PERFECT SHAPE BEAUTY TECHNOLOGY LIMITED

必瘦站美容科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1830)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2017

HIGHLIGHTS

- The Group's revenue for the year decreased by 14% year-on-year to HK$757 million
- The Group's earnings before interest, tax and depreciation for the year decreased by 15% year-on-year to HK$198 million
- The Group's net profit for the year decreased by 30% year-on-year to HK$91 million
- The Group improved its performance in the second half of the financial year with growth in net profit by 40% when compared to first half of the financial year
- Cash generated from operations increased by 12% year-on-year to HK$245 million
- Cash used in repurchase of shares increased by 248% year-on-year to HK$21 million
- Basic earnings per share was HK8.2 cents
- Final dividend of HK4.6 cents per share and special final dividend of HK5.0 cents per share were proposed to mark the 5th listing anniversary of the Company. Total dividend per share for the year was HK13.0 cents, representing a payout ratio of approximately 159%

FINAL RESULTS

The board of directors (the "Board") of Perfect Shape Beauty Technology Limited (the "Company") announces the results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2017, together with the comparative figures for the year ended 31 March 2016 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Note	2017 HK$'000	2016 HK$'000
Revenue	3	**756,975**	879,122
Other income		**2,761**	2,055
Other losses — net		**(6,380)**	(8,110)
Cost of inventories and consumables		**(15,250)**	(16,034)
Employee benefit and manpower service expenses	4	**(248,569)**	(266,796)
Marketing expenses		**(76,439)**	(113,698)
Depreciation		**(85,989)**	(79,796)
Operating lease rentals		**(110,041)**	(105,486)
Other operating expenses		**(105,194)**	(137,290)
Operating profit		**111,874**	153,967
Finance income		**5,235**	6,747
Profit before income tax		**117,109**	160,714
Income tax expense	5	**(25,753)**	(30,697)
Profit for the year attributable to equity holders of the Company		**91,356**	130,017
Other comprehensive income/(losses):			
Items that have been reclassified or may be reclassified subsequently to profit or loss:			
Currency translation differences		**(3,882)**	(4,651)
Available-for-sale financial assets:			
— Fair value gains/(losses)		**9,302**	(7,805)
— Fair value gains recycled to profit or loss upon disposal of the relevant financial assets		**(303)**	—
Total other comprehensive income/(losses) for the year, net of tax		**5,117**	(12,456)
Total comprehensive income for the year attributable to equity holders of the Company		**96,473**	117,561
Earnings per share attributable to equity holders of the Company for the year	6		
— basic		**HK8.2 cents**	HK11.6 cents
— diluted		**HK8.2 cents**	HK11.6 cents

CONSOLIDATED BALANCE SHEET
As at 31 March 2017

	Note	2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**184,816**	229,161
Deposits and prepayments		**31,826**	33,637
Available-for-sale financial assets		**52,358**	37,934
Deferred income tax assets		**10,651**	7,854
		279,651	308,586
Current assets			
Inventories		**1,267**	4,507
Trade receivables	8	**63,522**	57,183
Other receivables, deposits and prepayments		**46,417**	48,874
Tax recoverables		**19,876**	—
Term deposits with initial terms of over three months		**206**	26,829
Pledged bank deposits		**28,056**	24,881
Cash and cash equivalents		**298,994**	234,926
		458,338	397,200
Total assets		**737,989**	705,786
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**109,391**	112,200
Share premium		**280,533**	302,016
Other reserves		**12,521**	(2,266)
Retained earnings		**51,277**	55,377
Total equity		**453,722**	467,327
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**18,020**	15,052
Provision for reinstatement costs		**7,030**	5,281
		25,050	20,333
Current liabilities			
Provision for reinstatement costs		**2,242**	1,554
Trade payables	9	**776**	932
Accruals and other payables		**65,450**	67,831
Deferred revenue		**173,287**	132,097
Tax payables		**17,462**	15,712
		259,217	218,126
Total liabilities		**284,267**	238,459
Total equity and liabilities		**737,989**	705,786

1 GENERAL INFORMATION

Perfect Shape Beauty Technology Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in the provision of slimming and high technology beauty services in Hong Kong ("HK"), the People's Republic of China (the "PRC") and Macau.

