 June 2024 pursuant to the Reorganisation	1	*
As at 31 March 2025	2	*

\* The amounts as at 31 March 2024 and 2025 are below RMB1,000.

**27 Trade payables**

	As at 1 April 2022 RMB'000	2023 RMB'000	As at 31 March 2024 RMB'000	2025 RMB'000
Trade payables	229,132	113,498	93,223	119,505
Bills payables	359	-	-	-
	<u>229,491</u>	<u>113,498</u>	<u>93,223</u>	<u>255,874</u>

The ageing analysis of the trade payables based on invoice date is as follows:

	As at 1 April 2022 RMB'000	2023 RMB'000	As at 31 March 2024 RMB'000	2025 RMB'000
Within 30 days	132,808	59,684	54,046	59,060
31 - 90 days	83,106	49,979	32,556	31,565
Over 90 days	13,577	3,835	6,621	28,880
	<u>229,491</u>	<u>113,498</u>	<u>93,223</u>	<u>119,505</u>

**ETERNAL BEAUTY HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**27 Trade payables (Continued)**

The carrying amounts of trade payables are denominated in the following currencies:

	As at 1 April 2022 RMB'000	2023 RMB'000	As at 31 March 2024 RMB'000	2025 RMB'000
EUR	200,758	73,624	51,534	94,279
RMB	18,592	13,271	13,456	16,341
US\$	6,682	17,657	21,079	1,654
JPY	3,329	6,261	4,058	5,960
HK\$	130	2,685	3,096	1,271
	<u>229,491</u>	<u>113,498</u>	<u>93,223</u>	<u>119,505</u>

**28 Accruals and other payables - Group and Company**

**The Group**

	As at 1 April 2022 RMB'000	2023 RMB'000	As at 31 March 2024 RMB'000	2025 RMB'000
Current				
Accruals for advertising and promotion	80,971	79,456	83,837	56,076
Accrued staff cost	24,507	47,264	35,894	34,555
Advances received from third parties (Note)	43,170	29,000	26,500	-
Other payables and accruals	15,474	12,871	10,588	9,843
Other tax payables	13,107	8,857	9,682	13,537
Accrual for listing expenses	-	-	2,236	4,730
	<u>177,229</u>	<u>177,448</u>	<u>168,737</u>	<u>118,741</u>

Note: As at 1 April 2022, 31 March 2023 and 2024, advance received from third parties balance are unsecured, interest-free and repayable on demand. The carrying values of the balance approximate to their fair value. The balances are denominated in HK\$ and RMB.

Other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**ETERNAL BEAUTY HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**28 Accruals and other payables - Group and Company (Continued)**

**The Group (Continued)**

The carrying amounts of accruals and other payables are denominated in the following currencies:

	As at 1 April 2022 RMB'000	2023 RMB'000	As at 31 March 2024 RMB'000	2025 RMB'000
HK\$	13,889	12,116	14,269	9,247
US\$	6,290	2,950	2,562	2,796
EUR	27,024	21,584	19,293	1,452
RMB	129,952	140,796	132,608	105,246
Others	74	2	5	-
	<u>177,229</u>	<u>177,448</u>	<u>168,737</u>	<u>118,741</u>

**The Company**

	As at 31 March 2024 RMB'000	2025 RMB'000
Accrual for listing expenses	<u>2,236</u>	<u>4,730</u>

**29 Provisions**

	As at 1 April 2022 RMB'000	2023 RMB'000	As at 31 March 2024 RMB'000	2025 RMB'000
Non-current Provision for long service payment	<u>852</u>	<u>780</u>	<u>1,658</u>	<u>2,127</u>
	<u>852</u>	<u>780</u>	<u>1,658</u>	<u>2,127</u>
Current Provision of unutilised annual leave	<u>5,416</u>	<u>6,076</u>	<u>6,604</u>	<u>6,991</u>
Other provisions	<u>2,068</u>	<u>2,642</u>	<u>3,232</u>	<u>3,153</u>
	<u>7,484</u>	<u>8,718</u>	<u>9,836</u>	<u>10,144</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>8,336</u>	<u>9,498</u>	<u>11,494</u>	<u>12,271</u>

# ETERNAL BEAUTY HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 30 Bank borrowings and banking facilities

	As at 31 March 2025 RMB'000
Bank borrowings with repayment on demand clauses	33,183

As at 31 March 2025, the Group's bank borrowings were repayable as follows:

	As at 31 March 2025 RMB'000
Within 1 year	13,758
Between 1 and 2 years	14,451
Between 2 and 5 years	4,974
	33,183

All the borrowings as at 31 March 2025 are denominated in HK\$. The weighted average effective interest rate per annum for the years ended 31 March 2025 was 5.47%.

