PERFECT SHAPE MEDICAL LIMITED
必瘦站醫學美容有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1830)

FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2019

HIGHLIGHTS

- The Group's revenue for the year increased by 32% year-on-year to HK$1,197 million
- The Group's net profit for the year increased by 64% year-on-year to HK$319 million
- The Group's net cash generated from operating activities increased by 86% year-on-year to HK$453 million
- The Group's net profit margin increased from 21% year-on-year to 27%
- Basic earnings per share was HK28.9 cents
- Final dividend of HK14.4 cents per share and special dividend of HK5.0 cents per share were proposed. Total dividend per share for the year was HK33.9 cents, representing a payout ratio of 117%

FINAL RESULTS

The board of directors (the "Board") of Perfect Shape Medical Limited (the "Company") announces the results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2019, together with the comparative figures for the year ended 31 March 2018 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Note	**2019**	2018
		HK$'000	*HK$'000*
Revenue	*3*	**1,197,031**	906,275
Other income		**3,495**	2,674
Other gains — net		**2,649**	14,331
Cost of inventories and consumables		**(13,600)**	(14,232)
Employee benefit and manpower service expenses	*4*	**(340,736)**	(287,483)
Marketing expenses		**(169,111)**	(87,955)
Depreciation		**(70,390)**	(79,855)
Operating lease rentals		**(94,093)**	(101,042)
Other operating expenses		**(115,387)**	(101,516)
Operating profit		**399,858**	251,197
Finance income		**4,195**	3,617
Profit before income tax		**404,053**	254,814
Income tax expenses	*5*	**(85,020)**	(60,627)
Profit for the year attributable to equity holders of the Company		**319,033**	194,187

	Note	**2019**	2018
	Note	***HK$'000***	*HK$'000*
Other comprehensive (losses)/income:			
Items that have been reclassified or may be reclassified subsequently to profit or loss:			
Currency translation differences		**(7,667)**	7,848
Available-for-sale financial assets:			
— Fair value gains		**—**	16,809
— Fair value gains recycled to profit or loss upon disposal of the relevant financial assets		**—**	(18,003)
Item that will not be reclassified subsequently to profit or loss:			
Equity investments at fair value through other comprehensive income:			
— Fair value losses taken to reserves		**(446)**	—
Total other comprehensive (losses)/income for the year, net of tax		**(8,113)**	6,654
Total comprehensive income for the year attributable to equity holders of the Company		**310,920**	200,841
Earnings per share attributable to equity holders of the Company for the year	*6*		
— basic		**HK28.9 cents**	HK18.0 cents
— diluted		**HK28.7 cents**	HK17.9 cents

CONSOLIDATED BALANCE SHEET

As at 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**108,486**	138,392
Deposits and prepayments		**29,268**	29,593
Financial assets at fair value through other comprehensive income		**70,277**	—
Deferred income tax assets		**9,255**	11,051
		217,286	179,036
Current assets			
Inventories		**2,651**	2,013
Trade receivables	*8*	**153,570**	165,885
Other receivables, deposits and prepayments		**47,202**	40,751
Financial assets at fair value through profit or loss		**35,218**	35,080
Term deposits with initial terms of over three months		**56,814**	70,208
Pledged bank deposits		**4,021**	26,142
Cash and cash equivalents		**338,671**	299,411
		638,147	639,490
Total assets		**855,433**	818,526
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**110,514**	108,600
Share premium		**192,694**	225,501
Other reserves		**16,067**	24,264
Retained earnings		**241,469**	111,802
Total equity		**560,744**	470,167

	Note	2019 HK$'000	2018 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**24,594**	22,016
Provision for reinstatement costs		**5,598**	6,203
		30,192	28,219
Current liabilities			
Provision for reinstatement costs		**2,306**	1,732
Trade payables	*9*	**609**	647
Accruals and other payables		**75,025**	81,991
Deferred revenue		**116,337**	204,294
Tax payables		**70,220**	31,476
		264,497	320,140
Total liabilities		**294,689**	348,359
Total equity and liabilities		**855,433**	818,526

1 GENERAL INFORMATION

Perfect Shape Medical Limited (formerly known as Perfect Shape Beauty Technology Limited) (the "Company") and its subsidiaries (together, the "Group") are principally engaged in the provision of slimming and beauty services and the sales of slimming and beauty products 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 24 June 2019.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

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, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income which are carried at fair value.