The Company was incorporated in the Cayman Islands on 11 March 2011 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 10 February 2012.

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated, and have been approved for issue by the Board of Directors on 30 June 2017.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) New standard and amendments to existing standards adopted by the Group

HKAS 1 (Amendment)	The Disclosure Initiative
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendment)	Agriculture: Bearer Plants
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
Annual Improvements 2012–2014 Cycle	Improvements to HKFRSs

The adoption of the above new standard and amendments to existing standards has no significant impact to the Group's financial position and operating results.

(b) New standards and amendments to existing standards that have been issued but are not effective

		Effective for accounting periods beginning on or after
HKFRS 7 (Amendments)	Disclosure Initiative	1 January 2017
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS4 Insurance Contracts	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 15 (Amendment)	Clarifications to HKFRS 15	1 January 2018
HKFRS 16	Leases	1 January 2019

The directors have already commenced the assessment of the impact of the adoption of the above new standards and amendments to existing standards and are not yet in a position to state whether these would have a significant impact on its financial performance and position.

3 SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. As the Group is principally engaged in the provision of beauty and slimming services and the sales of beauty and slimming products, which are subject to similar business risk, and resources are allocated based on what is beneficial to the Group in enhancing the value as a whole rather than any specific unit, the Group's chief operating decision maker considers that the performance assessment of the Group should be based on the profit before income tax of the Group as a whole. Therefore, management considers there to be only one operating segment under the requirements of HKFRS 8.

In light of effective management of the Group's business, the segment information previously presented by geographic locations under "Macau" and "Hong Kong" have been combined as "Hong Kong and Macau" from 1 April 2016 onwards, both in the internal management reports adopted by the Group's chief operating decision-makers, and in the consolidated financial statements of the Group. The comparative figures have also been reclassified to conform to the new presentation. The above changes in segment information were adopted to better reflect the current operations of the Group, as well as the resource allocation and future business developments of the Group.

The Group primarily operates in "Hong Kong and Macau" and the "PRC", and its revenue was derived from the following regions:

	2017	2016
	HK$'000	*HK$'000*
Hong Kong and Macau	**511,234**	618,796
The PRC	**245,741**	260,326
	756,975	879,122

The consolidated profit before income tax of the Group, prior to certain intra-group recharges, was attributable to the profits of the following regions:

	2017	2016
	HK$'000	*HK$'000*
Hong Kong and Macau	**54,889**	130,723
The PRC	**62,220**	29,991
	117,109	160,714

The Group's total non-current assets other than deferred income tax assets and available-for-sale financial assets were located in the following regions:

	2017	2016
	HK$'000	*HK$'000*
Hong Kong and Macau	**176,605**	210,853
The PRC	**40,037**	51,945
	216,642	262,798

The Group's capital expenditures were incurred in the following regions:

	2017	2016
	HK$'000	*HK$'000*
Hong Kong and Macau	**31,643**	75,135
The PRC	**11,339**	36,987
	42,982	112,122

Capital expenditures were allocated based on where the assets were located.

4 EMPLOYEE BENEFIT AND MANPOWER SERVICE EXPENSES

	2017	2016
	HK$'000	*HK$'000*
Wages and salaries	**227,050**	241,308
Pension costs — defined contribution plans *(Note a)*	**8,564**	13,775
Share-based payment expenses	**4,231**	1,483
Other staff welfares	**7,759**	6,446
Total employee benefit expenses (including directors' remunerations)	**247,604**	263,012
Manpower service costs *(Note b)*	**965**	3,784
	248,569	266,796

(a) Pension costs — defined contribution plans

Hong Kong

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), which is a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Hong Kong subsidiaries of the Group and its Hong Kong employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The respective monthly contributions made by the Group and the employee are subject to a cap of HK$1,500 with contributions beyond these amounts being voluntary.

The PRC

As stipulated under the relevant rules and regulations in the PRC, the subsidiaries operating in the PRC contribute to state-sponsored retirement plans for its employees. Depending on the provinces of their registered residences and their current regions of work, the employees contribute approximately 0% to 11% (2016: 0% to 11%) of their basic salaries, while the subsidiaries contribute approximately 16% to 32% (2016: 16% to 35%) of the basic salaries of its employees and have no further obligations for the actual payment of pensions or post-retirement benefits beyond the contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to the retired employees.