The banking facilities made available to subsidiaries of the Group are as follows:

	As at 1 April 2022		2023		As at 31 March 2024		2025	
	Available facilities RMB'000	Facilities utilised RMB'000	Available facilities RMB'000	Facilities utilised RMB'000	Available facilities RMB'000	Facilities utilised RMB'000	Available facilities RMB'000	Facilities utilised RMB'000
Banking facilities granted to a subsidiary of the Group	72,289	-	78,947	-	82,192	-	232,775	41,899

The Group's banking facilities as at 31 March 2023, 2024 and 2025 are secured and/or guaranteed by:

- (i) unlimited personal guarantees from a controlling shareholder as at 1 April 2022, 31 March 2023, 2024 and 2025. Such guarantee will be substituted with corporate guarantee by the Company upon the Listing.
- (ii) properties held by controlling shareholders and their son as at 1 April 2022, 31 March 2023 and 2024. Such guarantee was released on 16 May 2024.
- (iii) properties from a subsidiary of the Company as at 1 April 2022, 31 March 2023 and 2024. As at 1 April 2022 and 31 March 2023, the pledged properties, plant and equipment amounted to approximately RMB1,126,000, RMB1,167,000, right-of-use assets amounted to approximately RMB1,272,000, RMB1,334,000, respectively. As at 31 March 2024, the pledged assets classified as held for sale amounted to approximately RMB2,481,000. Such guarantee was released on 16 May 2024.
- (iv) properties from related parties of the Company as at 1 April 2022, 31 March 2023 and 2024. Such guarantee was released on 16 May 2024.

## **ETERNAL BEAUTY HOLDINGS LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **30 Bank borrowings and banking facilities (Continued)**

The bank borrowings have certain covenants and undertakings over Eternal Far East. These financial covenants include:

- Total liabilities and contingent liabilities should not exceed two times the tangible net worth of Eternal Far East.
- Net gearing ratio, at all times, should not exceed 0.3 times.

The Group was in compliance of these covenants and undertakings during the Relevant Periods.

#### **Accounting policies for bank borrowings and borrowing costs**

Bank borrowings are initially recognised at fair value, net of transaction costs incurred. Bank borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the bank borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Bank borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Bank borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Other borrowing costs are expensed in the period in which they are incurred.

**ETERNAL BEAUTY HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**31 Cash flows information**

**(a) Cash generated from operations:**

	Year ended 31 March		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Profit before income tax expense	226,935	232,617	260,696
Adjustments for:			
Share of loss of a joint venture	-	2,964	2,989
Depreciation of property, plant and equipment	16,325	23,051	25,466
Provision for impairment of property, plant and equipment	2,570	33	523
Amortisation of intangible assets	853	1,602	2,237
Depreciation of right-of-use assets	50,889	57,635	70,939
Provision for impairment of right-of-use assets	4,704	63	3,143
Finance income	(6,468)	(8,063)	(1,692)
Finance costs	2,667	4,034	6,225
(Gains)/losses on financial asset/liability at FVPL	(145)	479	620
(Gains)/losses on disposal on property, plant and equipment	(445)	53	(183)
(Gains)/losses on early termination of leases	(21)	(844)	773
Gains on disposal of assets classified as held for sale	-	-	(14,795)
Provision for/(reversal of) impairment of financial assets	622	474	(605)
Provision for impairment of inventories	3,767	6,312	5,869
Provision for unutilised annual leave	469	394	314
(Reversal of)/provision for long service payment	(144)	1,046	431
Share-based payment expense	-	13,595	-
Expenses relating to short-term leases	13,794	12,859	432
Operating profit before changes in working capital	316,372	348,304	363,382
Changes in working capital:			
Inventories	56,407	(38,283)	(49,118)
Trade receivables	(36,505)	(15,684)	(73,405)
Deposits, prepayments and other receivables	24,871	(29,714)	35,430
Trade payables	(115,993)	(22,736)	24,388
Accruals and other payables and provisions	(2,608)	(9,543)	(50,334)
Contract liabilities	1,474	(7,606)	(3,031)
Amount due from a joint venture	-	(13,430)	9,337
Net cash generated from operations	244,018	211,308	256,649