The preparation of the consolidated 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 standards, amendments and interpretations to existing standards adopted by the Group

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

The Group has been impacted by HKFRS 9 in relation to the classification of financial assets and the expected credit loss for financial assets, and impacted by HKFRS 15 in relation to the recognition of breakage. Details of the changes in accounting policies are disclosed in Note 2.2. The adoption of other amendments and interpretation listed above did not have material impact on the Group's accounting policies and consolidated financial statements.

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance contracts[3]
HK (IFRIC) – Int 23	Uncertainty over income tax treatments[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 9	Prepayment features with negative compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[4]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKAS 19	Plan amendment, curtailment or settlement[1]
Amendments to HKAS 28	Long-term interests in associates and joint ventures[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2015-2017 cycle[1]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting[2]

(1) Effective for the Group for annual periods beginning on or after 1 January 2019
(2) Effective for the Group for annual periods beginning on or after 1 January 2020
(3) Effective for the Group for annual periods beginning on or after 1 January 2021
(4) Effective for the Group for annual periods beginning on or after a date to be determined

Management has already commenced the assessment of the impact of the adoption of the above new standards, amendments and interpretations to existing standards and set out below the expected impact on the Group's financial performance and position:

HKFRS 16 "Leases"

HKFRS 16 "Leases" addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on balance sheet for lessees.

The Group is a lessee of various land and buildings which are currently classified as operating leases.

HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognise certain leases outside of the consolidated balance sheet. Instead, when the Group is the lessee, almost all leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus, each lease will be mapped in the Group's consolidated balance sheet. Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in assets and financial liabilities in the Group's consolidated balance sheet. As for the financial performance impact in the consolidated statement of comprehensive income, rental expenses will be replaced with straight-line depreciation on the right-of-use asset and interest expenses on the lease liability. The combination of the straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to the consolidated statement of comprehensive income in the initial years of the lease, and decreasing expenses during the latter part of the lease term.

The new standard is not expected to apply until the financial year ending 31 March 2020.

Management has performed a preliminary assessment on the implementation of HKFRS 16 and the initial results indicated that it would not result in any significant impact on the Group's financial position except for the increase in right-of-use assets and lease liabilities in the Group's consolidated financial statements, as well as the increase in depreciation expenses and interest expenses being offset by decrease in rental expenses. The Group's total cash flows would not be affected in respect of the leases.

Other than those analysed above, management does not anticipate any significant impact on the Group's financial position and results of operations upon adopting the above standards, amendments and interpretations to existing standards that not yet effective.

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" on the Group's consolidated financial statements.

(a) HKFRS 9 "Financial Instruments"

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of HKFRS 9 resulted in changes in accounting policies.

(i) Classification and measurement of financial instruments

On 1 April 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments under the appropriate HKFRS 9 categories.

The Group's financial assets measured at amortised cost and fair value through profit or loss continue with their classification and measurements upon the adoption of HKFRS 9.

There is no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

(ii) Impairment of financial assets

From 1 April 2018, the Group has two types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- trade receivables; and
- other financial assets carried at amortised cost.

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets.

Trade receivables

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit losses for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Future cash flows for each group of receivables are estimated on the basis of historical loss experience, adjusted to reflect the effects of current conditions as well as forward looking information. Trade receivables in dispute are assessed individually for impairment allowance and determined whether specific provisions are required. Trade receivables are written off when there is no reasonable expectation of recovery.

The Group has assessed the adoption of expected credit loss model on trade receivables and the change in impairment methodologies have no significant impact to the Group's consolidated financial statements. The opening loss allowance as at 1 April 2018 is not restated.

Other financial assets carried at amortised cost

The Group's other financial assets carried at amortised cost include cash and cash equivalents, deposits and other receivables in the consolidated balance sheet. The impairment loss of other financial assets carried at amortised cost is measured based on the 12-month expected credit loss. The 12-month expected credit loss is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit loss.