(b) Manpower service costs

During the years ended 31 March 2017 and 2016, the Group entered into certain manpower service arrangements with several external manpower service organisations in the PRC. Under these arrangements, certain of the Group's manpower requirements were fulfilled by these organisations at agreed service fees whereas the human resources provided were directly employed by the relevant service organisations. The individuals providing services to the Group do not have any employment relationship with the Group.

5 INCOME TAX EXPENSE

The Group is not subject to taxation in the Cayman Islands and the British Virgin Islands. Hong Kong profits tax has been provided for at the rate of 16.5% (2016: 16.5%) for the year on the estimated assessable profits arising in or derived from Hong Kong. Companies established and operating in the PRC are subject to PRC corporate income tax at the rate of 25% (2016: 25%). Companies incorporated and operating in Macau are subject to Macau complementary tax, under which taxable income of up to MOP600,000 is exempted from taxation with amounts beyond this amount to be taxed at a fixed rate of 12% for the years ended 31 March 2017 and 2016.

	2017	2016
	HK$'000	*HK$'000*
Current income taxation		
— Hong Kong and Macau	**10,124**	23,113
— PRC	**16,054**	5,774
	26,178	28,887
Over-provision in prior years		
— Hong Kong	**(3,451)**	(2,496)
Total current income taxation	**22,727**	26,391
Deferred taxation	**3,026**	4,306
	25,753	30,697

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the companies within the Group as follows:

	2017	2016
	HK$'000	*HK$'000*
Profit before income tax	**117,109**	160,714
Tax calculated at the applicable domestic tax rates *(Note a)*	**24,054**	27,864
Income not subject to tax	**(465)**	(599)
Expenses not deductible	**453**	496
Tax effect of unrecognised tax losses	**1,463**	3,874
Utilisation of tax losses and other temporary differences previously not recognised	**(1,199)**	(1,162)
Effect of PRC withholding taxes	**5,410**	3,338
Tax credit *(Note b)*	**(466)**	(558)
Over-provision in prior years	**(3,451)**	(2,496)
Others	**(46)**	(60)
Tax charge	**25,753**	30,697

Notes:

(a) The weighted average applicable tax rate for the year ended 31 March 2017 was 20.5% (2016: 17.3%). The fluctuation in the weighted average applicable tax rate arose mainly because of the change in the relative profitability of the companies within the Group in different regions with different tax rates.

(b) Pursuant to the arrangement between Mainland China and Hong Kong tax authorities on the Avoidance of Double Taxation on Income, the Group is entitled to a tax credit for the withholding income tax paid in relation to the royalty income from its PRC companies that is also subject to Hong Kong profits tax.

6 EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2017	2016
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**91,356**	130,017
Weighted average number of ordinary shares for the purposes of basic earnings per share *(thousands of shares)*	**1,116,289**	1,124,257
Basic earnings per share *(HK cents per share)*	**8.2**	11.6

Diluted

Diluted earnings per share is of the same amount as the basic earnings per share. During the years ended 31 March 2017 and 2016, the exercise of the outstanding share options would be anti-dilutive.

7 DIVIDENDS

	2017	2016
	HK$'000	*HK$'000*
Interim, paid, of HK3.4 cents (2016: HK6.7 cents) per ordinary share *(notes i and iii)*	**37,848**	75,129
Final, proposed, of HK4.6 cents (2016: HK4.9 cents) per ordinary share *(notes ii and iv)*	**50,320**	54,978
Special, proposed, of HK5.0 cents (2016: HK nil) per ordinary share *(note iv)*	**54,695**	—
	142,863	130,107

Notes:

(i) At a board meeting held on 18 November 2015, the directors declared an interim dividend for the year ended 31 March 2016 of HK6.7 cents per ordinary share, totaling HK$75,129,000, which was paid on 4 January 2016 and was reflected as an appropriation of retained earnings for the year ended 31 March 2016.

