PERFECT SHAPE
必瘦站醫學美容有限公司

ANNUAL 2019 REPORT

Stock Code: 1830

PERFECT SHAPE MEDICAL LIMITED
(Incorporated In The Cayman Islands With Limited Liability)

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Au-Yeung Kong
(Chairman & Chief Executive Officer)
Ms. Au-Yeung Wai
(Chief Operating Officer)
Ms. Au-Yeung Hung

Independent Non-executive Directors

Ms. Hsu Wai Man, Helen
Ms. Cho Yi Ping
Mr. Chi Chi Hung, Kenneth

AUDIT COMMITTEE

Ms. Hsu Wai Man, Helen (Chairman)
Ms. Cho Yi Ping
Mr. Chi Chi Hung, Kenneth

REMUNERATION COMMITTEE

Mr. Chi Chi Hung, Kenneth (Chairman)
Dr. Au-Yeung Kong
Ms. Au-Yeung Wai
Ms. Hsu Wai Man, Helen
Ms. Cho Yi Ping

NOMINATION COMMITTEE

Ms. Cho Yi Ping (Chairman)
Dr. Au-Yeung Kong
Ms. Au-Yeung Wai
Ms. Hsu Wai Man, Helen
Mr. Chi Chi Hung, Kenneth

COMPANY SECRETARY

Mr. So Hin Lung *CPA*

AUTHORISED REPRESENTATIVES

Mr. So Hin Lung
Ms. Au-Yeung Wai

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 01–08, 30th Floor
Langham Place Office Tower
8 Argyle Street
Mong Kok, Kowloon
Hong Kong

PRINCIPAL BANKERS

Hong Kong
Hang Seng Bank Limited

People's Republic of China
Industrial and Commercial Bank of China Limited

AUDITOR

PricewaterhouseCoopers

PRINCIPAL SHARE REGISTER AND TRANSFER OFFICE IN CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

SHARE INFORMATION

Stock code: 1830
Board lot: 4,000 shares
Company website: www.psmedical.com.hk

FINANCIAL SUMMARY

RESULTS

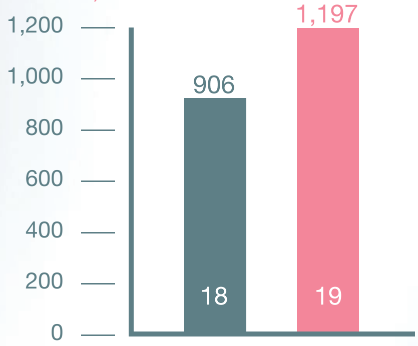
	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
Revenue	**1,197,031**	906,275	756,975	879,122	728,655
Operating profit	**399,858**	251,197	111,874	153,967	169,946
Profit for the year attributable to equity holders of the Company	**319,033**	194,187	91,356	130,017	134,912
Total assets	**855,433**	818,526	737,989	705,786	739,757
Total liabilities	**294,689**	348,359	284,267	238,459	247,090

FINANCIAL HIGHLIGHTS

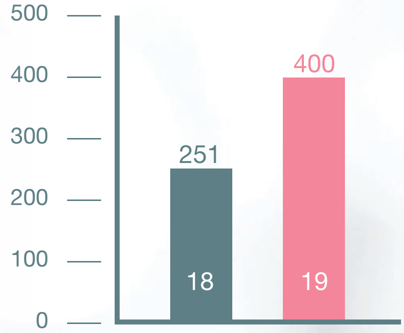
Selected Financial Data

	FY2019	FY2018	Change (%)
Financial highlight (HK$'000)			
Revenue	**1,197,031**	906,275	32%
Operating profit	**399,858**	251,197	59%
Profit before income tax	**404,053**	254,814	59%
Profit for the year attributable to equity holders of the Company	**319,033**	194,187	64%
Earnings before interest, tax and depreciation	**470,248**	331,052	42%
Total equity attributable to equity holders	**560,744**	470,167	19%
Financial information per share (HK cents)			
Earnings			
— basic	**28.9**	18.0	
— diluted	**28.7**	17.9	
Financial ratio			
Operating profit margin	**33%**	28%	
Net profit margin	**27%**	21%	
Return on equity	**57%**	41%	
Return on total assets	**37%**	24%	
Current ratio	**2.41 times**	2.00 times	