The Group has assessed the adoption of the expected credit loss model on these other financial assets carried at amortised cost as at 1 April 2018 and the change in impairment methodologies has no significant impact to the Group's consolidated financial statements. The opening loss allowance as at 1 April 2018 is not restated.

(b) HKFRS 15 "Revenue from Contracts with Customers"

The Group has adopted HKFRS 15 "Revenue from Contracts with Customers" from 1 April 2018 which resulted in changes in accounting policies.

HKFRS 15 replaces HKAS 18 "Revenue" and the related Interpretations which covered revenue arising from sales of goods and rendering of services, and HKAS 11 "Construction Contracts", which specified the accounting for construction contracts on revenue recognition.

The Group adopted HKFRS 15 using the modified retrospective method and recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the retained earnings at 1 April 2018. As allowed by HKFRS 15, the Group applied the new requirements only to contracts that were not completed as at 1 April 2018. The comparative information has not been restated and continues to be reported under HKAS 18 "Revenue".

The following table summarises the opening adjustments to the Group's consolidated balance sheet as at 1 April 2018:

	As previously reported under HKAS 18	**Impact of the adoption of HKFRS 15**	**As restated under HKFRS 15**
	HK$'000	*HK$'000*	*HK$'000*
	(a)	*(b)*	*(a) + (b)*
Total assets	818,526	–	818,526
Deferred revenue	204,294	(103,970)	100,324
Tax payables	31,476	20,322	51,798
Others	112,589	–	112,589
Total liabilities	348,359	(83,648)	264,711
Retained earnings	111,802	82,754	194,556
Exchange reserve	(75)	894	819
Others	358,440	–	358,440
Total equity	470,167	83,648	553,815

The impact from the adoption of HKFRS 15 arises from the timing difference in recognising revenue when customers do not utilise all of their contractual rights within the service period under the Group's service contracts which are subject to a contractual six-month expiry policy and are non-refundable except for certain refundable programmes. Prior to the adoption of HKFRS 15, any unutilised treatments are fully recognised in profit or loss at the end of the service period. Under HKFRS 15, these customers' unexercised rights are estimated by management based on the historical data of customers' utilisation of the Group's prepaid packages and is recognised as revenue in proportion to the pattern of rights exercised by the customers.

The following tables summarise the impact of adoption of HKFRS 15 on the Group's consolidated financial statements for the year ended 31 March 2019, by comparing the amounts reported under HKFRS 15 in these consolidated financial statements with the hypothetical amounts that would have been recognised under HKAS 18 if this superseded standard had continued to apply to the year ended 31 March 2019.

Consolidated balance sheet as at 31 March 2019

	As reported under HKFRS 15	**Hypothetical amounts under HKAS 18**	**Impact of the adoption of HKFRS 15**
	HK$'000	*HK$'000*	*HK$'000*
	(a)	*(b)*	*(a) – (b)*
Total assets	855,433	855,433	–
Deferred revenue	116,337	208,906	(92,569)
Tax payables	70,220	51,723	18,497
Others	108,132	108,132	–
Total liabilities	294,689	368,761	(74,072)
Retained earnings	241,469	167,079	74,390
Exchange reserve	(6,848)	(6,530)	(318)
Others	326,123	326,123	–
Total equity	560,744	486,672	74,072

Consolidated statement of comprehensive income for the year ended 31 March 2019

	As reported under HKFRS 15	**Hypothetical amounts under HKAS 18**	**Impact of the adoption of HKFRS 15**
	HK$'000	*HK$'000*	*HK$'000*
	(a)	*(b)*	*(a) – (b)*
Revenue	1,197,031	1,206,817	(9,786)
Others	(792,978)	(792,978)	–
Profit before income tax	404,053	413,839	(9,786)
Income tax expenses	(85,020)	(86,442)	1,422
Profit for the year attributable to equity holders of the Company	319,033	327,397	(8,364)
Earnings per share attributable to equity holders of the Company			
– Basic	HK28.9 cents	HK29.7 cents	HK(0.8) cent
– Diluted	HK28.7 cents	HK29.4 cents	HK(0.7) cent