(ii) At a board meeting held on 30 June 2016, the directors declared the payment of a final dividend of HK4.9 cents per ordinary share, totaling HK$54,978,000 for the year ended 31 March 2016. The amount was paid on 30 September 2016 and was reflected as an appropriation of retained earnings for the year ended 31 March 2017.

(iii) At a board meeting held on 30 November 2016, the directors declared an interim dividend for the year ended 31 March 2017 of HK3.4 cents per ordinary share, totaling HK$37,848,000, which was paid on 31 January 2017 and was reflected as an appropriation of retained earnings for the year ended 31 March 2017.

(iv) At a board meeting held on 30 June 2017, the directors recommended the payment of a final and special dividend of HK4.6 cents and HK5.0 cents per ordinary share, totaling HK$50,320,000 and HK$54,695,000 respectively. The dividends were not reflected as dividends payable in these consolidated financial statements, but will be reflected as an appropriation of retained earnings and share premium for the year ending 31 March 2018 respectively after receiving the shareholders' approval at the forthcoming annual general meeting.

8 TRADE RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**63,522**	57,183

The Group's trade receivables were denominated in the following currencies:

	2017	2016
	HK$'000	*HK$'000*
Hong Kong dollars	**58,149**	53,624
Chinese Renminbi ("RMB")	**2,269**	2,253
Macau Patacas	**3,104**	1,306
	63,522	57,183

There is no concentration of credit risk with respect to trade receivables as there are a dispersed number of financial institutions with high individual credit ratings through which the credit card and instalment sales arrangements are entered into.

The credit terms of the Group's trade receivables generally range from 3 days to 180 days (2016: 3 days to 180 days). The ageing analysis of trade receivables by the dates on which the relevant invoices are issued is as follows:

	2017	2016
	HK$'000	*HK$'000*
Less than 60 days	**55,681**	47,057
60 days to 90 days	**5,110**	7,330
91 days to 120 days	**2,731**	2,796
	63,522	57,183

At 31 March 2017, trade receivables of approximately HK$4,109,000 (2016: HK$7,996,000) were past due but not considered to be impaired because they were mainly related to a number of financial institutions of high individual credit ratings with no recent history of default. The ageing analysis of these trade receivables by the days of overdue repayment is as follows:

	2017	2016
	HK$'000	*HK$'000*
Less than 60 days	**3,854**	7,983
60 days to 120 days	**255**	13
	4,109	7,996

The credit quality of trade receivables neither past due nor impaired has been assessed by reference to historical information about the counterparty default rates. The existing counterparties do not have significant defaults in the past.

As at 31 March 2017 and 2016, no collateral was received from these counterparties.

As at 31 March 2017 and 2016 and during the years then ended, no trade receivables were impaired.

9 TRADE PAYABLES

Payment terms with majority of the suppliers are on open account. Certain suppliers grant credit period ranging from 30 to 180 days (2016: 30 to 180 days).

At 31 March 2017 and 2016, the ageing analysis of trade payables based on invoice date is as follows:

	2017	2016
	HK$'000	*HK$'000*
Less than 60 days	**186**	88
60 days to 120 days	**3**	182
Over 120 days	**587**	662
	776	932

The Group's trade payables were denominated in the following currencies:

	2017	2016
	HK$'000	*HK$'000*
Hong Kong dollars	**269**	284
RMB	**507**	648
	776	932

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

For the year ended 31 March 2017 (the "FY2017"), the Group recorded revenue decrease by 14% to HK$757 million and the Group's earnings before interest, tax and depreciation decreased by 15% to HK$198 million. Profit before income tax eased to 27% year-on-year from HK$161 million to HK$117 million. Operating profit margin and net profit margin remained healthy position at 15% and 12% respectively. Profit attributable to shareholders of the Group eased by 30% to HK$91 million year-on-year. Benefitting from the sales rebound and operating leverage in second half of FY2017, the Group improved its performance in the second half of FY2017 when compared to first half of FY2017, with a growth in net profit by 40% from HK$38 million to HK$53 million.