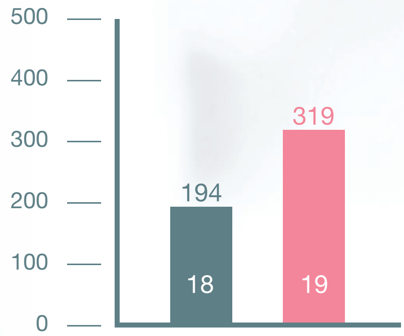
Revenue
(HK$'million)



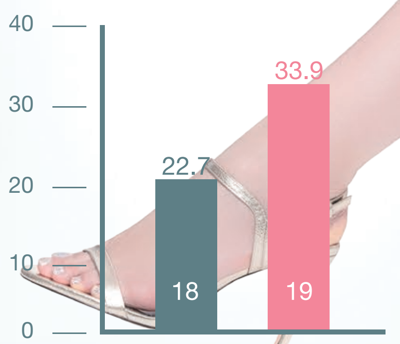
Operating Profit
(HK$'million)



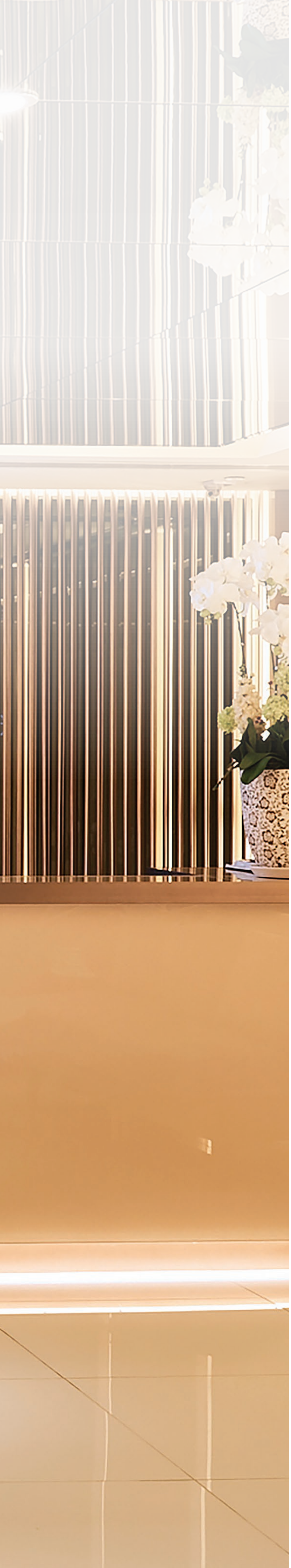
Net Profit
(HK$'million)



Dividend per share
(HK cents)




Perfect Medical



RELATIONSHIP BETWEEN CUSTOMERS AND PERFECT SHAPE

1/ Build up customer's loyalty

2/ Benefit from word-of-mouth referral

3/ Delivery a standard and high quality services

4/ Explore instinct need of customers

5/ Manage by professional team

CHAIRMAN'S STATEMENT

Dear Shareholders,

It has been encouraging to see Perfect Shape Medical Limited ("Perfect Shape" or the "Company" which together with its subsidiaries is referred to as the "Group") record 64% growth in profit attributable to the shareholders to HK$319 million for the year ended 31 March 2019 (the "Year"). Turnover grew by 32% to HK$1,197 million. This shows that the Group's business strategy and painstaking effort to ensure customer satisfaction have paid off.