**ETERNAL BEAUTY HOLDINGS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****31 Cash flows information (Continued)****(b) In the consolidated statements of cash flows, proceed from disposals of property, plant, and equipment comprise:**

	Year ended 31 March		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Proceeds from disposal of property, plant and equipment	599	163	2,978
Less: Net book amount	(154)	(216)	(2,795)
	<hr/>	<hr/>	<hr/>
Gains/(losses) on disposal of property, plant and equipment	445	(53)	183
	<hr/>	<hr/>	<hr/>

ETERNAL BEAUTY HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 Cash flows information (Continued)

(c) Cash flow information - financing activities

The movements of liabilities from financing activities for each of the years ended 31 March 2023, 2024 and 2025:

	Other asset	Liabilities from financing activities					Total RMB'000
		Amounts due to related parties RMB'000	Amount due (to)/from a shareholder RMB'000	Amount due to a director RMB'000	Lease liabilities RMB'000		
<b>As at 1 April 2022</b>							
Foreign exchange adjustments	307,393	(56,543)	(1,506)	(41,353)	(77,227)		130,764
Cash flows (including dividends paid)	43,838	(4,746)	2	(1,790)	(2,829)		34,475
Non-cash items:	(30,769)	5,162	1,614	155,871	52,878		184,756
Addition of leases	-	-	-	-	(54,330)		(54,330)
Dividend declared	-	-	-	(189,421)	-		(189,421)
Early termination of leases	-	-	-	-	11,170		11,170
Interest expense	-	-	-	-	(2,667)		(2,667)
Non-cash rental expense	-	(5,814)	-	-	-		(5,814)
<b>As at 31 March 2023</b>	320,462	(61,941)	110	(76,693)	(73,005)		108,933

ETERNAL BEAUTY HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 Cash flows information (Continued)

(c) Cash flow information - financing activities (Continued)

	Other asset	Amounts due to related parties RMB'000	Liabilities from financing activities	
	Cash and cash equivalents RMB'000	Amounts due to related parties RMB'000	Amount due (to)/from a shareholder RMB'000	Lease liabilities RMB'000
			Amount due to a director RMB'000	Total RMB'000
<b>As at 1 April 2023</b>	320,462	(61,941)	(76,693)	108,933
Foreign exchange adjustments	20,875	(628)	(3,817)	14,694
Cash flows (including dividends paid)	(190,408)	61,017	207,897	143,925
Non-cash movements:				
Addition of leases	-	-	-	(75,958)
Early termination of leases	-	-	-	3,881
Dividend declared	-	-	(314,338)	(314,338)
Interest expenses	-	-	-	(4,034)
Non-cash rental expense	-	(5,493)	-	(5,493)
<b>As at 31 March 2024</b>	150,929	(7,045)	(186,951)	(128,390)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## ETERNAL BEAUTY HOLDINGS LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 31 Cash flows information (Continued)

##### (d) Major non-cash transactions:

- (i) During the year ended 31 March 2023, 2024 and 2025, the group companies declared interim dividend of RMB189,421,000, RMB314,338,000 and nil to its then shareholders. Upon the shareholders' resolutions, Mr. Lau Kui Wing received dividend on behalf of the remaining shareholders of the group companies.
- (ii) During the year ended 31 March 2023, 2024 and 2025, the Company agreed to set off the rent payable of RMB7,980,000, RMB7,366,000 and nil through amounts due from related parties.

During the year ended 31 March 2023, 2024 and 2025, the Company agreed to set off the rent payable of RMB5,814,000, RMB5,493,000 and RMB432,000 through amounts due to related parties.

#### 32 Commitments

##### Short-term lease commitments

The Group had future aggregate minimum lease payments under short-term, non-cancellable leases in relations to rental for office premises and warehouses as follows:

	As at 1 April 2022 RMB'000	2023 RMB'000	As at 31 March 2024 RMB'000	2025 RMB'000
No later than 1 year	5,614	9,842	14,988	15,700

## ETERNAL BEAUTY HOLDINGS LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 33 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family members of the Group are also considered as related parties.