Hong Kong and Macau Business

During FY2017, revenue contributed from the Hong Kong and Macau markets recorded a decrease of 17% to HK$511 million from HK$619 million in FY2016. Local consumption sentiment was weak due to a slowdown in the economy and poor stock market performance. Hence, consumer spending on service packages are more conservative. Our slimming and high technology beauty service business was inevitably affected but to a lesser extent which can be attributed to the Group's strong capability of answering customers' needs on a physical and psychological level, while also allowing the Group to benefit from higher efficiency and economies of scale. Leveraging on our excellent service management that facilitates greater quality assurance, our management is confident of the future prospects of our business.

The Mainland China Business

During FY2017, revenue contributed from the Mainland China market was HK$246 million (FY2016: HK$260 million), contributing 32% of the Group's total revenue. As the People's Republic of China government implemented tax reform by changing the business tax into value-added tax in May 2016, the revenue prior to May 2016 included business tax, while starting from May 2016, the value-added tax was not accounted for as revenue and thus led to a decrease in revenue. If excluding business tax for both FY2017 and FY2016 at HK$1 million and HK$13 million respectively, the actual revenue was still maintained at a stable level to HK$245 million (FY2016: HK$247 million).

The Group has well established a strong network in the Mainland China. With the government self-imposed macroeconomic discipline that led to softness in both domestic and external economies, the Group faced challenges in the Mainland China's retail market. Heedless of this unfavourable environment, the Group has successfully leveraged on its leading market position and board-based clientele. As with previous marketing policy, the Group delegated more resources to further enhance brand awareness with the aim of attracting a broader base of clients. The Group launched a client-referral program and this program strategically aims to capture more new customers to expand our member base. With all these efforts, we succeeded in attracting around 13,000 new members during FY2017.

Leveraging our management's strong medical background and the Group's advanced technology, we are committed to leading the trend of high technology beauty treatments and instill our high standard of high technology beauty services into our impressive clientele base. The Group intends to integrate high technology beauty services into the existing slimming centres in the forthcoming financial year and these comprehensive service centres will add impressive dynamic to our business. With the expansion of high technology beauty service centres, the Group will be able to extend our customer base and brand loyalty even further.

In view of consumers' ongoing migration towards premium brands for beauty services, the Group is set to replicate its successful business model of high technology beauty services in Hong Kong to the Mainland China market, offering one-stop services including both slimming and high technology beauty treatments.

Prospects

Looking forward, the retail market in Hong Kong and Mainland China remains challenging and difficult given the lingering global economic uncertainties. A cautious and prudent approach to achieving organic growth will therefore continue to be adopted in managing the coming year. However, the Group has a long track record of profitable success no matter under an upsurge economic environment or headwinds. In FY2017, our growth saw a slowdown. However, it has turned into a motive power, reminding us it is time to make a change — further differentiate ourselves in the market and be equipped ourselves confronting the headwinds. We continue to have faith that we can progressively improve our profitability by streamlining our operational processes and strategic efficiency. To change challenges into opportunities, we will focus on developing and strengthening our core business, rapidly adapting our consumer's changing appetite, rationalizing our shop network expansion plan, enhancing our culture of service excellence and exploring merger and acquisition opportunities to leveraging up our business against the market threat. Along with these effective initiatives, the Group will continue to strive for excellence as being the pioneer in the industry.

Whilst economic growth in Mainland China has moderated in recent years, the country, as the world's second largest economy, is expected to remain the key growth driver for the world economy. The ongoing economic reforms and expansion of middle and upper classes in Mainland China will drive sustainable growth in consumption on healthcare and beauty services. Looking forward to the coming year, the Mainland China market will continue to bring enormous opportunity to the business of the Group. In the coming year, the Group will further improve services quality. At the same time, we will seek to carefully expand the retail network to meet the increasing consumption demand from the customers and capture further market shares.

We will build on our achievements to establish a firmer position as a leading company in the industry, and are determined to solidify our platform for sustainable growth. There is no shadow of doubt in our mind that this will push the Group's overall level of earnings higher over the long run and enhance our corporate value both substantially and comprehensively. The Group will continue with its goal of not only satisfying customers' needs, but exceeding their expectations. The Group's growth strategy will primarily be focused on increasing its core competencies and further boosting its core strengthen in areas such as its ability to provide a superior customer experience, to engage consumers, and to run its operations effectively. These remain the keys to successful future especially in the face of the current business challenges.