The Group is committed to generating sustained and consistent returns to its shareholders. The board of directors (the "Board") proposes a final dividend of HK14.4 cents per share and a special dividend HK5.0 cents per share. These, together with the interim dividend of HK14.5 cents per share already paid, will bring the total annual dividend for the fiscal year to HK33.9 cents per share.

It has been the Group's strategy to foster non-invasive medical beauty service and new medical beauty concept stores as growth drivers and, at the same time, to take a prudent approach to the expansion of its network of stores with an emphasis on stringent cost control.

The Group was able to tap the growing demand by steadily executing its business strategy and ensuring customer satisfaction with professionalism and advanced technologies. During the Year, the Group opened new medical beauty concept stores which specialize in non-invasive medical beauty service. This added new impetus to the Group which had been operating service centres that meet all of customer needs with slimming service, traditional beauty service (such as facial skin whitening and smoothening treatments) and non-invasive medical beauty service under one roof. The move helped to drive up growth in profit and growth in both the overall volume of business and the spending per customer.

Other measures that also helped to enhance the Group's profitability are the rationalization of its store network in Hong Kong. Drawing on its experience in the business and its ability to predict market trends, the Group is realigning its business operations — it adopts a more prudent approach to opening new stores and consolidates its network of stores to enhance their sales and cost effectiveness. The Group created one-stop mega service centres by consolidating several smaller service centres to cater for all the customer needs for beauty treatment with devices of advanced technology. This allowed the Group to centralize personnel, equipment and resources for higher efficiency and economies of scale. To adopt a cost-effective approach, it has opened its stores in commercial buildings and shopping malls instead of street-level shop spaces.

Chairman's Statement

Building on its strong brand and customer base, the Group will accelerate its business development in the mainland China market to meet the huge demand. To achieve this objective, the Group have stabilized and enhanced its local management team while enhancing its overall operational efficiency and functionality. The strategies include centralising and streamlining work processes to improve operational and cost effectiveness, and enhancing store productivity. The Group also applied the strategy of its operations in Hong Kong to replicate this formula for success in its operations in mainland China.

The Group will seek to increase its market penetration in the country, especially the Guangdong–Hong Kong–Macau Greater Bay Area. It will try to achieve the objective by introducing non-invasive medical beauty service into its stores in mainland China where it is already providing traditional beauty service and slimming service. It will begin with Shenzhen and Guangzhou. To expand its geographical market coverage beyond such first-tier cities as Beijing, Shanghai, Shenzhen and Guangzhou, the Group has planned to enter the markets of second-tier cities. Such initiative will allow the Group to capitalize on the state policy on fostering the development of the Greater Bay Area.

Chairman's Statement

Apart from the endeavours to expand the scale of its business, extension of the scope of services to non-invasive medical beauty treatment for men will also play a role in business development. The Group plans to open that line of business under the brand "Perfect Man" to tap the growing demand and huge potential of the market. Medical beauty treatment for men can become another growth driver.

To adapt to the changes in the market, the Group has applied advanced technologies to its business process. Adoption of information technologies and analysis of big data will enable us to anticipate the changes in customer preferences, make timely decisions, and take actions ahead of others. For instance, our customer relationship management platform has an artificial intelligence technology, which assists the Group to understand and keep abreast of customer preferences and consumption patterns. All this enables the Group to better meet the needs of consumers and enhance their experience of the services at its stores. In addition, the Group has launched a digital social referral programme, which encourages our existing customers to recommend our services to their friends and families. Through this digital platform, it enables the Group to enhance its reputation as a strong brand and thus increase consumer confidence in it.

To take our business to the next level, we are preparing to diversify into a health care business through an Internet-enabled platform. This kind of business is called "Internet healthcare". In the business of Internet healthcare, a company provides an online-to-offline platform for medical consultation and referrals for premium health care services. Through Internet healthcare, the Group can capitalize on such trends as the growing and aging population of mainland China, the rising labour costs, increasing medical expenditure and growing demand for high-quality healthcare services in the country.