Line items in the consolidated statement of cash flows for the year ended 31 March 2019

	As reported under HKFRS 15 *HK$'000* *(a)*	**Hypothetical amounts under HKAS 18** *HK$'000* *(b)*	**Impact of the adoption of HKFRS 15** *HK$'000* *(a) – (b)*
Profit before income tax	404,053	413,839	(9,786)
Adjustments for:			
Changes in working capital:			
– Deferred revenue	17,453	7,667	9,786
– Others	31,909	31,909	–
Net cash generated from operating activities	453,415	453,415	–
Net cash used in investing activities	(94,734)	(94,734)	–
Net cash used in financing activities	(307,138)	(307,138)	–

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, 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.

During the year ended 31 March 2019, all of the Group's revenue was from contracts with customers and was recognised at a point in time.

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

	2019 ***HK$'000***	2018 *HK$'000*
Hong Kong	**878,870**	589,624
The PRC and Macau	**318,161**	316,651
	1,197,031	906,275

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

	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**226,586**	104,286
The PRC and Macau	**177,467**	150,528
	404,053	254,814

The Group's total non-current assets other than deferred income tax assets and financial assets at fair value through other comprehensive income were located in the following regions:

	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**117,740**	135,499
The PRC and Macau	**20,014**	32,486
	137,754	167,985

The Group's capital expenditures were incurred in the following regions based on where the assets were located:

	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**52,232**	29,976
The PRC and Macau	**3,955**	9,215
	56,187	39,191

4 EMPLOYEE BENEFIT AND MANPOWER SERVICE EXPENSES

	2019	2018
	HK\$'000	*HK\$'000*
Wages and salaries	**312,913**	263,130
Pension costs – defined contribution plans *(Note a)*	**12,028**	10,284
Share-based payment expenses	**3,147**	4,278
Other staff welfares	**12,063**	8,744
Total employee benefit expenses (including directors' remunerations)	**340,151**	286,436
Manpower service costs *(Note b)*	**585**	1,047
	340,736	287,483

(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% (2018: 0% to 11%) of their basic salaries, while the subsidiaries contribute approximately 15% to 31% (2018: 15% to 32%) 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 2019 and 2018, 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 EXPENSES

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% (2018: 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% (2018: 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 2019 and 2018.

	2019	2018
	HK$'000	*HK$'000*
Current income taxation		
– Hong Kong profits tax	**37,988**	20,258
– PRC corporate income tax	**36,285**	29,889
– Macau income tax	**3,887**	3,273
	78,160	53,420
(Over)/under-provision in prior years		
– Hong Kong profits tax	**(1,373)**	1,277
Total current income taxation	**76,787**	54,697
Deferred taxation	**8,233**	5,930
	85,020	60,627

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:

	2019	2018
	HK$'000	*HK$'000*
Profit before income tax	**404,053**	254,814
Tax calculated at the applicable domestic tax rates *(Note a)*	**77,685**	52,762
Income not subject to tax	**(163)**	(243)
Expenses not deductible	**74**	90
Tax effect of unrecognised tax losses	**3,531**	1,874
Utilisation of tax losses previously not recognised	**(510)**	(3,236)
Effect of PRC withholding taxes	**6,435**	8,786
Tax credit *(Note b)*	**(571)**	(569)
(Over)/under-provision in prior years	**(1,373)**	1,277
Others	**(88)**	(114)
Tax charge	**85,020**	60,627

Notes:

(a) The weighted average applicable tax rate for the year ended 31 March 2019 was 19.2% (2018: 20.7%).

(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 Hong Kong profit tax credit for the withholding income tax paid in relation to the royalty income from its PRC companies.

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.

	2019	2018
Profit attributable to equity holders of the Company (HK$'000)	**319,033**	194,187
Weighted average number of ordinary shares for the purposes of basic earnings per share (thousands of shares)	**1,103,388**	1,081,369
Basic earnings per share (HK cents)	**28.9**	18.0

Diluted

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. For the years ended 31 March 2019 and 2018, share options were granted to the Company's executive directors.