- (a) The directors of the Company are of the view that the following parties/companies were related parties that had transactions or balances with the Group during the Relevant Periods:

Name of related parties	Relationship with the Company
Mr. Lau	Chairman, executive director and controlling shareholder
Mrs. Lau	Mr. Lau's spouse and controlling shareholder
Mr. Lau Andy Wing Hang	Mr. Lau's son
Ms. Lau Wing Yin	Mr. Lau's daughter and director
Glasworld International Limited (嘉恒國際有限公司)	Controlled by Mr. Lau
Gold Vision Limited	Controlled by Mr. Lau Andy Wing Hang
Land Pacific Investment Limited (立恒投資有限公司)	Controlled by Mr. Lau
Hainan Xiayi Industrial Co., Ltd. (海南夏意實業有限公司)	Controlled by Mr. Lau
Shanghai Xiayi International Trading Co., Ltd. (上海夏意國際貿易有限公司)	Controlled by Mr. Lau
Zhejiang Zhitong Trade Co., Ltd. (浙江自貿區穎通貿易有限公司)	Controlled by Mr. Lau
Eternal Beauty International Limited	Controlled by Mr. Lau
Forever Concept Limited	Controlled by Mrs. Lau
B&E China Holdings Limited	Joint venture

The English names of certain related parties represent the best effort by the directors of the Company in translating their Chinese names as they do not have official English names.

- (b) The following transactions were carried out with related parties:

The following significant transactions were carried out between the Group and its related parties during the Relevant Periods. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

# ETERNAL BEAUTY HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 33 Related party transactions (Continued)

Save as disclosed in Note 10 and 34 of this report during the Relevant Periods, the following transactions were carried out with related parties:

	Year ended 31 March		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Salaries paid to related parties	1,467	1,535	1,558
Rental paid/payable to related parties	15,104	13,807	15,574
Management fee income from a related company	78	82	-
Sales and management fee income from a joint venture	-	16,923	5,939
Royalty fee paid to a joint venture	-	3,456	480
Sales to related companies	25	36	36

The transactions are conducted in the normal course of business at prices and terms as agreed between the Group and the related parties.

#### (c) Key management compensation

The directors of the Company is considered to be the key management of the Company. Details of key management compensation are set out in Note 34.

#### (d) Amount due to a director

	As at 1 April 2022 RMB'000	2023 RMB'000	As at 31 March 2024 RMB'000	2025 RMB'000
Amount due to a director - Mr. Lau	(41,353)	(76,693)	(186,951)	(116,281)

As at 1 April 2022, 31 March 2023, 2024 and 2025, balances to a director of the Group are unsecured, non-trade in nature interest-free and repayable on demand and approximate their fair values. The balances with a director are denominated in HK\$ and RMB. All amount due to a director is expected to be settled prior to Listing.

#### (e) Amount due to/from a shareholder

	As at 1 April 2022 RMB'000	2023 RMB'000	As at 31 March 2024 RMB'000	2025 RMB'000
Amount due from a shareholder - Mrs. Lau	-	110	271	-
Amount due to a shareholder - Mrs. Lau	(1,506)	-	-	-

# ETERNAL BEAUTY HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 33 Related party transactions (Continued)

#### (e) Amount due to/from a shareholder (Continued)

As at 1 April 2022, 31 March 2023 and 2024, non-trade payable to/receivable from a shareholder is unsecured, interest-free and repayable on demand. The carrying values of the balance approximate to their fair value. The balances are denominated in HK\$ and RMB.

#### (f) Amounts due from/to related companies

	As at 1 April 2022 RMB'000	2023 RMB'000	As at 31 March 2024 RMB'000	2025 RMB'000
Non-current Amounts due from related companies	61,147	55,000	-	-
Current Amounts due from related companies	13	984	51,155	43,006
Amounts due to related companies	(56,543)	(61,941)	(7,045)	-

As at 1 April 2022, 31 March 2023, 2024 and 2025, non-trade receivable from/payables to related parties are unsecured, interest-free and repayable on demand. The carrying values of the balance approximate their fair value. The balances with related parties are denominated in HK\$ and RMB. As at 31 March 2023, the directors of the Company do not expect such balance to be repaid by the related companies within 12 months of the reporting period and classified the balance as non-current assets. The balances of the amounts due from related companies as at 31 March 2025 has been fully settled by 13 June 2025.