Lying ahead of us are both opportunities and challenges. On one hand, we are well-positioned to tap the huge potential of the promising markets of mainland China and Hong Kong as we have already built a strong brand and good reputation with integrity, professionalism, quality services and the application of advanced technologies. On the other hand, consumer sentiment can be dampened by China's ongoing trade dispute with the United States and its resultant economic slowdown. We will continue with a prudent approach to business expansion and give our competitive advantages full play with the aim of serving customer needs and generating good returns to shareholders.

Appreciation

On behalf of the Board, I would like to express my gratitude to our management team members and staff for their hard work and contributions during the Year. I would also like to extend heartfelt thanks to our customers, business partners, and shareholders for their long-standing trust and support for the Group. We look forward to your continued trust and patronage in the years to come.

Dr. Au-Yeung Kong
Chairman

Hong Kong, 24 June 2019

MANAGEMENT DISCUSSION & 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.

Management Discussion and Analysis

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.

Financial Review

Financial Performance

For FY2019, the Group recorded revenue of HK$1,197,031,000 representing an increase of 32% from HK$906,275,000 for the last year, and this was primarily due to the increase in average spending per customer and contribution from new medical beauty concept stores. Earnings before interest, tax and depreciation was HK$470,248,000, representing a rise of 42% from HK$331,052,000 for FY2018. Operating profit reached HK$399,858,000 (FY2018: HK$251,197,000), representing an increase of 59%. Operating profit margin topped 33%, up from 28% for FY2018. Profit attributable to equity holders of the Company was HK$319,033,000, up an impressive 64% year-on-year (FY2018: HK$194,187,000). Net profit margin increased from 21% for FY2018 to 27% for FY2019. Basic earnings per share climbed 61% to HK28.9 cents (FY2018: HK18.0 cents).

Key components of the financial results for FY2019 extracted from the consolidated financial statements as set out on page 56 of this annual report are highlighted as follows:

	% to Revenue	2019 HK$'000	% to Revenue	2018 HK$'000
Revenue		1,197,031		906,275
Employee benefit and manpower service expenses	28%	(340,736)	32%	(287,483)
Marketing expenses	14%	(169,111)	10%	(87,955)
Operating lease rentals	8%	(94,093)	11%	(101,042)
Depreciation	6%	(70,390)	9%	(79,855)
Other operating expenses	10%	(115,387)	11%	(101,516)
Income tax expenses	7%	(85,020)	7%	(60,627)
Profit for the year	27%	319,033	21%	194,187

Revenue

The Group achieved a total revenue of HK$1,197,031,000 for FY2019, representing an increase of 32% as compared to HK$906,275,000 in FY2018. The increase in revenue was mainly attribute to the increase in the average spending per customer due to the improvement in customer satisfaction and contribution from new medical beauty concept stores.

The geographical breakdown of the Group's treatment services and product sales is summarised as follows:

	2019 HK$'000	2018 HK$'000
Revenue		
Hong Kong	878,870	589,624
Mainland China and Macau	318,161	316,651
Total	1,197,031	906,275

Employee Benefit and Manpower Service Expenses

These expenses mainly included wages and salaries, pension costs, staff welfare, directors' remunerations and manpower service fee. For FY2019 and FY2018, the Group's employee benefit and manpower service expenses were HK$340,736,000 and HK$287,483,000 respectively. The employee benefit and manpower service expenses as a percentage of revenue slightly decreased from 32% for FY2018 to 28% for FY2019. The decrease reflected the rise in revenue outweighing these expenses, which was mainly a result of staff increasing efficiency through ongoing training support.

Marketing Expenses

Marketing expenses increased by HK$81,156,000 or 92%, from HK$87,955,000 for FY2018 to HK$169,111,000 for FY2019. Marketing expenses as a percentage of revenue has increased to 14% (FY2018: 10%) for this year. The increase in marketing expenses was primarily due to increased marketing activities through social media platform in Hong Kong in order to raise brand awareness and capture a greater share of the local market. Our marketing strategies have proven to be successful in regard to the impressive business performance achieved during the year.