For the year ended 31 March 2018, the calculation of diluted earnings per share was based on the profit attributable to equity holders of the Company divided by the diluted weighted average number of ordinary shares of 1,084,809,000 in issue during the year. The diluted earnings per share is HK17.9 cents.

For the year ended 31 March 2019, the calculation of diluted earnings per share was based on the profit attributable to equity holders of the Company divided by the diluted weighted average number of ordinary shares of 1,112,252,000 in issue during the year. The diluted earnings per share is HK28.7 cents.

Weighted average number of shares used as the denominator in calculating diluted earnings per share are reconciled as follows:

	2019 Number of shares (in thousand)	2018 Number of shares (in thousand)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**1,103,388**	1,081,369
Adjustments for calculation of diluted earnings per share:		
— Effect of exercise of share options granted on 27 April 2015	**753**	—
— Effect of exercise of share options granted on 27 April 2016	**86**	782
— Effect of exercise of share options granted on 27 April 2017	**4,054**	2,658
— Effect of exercise of share options granted on 27 April 2018	**3,971**	—
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	**1,112,252**	1,084,809

7 DIVIDENDS

	2019 *HK$'000*	2018 *HK$'000*
Interim, paid, of HK14.5 cents (2018: HK7.6 cents) per ordinary share *(notes i and iii)*	**160,245**	82,627
Final, proposed, of HK14.4 cents (2018: HK10.1 cents) per ordinary share *(notes ii and iv)*	**159,140**	111,619
Special, proposed, of HK5.0 cents (2018: HK5.0 cents) per ordinary share *(notes ii and iv)*	**55,257**	55,257
	374,642	249,503

Notes:

(i) At a board meeting held on 30 November 2017, the directors declared an interim dividend for the year ended 31 March 2018 of HK7.6 cents per ordinary share, totalling HK$82,627,000, which was paid on 31 January 2018 and was reflected as an appropriation of retained earnings for the year ended 31 March 2018.

(ii) At a board meeting held on 25 June 2018, the directors recommended the payment of a final and special dividend of HK10.1 cents and HK5.0 cents per ordinary share, totalling HK$111,619,000 and HK$55,257,000 respectively, which was paid on 13 September 2018 and was reflected as an appropriation of retained earnings for the year ended 31 March 2019.

(iii) At a board meeting held on 28 November 2018, the directors declared an interim dividend for the year ended 31 March 2019 of HK14.5 cents per ordinary share, totalling HK$160,245,000, which was paid on 15 January 2019 and was reflected as an appropriation of retained earnings for the year ended 31 March 2019.

(iv) At a board meeting held on 24 June 2019, the directors recommended the payment of a final and special dividend of HK14.4 cents and HK5.0 cents per ordinary share, totalling HK$159,140,000 and HK$55,257,000 respectively. The dividend was 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 2020 respectively after receiving the shareholders' approval at the forthcoming annual general meeting.

8 TRADE RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**153,570**	165,885

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

	2019	2018
	HK$'000	*HK$'000*
HK$	**146,684**	160,894
Renminbi ("RMB")	**2,885**	2,876
Macau Patacas ("MOP")	**4,001**	2,115
	153,570	165,885

There is no concentration of credit risk with respect to trade receivables as there is 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 (2018: 3 days to 180 days). The ageing analysis of trade receivables by the dates on which the relevant invoices are issued is as follows:

	2019	2018
	HK$'000	*HK$'000*
Less than 60 days	**79,392**	80,589
60 days to 90 days	**24,545**	26,723
91 days to 120 days	**18,193**	18,976
121 days to 180 days	**31,440**	39,597
	153,570	165,885

As at 31 March 2019, trade receivables of approximately HK$6,025,000 (2018: HK$7,060,000) were past due but not 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:

	2019	2018
	HK$'000	*HK$'000*
Less than 60 days	**6,025**	7,006
60 days to 120 days	**—**	54
	6,025	7,060

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 2019 and 2018, no collateral was received from these counterparties.