#### (g) Amounts due from/to the immediate holding company and group companies

##### The Company

As at 31 March 2024 and 2025, non-trade receivable from immediate holding company and non-trade payables to group companies are unsecured, interest-free and repayable on demand. The carrying values of the balance approximate their fair value. The amount due from the immediate holding company is denominated in US\$ and amounts due to group companies are denominated in HK\$.

#### (h) Security

The buildings of directors, Mr. Lau's son and related parties are pledged to secure the Group's banking facilities. Details refer to Note 30.



# ETERNAL BEAUTY HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 34 Benefits and interests of directors

#### (a) Directors' emoluments

The remuneration shown below represents remuneration received by the directors in their capacity as employees/directors of the companies comprising the Group during the Relevant Periods. The remuneration of each director paid/payable for each of the years ended 31 March 2023, 2024 and 2025 were set out below:

Name	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Allowance and benefits in kind RMB'000	Employer's contribution to a retirement benefit scheme -defined contribution RMB'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Listing Business RMB'000	Total RMB'000
<b>For the year ended 31 March 2023</b>							
<b>Executive director and Chairman</b>							
Mr. Lau	-	6,879	1,678	1,414	1,284	-	11,255
<b>Executive director</b>							
Ms. Lam King	-	1,393	1,386	-	16	-	2,795
Ms. Lau Wing Yin	-	995	759	-	16	-	1,770
Total	-	9,267	3,823	1,414	1,316	-	15,820

**ETERNAL BEAUTY HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**34 Benefits and interests of directors (Continued)**

**(a) Directors' emoluments (Continued)**

Name	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Allowance and benefits in kind RMB'000	Employer's contribution to a retirement benefit scheme -defined contribution RMB'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Listing Business RMB'000	Total RMB'000
<b>For the year ended 31 March 2024</b>							
<b>Executive director and Chairman</b>							
Mr. Lau	-	7,439	1,759	1,657	1,380	-	12,235
<b>Executive directors</b>							
Ms. Lam King	-	1,765	1,525	-	16	-	3,306
Ms. Lau Wing Yin	-	1,138	835	-	16	-	1,989
Mr. Chu Wai Tsun Baggio	-	1,050	200	-	15	-	1,265
Total	-	11,392	4,319	1,657	1,427	-	18,795

ETERNAL BEAUTY HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 Benefits and interests of directors (Continued)

(a) Directors' emoluments (Continued)

Name	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Allowance and benefits in kind RMB'000	Employer's contribution to a retirement benefit scheme -defined contribution RMB'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Listing Business RMB'000	Total RMB'000
<b>For the year ended 31 March 2025</b>							
<b>Executive director and Chairman</b>							
Mr. Lau	-	7,539	1,829	1,851	1,405	-	12,624
<b>Executive directors</b>							
Ms. Lam King	-	1,853	1,831	206	17	-	3,907
Ms. Lau Wing Yin	-	1,327	901	94	17	-	2,339
Mr. Chu Wai Tsun Baggio	-	1,275	534	-	17	-	1,826
Total	-	11,994	5,095	2,151	1,456	-	20,696

## **ETERNAL BEAUTY HOLDINGS LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **34 Benefits and interests of directors (Continued)**

##### **(a) Directors' emoluments (Continued)**

Mr. Lau was appointed as executive director of the Company on 9 January 2024 and Ms. Lam King, Ms. Lau Wing Yin and Mr. Chu Wai Tsun Baggio were appointed as executive directors of the Company on 10 July 2024. Mr. Tao Chi Keung, Mr. Nagy Guillaume Nicolas Sébastien and Ms. Chan Soh Cheng were appointed as independent non-executive directors of the Company on 6 June 2025. During the Relevant Periods, the independent non-executive directors have not yet been appointed and did not receive directors' remuneration in the capacity of independent non-executive directors. All of these individuals have not received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for the loss of office during the Relevant Periods.

##### **(b) Directors' termination benefits**

No payment was made to the directors as compensation for the early termination of the appointment during the Relevant Periods.