Operating Lease Rentals

Operating lease rentals mainly related to leased properties located in Hong Kong, Mainland China and Macau and were primarily incurred for the operations of service centres and office premises. Operating lease rentals decreased by HK$6,949,000 or 7%, from HK$101,042,000 for FY2018 to HK$94,093,000 for FY2019. The decrease was mainly due to the concentration of service centre network in Hong Kong and the Mainland China. The Group will periodically review the expansion plan of service area to enhance customers' experience.

Other Operating Expenses

Other operating expenses increased by HK$13,871,000 or 14%, from HK$101,516,000 for FY2018 to HK$115,387,000 for FY2019. The increase was in line with the sale expansion during the year.

Profit for the year and Margin

Profit for the year attributable to equity holders of the Company reached HK$319,033,000, posting an impressive increase of 64% as compared to HK$194,187,000 for FY2018. The Group's net profit margin also improved to 27% for FY2019 from 21% for FY2018. Basic earnings per share climbed 61% to HK28.9 cents as compared to HK18.0 cents for FY2018.

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.

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.

Capital Expenditure

The total capital expenditure incurred by the Group during the year ended 31 March 2019 amounted to HK$56 million, which were mainly used in leasehold improvement and equipment in connection with the expansion of service network.

Capital Commitments

As at 31 March 2019, the Group had the following capital commitments:

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

Contingent Liabilities

As at 31 March 2019, the Group did not have any significant contingent liabilities.

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.

Treasury Policies

The Group adopts a prudent approach in the treasury and investment activities. The Group's surplus funds mainly invested in fixed and saving deposits in renowned banks, unit trusts as well as listed equity securities in Hong Kong and United States as long-term investments.

The Board will continue to review the Group's investment portfolio, implement strict risk control to minimise the impact of market volatility and closely monitor the performance of its investments from time to time in order to reduce the possible financial risk related to its investment and maximise value for the Shareholders.

Charges on the Group's Assets

As at 31 March 2019, some of the Group's banking facilities in respect of credit card and instalment sales arrangement was secured by pledged bank deposits and financial assets as set out in Notes 18, 19 and 25.

Significant Investment

The information of the Group's significant investments held at 31 March 2019 stated in this annual report 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%
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	

Material Acquisition and Disposal

Save as disclosed in this report, there was no material acquisition and disposal processed by the Group during FY2019.

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 People's Republic of China (the "PRC") and Macau on a stock exchange in the PRC (the "Proposed Listing"). The Company was notified by the Stock Exchange of Hong Kong Limited (the "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.

Biographical Details of Directors and Senior Management

Executive Directors

Dr. Au-Yeung Kong ("Dr. Au-Yeung"), aged 47, was appointed as an executive director, the chairman and the chief executive officer of the Company on 11 March 2011. He is also member of each of the remuneration committee and nomination committee of the Company. He is also the director of a number of subsidiaries of the Company. He is principally responsible for the overall management, strategic development and major decision-making. Dr. Au-Yeung founded the Group in 2003 and has accumulated over 14 years of management and operation experience in slimming and high technology beauty industry. Dr. Au-Yeung graduated from The Chinese University of Hong Kong with a bachelor's degree in medicine and surgery in 1995. Dr. Au-Yeung is a registered practicing medical practitioner in Hong Kong. Dr. Au-Yeung is the brother of Ms. Au-Yeung Wai and Ms. Au-Yeung Hung.