As a reputable service provider, the Group is well positioned to benefit from the growth opportunities in the healthcare and beauty services.

Liquidity, Financial Resources and Capital Structure

The total equity of the Group as at 31 March 2017 was HK$454 million (FY2016: HK$467 million). The Group generally finances its operation with internally generated cash flows. The Group had bank and cash balance of approximately HK$327 million as at 31 March 2017 (FY2016: HK$287 million), without external bank borrowing. The Group's gearing ratio as at 31 March 2017 was nil (FY2016: nil), based on the short-term and long-term interest bearing bank borrowings and the equity attributable to equity holders of the Company. As at 31 March 2017, the Group had net current assets of approximately HK$199 million (FY2016: HK$179 million).

Cash generated from operations in FY2017 was approximately HK$245 million (FY2016: HK$218 million). With the healthy bank and cash balances on hand, the Group's liquidity position remains strong and it has sufficient financial resources to fund its future plans but at the same time to meet its working capital requirement.

Foreign Exchange Exposure

The Group principally engages its business operation in Hong Kong and Mainland China. The Group has subsidiaries operating in Mainland China, in which most of their transactions are denominated in Chinese Renminbi. The Group is exposed to foreign exchange fluctuations from Chinese Renminbi which is the main foreign currency transacted by the Group during the year. The Group has not entered into any foreign exchange contract as hedging measures.

Employees and Remuneration Policies

The Group adheres to a strong belief that one of the most valuable assets of a corporation is its employees. The Group values its human resources and recognises the importance of attracting and retaining qualified staff for its continuing success.

The Group employed a total work force of 1,271 employees as at 31 March 2017 (FY2016: 1,494 employees). The Group's remuneration policies are in line with the prevailing market practices and are determined on the basis of performance and experience of the individual. The Group has been constantly reviewing staff remuneration package to ensure it is competitive with relevant industries.

Capital Commitments

As at 31 March 2017, the Group had the following capital commitments.

	2017 ***HK$'000***	2016 *HK$'000*
Capital expenditure contracted for but not yet incurred in respect of acquisition of property, plant and equipment	**1,024**	719

Event after the Balance Sheet Date

On 27 April 2017, the Group granted 6,096,000 share options to each of the Company's three executive directors which amounted to a total of 18,288,000 share options granted. Each share option entitles the holder to subscribe for one ordinary share of the Company (the "Share") at an exercise price of HK$0.82 per Share.

On 17 May 2017, the Group disposed all shares of Tencent Holdings Limited which is included in available-for-sale financial assets in the Group's consolidated balance sheet as at 31 March 2017, at an average price of HK$260.1 per share for sale proceeds of approximately HK$60,966,000. Accordingly, gains on disposal of available-for-sale financial assets of approximately HK$9,802,000 were recognised in the Group's consolidated statement of comprehensive income.

Dividend

The Board recommended a payment of a final dividend equivalent to HK4.6 cents per Share and a special final dividend of HK5.0 cents per Share for FY2017 to the shareholders of the Company (the "Shareholders") whose names appear on the register of members on Thursday, 24 August 2017, together with interim dividend of HK3.4 cents per Share paid, the total dividend for FY2017 amounted to HK13.0 cents per Share.

The proposed final and special final dividends are subject to approval by the Shareholders at the forthcoming annual general meeting of the Company and will be paid on or around Friday, 8 September 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 9 August 2017 to Tuesday, 15 August 2017 (both dates inclusive) during which period no transfer of Shares will be registered. In order to attend and vote at the annual general meeting of the Company, all transfers of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 8 August 2017.