As at 31 March 2019 and 2018 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 days to 180 days (2018: 30 days to 180 days).

At 31 March 2019 and 2018, the ageing analysis of trade payables based on invoice date is as follows:

	2019	2018
	HK$'000	*HK$'000*
Less than 60 days	**208**	277
60 days to 120 days	**9**	35
Over 120 days	**392**	335
	609	647

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

	2019	2018
	HK$'000	*HK$'000*
HK$	**208**	147
RMB	**401**	500
	609	647

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

For the year ended 31 March 2019 (the "FY2019"), the Group recorded revenue increased by 32% to HK$1,197 million. Profit attributable to equity holders of the Company increased by 64% to HK$319 million year-on-year. Net profit margin increased from 21% in FY2018 to 27% in FY2019. The improvement in these margins was attributable to the (i) growth of the business; (ii) increase in profit margin; and (iii) the additional revenue generated by the new medical concept stores as compared to the corresponding period of last year.

Hong Kong Business

During FY2019, revenue contributed from the Hong Kong market recorded an increase of 49% to HK$879 million from HK$590 million in FY2018. The increase in revenue was mainly due to the increased average spending per customer and the contribution of new medical beauty concept stores. As the Group continues to grow, it has been closely examining the market trends. To cater for different preferences of its customers, the Group provided non-invasive medical beauty services to meet customers' needs. The Group has a first-mover advantage and positioned itself as a market leader in non-invasive medical beauty services in Hong Kong.

Since our establishment, the Group has placed emphasis on identifying customers that are keen on consuming slimming and non-invasive medical beauty services so as to furbish their allure and esteem. With years of extensive experience in the slimming and non-invasive medical beauty services, the Group is dedicated to provide customers with safe and highly effective services. With such focused positioning, the non-invasive medical beauty services have become a significant growth driver and made promising contribution to the Group. We believe there are more potentials to be unleashed from the market. Leveraging on our excellent service management that facilitates greater quality assurance, our management is confident of the future prospects of our business.

Mainland China and Macau Business

During FY2019, revenue contributed from China and Macau market was HK$318 million, contributing 27% of the Group's total revenue. Heedless of this uncertain environment, the Group has successfully leveraged on its leading market position and board-based clientele. The Group has a strong network in China and Macau. The Group operated direct service centers in five metropolitan cities, i.e. Beijing, Shanghai, Guangzhou, Shenzhen and Macau. The Group's top-end centers can be found in prestigious shopping malls that are located in areas regularly frequented by high-end customers. The Group launched a client-referral program which strategically aims to capture more new customers to expand our member base. It helps building trust and confidence among new members, while referrals have also aided the Group to grasp new market opportunities.

The Group has sought to further strengthen its relationship with customers, and to be in touch with their personal needs, with an ultimate goal to provide services that go beyond their expectations. As the Company continues to grow and prosper, we have been closely scrutinising market trends. In our ongoing mission to provide one-stop platforms that cater for all of our consumers' beauty and slimming requirements, we are delighted to see our efforts have been rewarded by their increasing patronage.

Prospects

The Group performed well as it successfully brought its fundamental advantages to the full play under the outstanding leadership of the management. The net profit of the Group increased by 64% from HK$194 million for the same period of last year to HK$319 million for the period under review. This was a tremendous encouragement to the Group amidst the severe business environment at the present and testified to the solid strengths of the Group.

Hong Kong Business

In Hong Kong, medical beauty service has turned from something deluxe into daily necessities on the back of increasing wealth. We understand that customers demand efficient and effective medical beauty services that can be fit into their hectic schedules. In order to establish closer relationships with its customers, the Group offers safe, quality and considerate services to meet customers' actual needs in a comfortable environment. In addition, a graceful and comfortable service environment can give assurance that customers enjoy the most fabulous experience in our service centres.

Mainland China Business

In the ongoing US-China trade dispute, the two countries have imposed a series of punitive tariffs on some of each other's exports. Therefore, it is generally believed that China's economy will be affected. In the first quarter of 2019, China's gross domestic product grew by approximately 6.4% year on year. The domestic consumption expansion is central to the government's strategy. With a larger base and challenges from within and without, the rate of growth may be slower but still positive. The slower economic growth may reduce the Chinese customers' spending power and may thus affect the country's market.