##### **(c) Consideration provided to third parties for making available directors' services**

During the years ended 31 March 2023, 2024 and 2025, the Company did not pay consideration to any third parties for making available directors' services.

##### **(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors**

As at 1 April 2022, 31 March 2023, 2024 and 2025, there are no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and controlled entities with such directors.

##### **(e) Directors' material interests in transactions, arrangements or contracts**

Except as disclosed in Note 33, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Relevant Periods or at any time during the years ended 31 March 2023, 2024 and 2025.

#### **35 Events after the reporting period**

On 22 May 2025, the Group entered into a sale and purchase agreement with Kering Beauté SAS ("Kering") pursuant to which the Group agreed to dispose 100% issued share capital of E&C Holdings Limited to Kering at a total consideration of RMB82.5 million. Upon the completion of the disposal, E&C Holdings Limited will cease to be the Group's subsidiary. E&C Holdings is an investment holding company with two subsidiaries, namely, E&C (Hong Kong) Trading Limited and CREED Shanghai Cosmetics Limited, both of which are primarily engaged in the exclusive trading and retailing of perfumes.

## **ETERNAL BEAUTY HOLDINGS LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **36 Summary of other accounting policies**

##### **36.1 Subsidiaries**

###### **36.1.1 Consolidation**

Subsidiaries are all entities (including a structured entities) over which the Group has control. The Group controls the entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

###### **36.1.2 Separate financial statements**

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

###### **36.1.3 Business combination**

###### **Business combinations under common control**

The Consolidated financial statements incorporate the financial statement items of the entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

A uniform set of accounting polices is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities or businesses are eliminated.

## **ETERNAL BEAUTY HOLDINGS LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **36.2 Segment reporting**

Operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that makes strategic decisions.

#### **36.3 Joint Arrangements**

##### **(i) Joint Arrangements**

Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

##### **(ii) Equity Method**

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### **36.4 Foreign currency translation**

##### **(a) Functional and presentation currency**

Items included in the Consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Consolidated financial statements are presented in RMB, which is the Company's functional and the Company's and the Group's presentation currency.

##### **(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statements of comprehensive income.

## **ETERNAL BEAUTY HOLDINGS LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **36.4 Foreign currency translation**

##### **(b) Transactions and balances (Continued)**

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

##### **(c) Group companies**

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

#### **36.5 Intangible asset**

Intangible asset represents a club membership and computer software that are stated at cost less impairment losses, if any. The carrying amount of the club membership and computer software are reviewed at the end of each reporting period to assess whether the fair value has declined below the carrying amount. When a decline other than temporary has occurred, the carrying amount of such club membership is reduced to its fair value. The amount of the reduction is recognised as an expense in the statement of comprehensive income.

#### **36.6 Impairment of non-financial assets**

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.



## **ETERNAL BEAUTY HOLDINGS LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **36.7 Non-current assets held for sale**

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

#### **36.8 Financial assets**

##### **36.8.1 Classification**

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss, and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

##### **36.8.2 Recognition and derecognition**

Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.



## ETERNAL BEAUTY HOLDINGS LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 36.8 Financial assets (Continued)

##### 36.8.3 Measurement

At initial recognition, the Group measures financial assets at fair value through profit and loss plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset.

##### Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains, net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statements of comprehensive income.
- **Fair value through profit or loss ("FVTPL"):** A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the consolidated statements of comprehensive income in the period in which it arises.

##### 36.8.4 Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and other receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For other financial assets at amortised cost, including amount due from a joint venture, amount due from a director and amounts due from related companies, the Group has assessed that the expected credit losses for these receivables are not material under the 12 months expected losses method.

##### 36.8.5 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

## **ETERNAL BEAUTY HOLDINGS LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **36.9 Cash and cash equivalents**

For the purpose of presentation in the consolidated statements of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### **36.10 Trade and other receivables**

Trade and other receivables are amounts due from customers for the merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If no, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See Note 36.8.4 for a description of the Group's impairment policy.

#### **36.11 Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

#### **36.12 Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditures required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

## **ETERNAL BEAUTY HOLDINGS LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **36.13 Earnings per share**

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares.
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

#### **36.14 Dividend distribution**

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

#### **36.15 Interest income**

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the consolidated statements of comprehensive income as part of finance income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.