The register of members of the Company will be closed from Monday, 21 August 2017 to Thursday, 24 August 2017 (both dates inclusive), during which period no transfer of Shares will be registered. In order to qualify for the final dividend and special final dividend, all transfers of Shares, accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrars in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 18 August 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 March 2017, the Company repurchased a total of 34,000,000 and cancelled a total of 28,092,000 ordinary Shares of HK$0.1 each on the Stock Exchange. The purchase of the Shares during the year was effected by the directors of the Company, pursuant to the mandate from the Shareholders received at the last annual general meeting with a view of consistently undervalue of the price. The number of issued Shares as of 31 March 2017 was 1,093,908,000. Particulars of the Shares repurchased are as follows:

Month of repurchase	Number of ordinary Shares repurchased	Purchase price paid per Share		Aggregate consideration paid (including transaction costs)
		Highest	Lowest	
		HK$	*HK$*	*HK$*
December 2016	15,224,000	0.63	0.58	9,107,232
January 2017	12,868,000	0.64	0.60	8,133,946
March 2017	5,908,000	0.72	0.68	4,242,174
	34,000,000			21,483,352

Save as disclosed above, during the year ended 31 March 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

During the year ended 31 March 2017, the Company has complied with the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") except the issues mentioned in the following paragraphs.

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. During the year ended 31 March 2017, Dr. Au-Yeung Kong is both the chairman of the Board (the "Chairman") and the chief executive officer of the Company (the "CEO"); therefore, the Group does not at present separate the roles of the Chairman and the CEO.

The Board considered that Dr. Au-Yeung Kong has in-depth knowledge and experience in the slimming and beauty industry and is the appropriate person to manage the Group. Therefore, the roles of the Chairman and the CEO performed by the same individual, Dr. Au-Yeung Kong, is beneficial to the business prospects and management of the Group. Notwithstanding the above, the Board will review the current structure from time to time. If any candidate with suitable leadership, knowledge, skills and experience can be identified within or outside the Group, the Company may consider to make necessary arrangements.

Under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. An independent non-executive director of the Company was absent from the annual general meeting of the Company held on 15 August 2016 due to other important business engagement at the relevant time.

Code provision C.1.2 of the CG Code stipulates that the management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the listed company's performance, financial position and prospects. Between April and October 2016, the management prepared monthly updates (the "Updates") which were circulated to all the executive directors of the Company on a monthly basis and made available to the independent non-executive directors of the Company upon requests. Since November 2016, the Updates have been circulated to all members of the Board on a monthly basis. Whilst the management considers the current practice of issuing Updates suitable in view of its nature of business, enabling the members of the Board to assess the Company's performance, position and prospects, the Company continues to review its practice with a view to allowing the members of the Board to assess the performance of the Company in a more effective and comprehensive manner.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Specific enquiry has been made to each of the Directors and all Directors have confirmed that they have complied with the Model Code during the year ended 31 March 2017.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established on 5 December 2011 with written terms of reference which was revised on 20 March 2012 and 15 January 2016 in compliance with the CG Code and is available on the websites of the Stock Exchange and the Company. The primary duties of the Audit Committee are to review the financial information of the Group, oversee the financial reporting process and risk management and internal control procedures of the Group, and oversee the relationship with the Company's external auditor.

The Audit Committee comprises three independent non-executive directors, namely, Ms. Hsu Wai Man, Helen, Mr. Chi Chi Hung, Kenneth and Ms. Cho Yi Ping. Ms. Hsu Wai Man, Helen is the chairman of the Audit Committee.

The Audit Committee has reviewed the accounting standards and practices adopted by the Group and discussed with the management about the risk management and internal control and financial reporting matters, including reviewing the financial statements and annual results for the year ended 31 March 2017.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated balance sheet, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 March 2017 as set out in this annual results announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this annual results announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the Company's website (http://www.perfectshape.com.hk) and the Stock Exchange's website (http://www.hkex.com.hk). The 2017 annual report for the year ended 31 March 2017 containing all the information required by the Listing Rules will be despatched to the Shareholders and available on the same websites in due course.

By order of the Board
Perfect Shape Beauty Technology Limited
Dr. Au-Yeung Kong
Chairman

Hong Kong, 30 June 2017

As at the date of this announcement, the Board comprises Dr. Au-Yeung Kong, Ms. Au-Yeung Wai and Ms. Au-Yeung Hung as executive directors of the Company and Ms. Hsu Wai Man, Helen, Mr. Chi Chi Hung, Kenneth and Ms. Cho Yi Ping as independent non-executive directors of the Company.