Nevertheless, the Group remains optimistic about the prospect of its China business for the long term. The Group can leverage its strong brand awareness, well-established network, the management's diversified sales strategies and cost effectiveness enhancement measures to tap the considerable demand for slimming and traditional beauty service in the country. It is well positioned to achieve sustainable development.

In the long run, the Group will continue to provide top-notch customers' experience, as well as high-quality service to cater for the needs of the more sophisticated and quality conscious customers.

The Overall View

During the period under review, opportunities and challenges existed side by side. Despite the uncertainties over the global economy, China's economy maintained steady growth. The resident income of China grew largely in line with the overall economy. The growth of China's resident spending accelerated, and domestic demand remained the key growth driver of the overall economy.

The Group will build on its achievements to establish a firmer position as a leading company in the industry, aiming for sustainable growth. It knows beyond a shadow of doubt that it will be able to enhance both its profitability and enterprise value for the long term.

In addition, our resourceful management team has a proven track record of mastering changes and creating shareholder value during challenging times and the Group will stay focused on consolidating its business strengths and leading market position through a variety of strategies and measures. Looking forward, 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 a 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.

Looking ahead to 2020, despite the uncertainties of the global economy, it is expected that China's economy will maintain a medium-to-high pace growth under the pursuit of high quality and efficient development. It will continue to drive the citizens' pursuit of personal beauty and the quality of life. In face of ever-changing market environment and consumer demand, the Group and the management stay alert to understand the market dynamics and react quickly to capitalize the trend of consumption premiumisation.

Liquidity, Financial Resources and Capital Structure

The total equity of the Group as at 31 March 2019 was HK$561 million (FY2018: HK$470 million). The Group generally finances its operation with internally generated cash flows. The Group had bank and cash balance of approximately HK$400 million as at 31 March 2019 (FY2018: HK$396 million), without external bank borrowing. The Group's gearing ratio as at 31 March 2019 was nil (FY2018: 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 2019, the Group had net current assets of approximately HK$374 million (FY2018: HK$319 million).

Net cash generated from operating activities in FY2019 was approximately HK$453 million (FY2018: HK$244 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, Macau and Mainland China. The Group has subsidiaries operating in Mainland China and Macau, in which most of their transactions are denominated and settled in Chinese Renminbi ("RMB") and Macau Patacas ("MOP"). In respect of transactions settled in RMB and MOP, the Group did not have significant exposure to foreign exchange rate risk during the year due to the transactions being generally denominated in the functional currency of the respective group companies. 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 1,119 employees as at 31 March 2019 (FY2018: 987 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 2019, the Group had the following capital commitments:

	2019	2018
	HK$'000	*HK$'000*
Capital expenditure contracted for but not yet incurred in respect of acquisition of property, plant and equipment	**8,162**	2,784

Significant Investments

The information of the Group's significant investments held at 31 March 2019 stated in this announcement is as follow:

(a) Listed equity security in Hong Kong

Stock code	Name of investment	Principal business	Nature of investment	Number of shares	Percentage of total share capital	Investment cost *HK$'000*	Market value *HK$'000*	Unrealised loss on change in fair value *HK$'000*	Dividend received *HK$'000*	Percentage to the Group's total assets
700	Tencent Holdings Limited	Provision of Internet and mobile value-added services and e-Commerce transactions services	Investment in shares	80,000	0.0078%	30,704	29,607	1,097	36	3.46%

(b) Listed equity securities in the United States

Stock code	Name of investment	Principal business	Nature of investment	Number of shares	Percentage of total share capital	Investment cost *HK$'000*	Market value *HK$'000*	Unrealised (gains)/loss on change in fair value *HK$'000*	Dividend received *HK$'000*	Percentage to the Group's total assets
MSFT	Microsoft Corporation	Provision of licensing and supporting softwares, services, devices and solution worldwide	Investment in shares	13,000	0.0017%	11,534	12,036	(502)	65	1.41%
FB	Facebook Inc	Provision of providing various products to connect and share through mobile devices, personal computers, and other surfaces worldwide	Investment in shares	6,000	0.0002%	7,555	7,851	(296)	–	0.92%
AMZN	Amazon.com Inc	Provision of engaging in the retail sale of consumer products and subscriptions internationally	Investment in shares	500	0.0001%	7,561	6,989	572	–	0.82%

Stock code	Name of investment	Principal business	Nature of investment	Number of shares	Percentage of total share capital	Investment cost *HK$'000*	Market value *HK$'000*	Unrealised (gains)/loss on change in fair value *HK$'000*	Dividend received *HK$'000*	Percentage to the Group's total assets
AAPL	Apple Inc	Provision of designs, manufactures, and markets mobile communication and media devices, and personal computers	Investment in shares	4,000	0.0001%	5,403	5,964	(561)	–	0.70%
GOOG	Alphabet Inc	Provision of online advertising services in the United States, Europe, the Middle East, Africa, the Asia-Pacific, Canada, and Latin America	Investment in shares	850	0.0002%	7,746	7,830	(84)	–	0.92%
						39,799	40,670	(871)	65	

(c) Unit trusts held by banks

Name of investment	Number of units held	Investment cost *HK$'000*	Market value *HK$'000*	Unrealised loss on change in fair value *HK$'000*	Dividend received *HK$'000*	Percentage to the Group's total assets
Blackrock Asian Tiger Bond Fund	1,048,184	11,520	11,446	74	411	1.34%
HSBC Asian Bond Fund	1,153,589	11,595	11,636	(41)	523	1.36%
PIMCO Global Investment Grade Credit Fund	112,349	11,965	12,136	(171)	309	1.42%
		35,080	35,218	(138)	1,243	

Potential Spin-off and Separate Listing

On 15 November 2017, the Company appointed a financial adviser to review the feasibility, structure and timing of the possibility of a spin-off (the "Potential Spin-off") and separate listing of the Group's beauty and slimming business in the PRC and Macau on a stock exchange in the PRC (the "Proposed Listing"). The Company was notified by the Hong Kong Stock Exchange that the Listing Committee had agreed that the Company may proceed with the Potential Spin-off under Practice Note 15 of the Listing Rules. As at the date of hereof, no listing application has been submitted to China Securities Regulatory Commission, the relevant stock exchange in the PRC, the Stock Exchange or other relevant regulatory authorities.

Details of the Potential Spin-off and Proposed Listing are set out in the announcements of the Company dated 15 November 2017, 28 September 2018 and 17 December 2018.

Dividend

The Board recommended a payment of a final dividend equivalent to HK14.4 cents per share of the Company and a special dividend of HK5.0 cents per share for FY2019 to the shareholders of the Company (the "Shareholders") whose names appear on the register of members on Friday, 23 August 2019. Together with interim dividend of HK14.5 cents per share paid, the total dividend for FY2019 amounted to HK33.9 cents per share (FY2018: HK22.7 cents per share).

The proposed final and special 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, 13 September 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 12 August 2019 to Thursday, 15 August 2019 (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 Friday, 9 August 2019. The address of Tricor Investor Services Limited will be changed to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 11 July 2019.

The register of members of the Company will be closed from Wednesday, 21 August 2019 to Friday, 23 August 2019 (both dates inclusive), during which period no transfer of Shares will be registered. In order to qualify for the final dividend and special 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 Tuesday, 20 August 2019. The address of Tricor Investor Services Limited will be changed to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 11 July 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 March 2019, 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 2019, 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 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 FY2019, 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.

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 2019.

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, 15 January 2016 and 28 December 2018 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, internal control and financial reporting matters, including reviewing the financial statements and annual results for the year ended 31 March 2019.

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 2019 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 Exchange's website (http://www.hkex.com.hk). The 2019 annual report for the year ended 31 March 2019 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 Medical Limited
Dr. Au-Yeung Kong
Chairman

Hong Kong, 24 June 2019

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, Ms. Cho Yi Ping and Mr. Chi Chi Hung, Kenneth as independent non-executive directors of the Company.