Ms. Au-Yeung Wai, aged 50, was appointed as an executive director and the chief operating officer of the Company on 11 March 2011. She is also member of each of the remuneration committee and nomination committee of the Company. She is also the director of a number of subsidiaries of the Company. She oversees the daily operation of the Company to ensure it is under normal function. Ms. Au-Yeung Wai graduated from City University of Hong Kong with a bachelor degree of arts in accountancy in 1991 and obtained a master's degree in business studies in the Faculty of Social Sciences at The University of Kent at Canterbury in 1995. Since her graduation, she has accumulated many years of experience in the business field. After joining the Group in 2004 as the general manager, Ms. Au-Yeung Wai has accumulated over 13 years of experience in slimming and high technology beauty industry. Ms. Au-Yeung Wai is the sister of Dr. Au-Yeung and Ms. Au-Yeung Hung.

Ms. Au-Yeung Hung, aged 55, was appointed as an executive director of the Company on 11 March 2011. She is also the director of a number of subsidiaries of the Company. Ms. Au-Yeung Hung is principally responsible for the operational management of the service centres of the Group. Ms. Au-Yeung Hung graduated from the University of Southern Queensland with a bachelor degree in business administration in 1992. Ms. Au-Yeung Hung joined the Group in 2005 as the sales and marketing manager, and has accumulated over 10 years of experience in slimming and high technology beauty industry. Ms. Au-Yeung Hung is the sister of Dr. Au-Yeung and Ms. Au-Yeung Wai.

Independent Non-executive Directors

Ms. Hsu Wai Man, Helen ("Ms. Hsu"), aged 49, was appointed as an independent non-executive director of the Company on 5 December 2011. She is also the chairman of the audit committee of the Company and member of each of the remuneration committee and nomination committee of the Company. Ms. Hsu has more than 20 years' experience in accounting. Ms. Hsu graduated from The Chinese University of Hong Kong with a bachelor degree in business administration. Ms. Hsu had been working with Ernst & Young for 18 years and was a partner of Ernst & Young before she retired from the firm in February 2011. Ms. Hsu is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants.

Ms. Hsu is currently an independent non-executive director of Richly Field China Development Limited (stock code: 313) and China Display Optoelectronics Technology Holdings Limited (formerly known as TCL Display Technology Holdings Limited) (stock code: 334), both of them are listed on the Main Board of the Stock Exchange. Ms. Hsu is also independent non-executive director of Circle International Holdings Limited (Stock code: CCH), which is listed on the National Stock Exchange of Australia (NSX).

Ms. Hsu was an independent non-executive director of Branding China Group Limited (stock code: 863) from April 2012 to May 2018, which is listed on the Main Board of the Stock Exchange.

Mr. Chi Chi Hung, Kenneth ("Mr. Chi"), aged 50, was appointed as an independent non-executive director of the Company on 5 December 2011. He is also the chairman of the remuneration committee of the Company and member of each of the audit committee and nomination committee of the Company. Mr. Chi has more than 21 years of experience in accounting and financial control. He holds a Degree of Bachelor of Accountancy from the Hong Kong Polytechnic University and is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom. He is also an associate member of the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrator in the United Kingdom.

Mr. Chi is currently an executive director of DeTai New Energy Group Limited (stock code: 559), a company listed on the Main Board of the Stock Exchange. He is also an independent non-executive director of Greentech Technology International Limited (formerly known as L'sea Resources International Holdings Limited) (stock code: 195) and Noble Century Investment Holdings Limited (stock code: 2322), both companies listed on the Main Board of the Stock Exchange.

He was an executive director of TFG International Group Limited (formerly known as Ceneric (Holdings) Limited) (stock code: 542) from October 2010 to June 2017, a Company listed on the Main Board of the Stock Exchange.

Ms. Cho Yi Ping ("Ms. Cho"), aged 41, was appointed as an independent non-executive director of the Company on 14 August 2015. She is also the chairman of the nomination committee of the Company, and member of each of the audit committee and remuneration committee of the Company. Ms. Cho is a practicing solicitor in Hong Kong and a partner of Messrs. Wong & Tang Solicitors. She obtained a bachelor degree of laws from The University of Hong Kong in 2000. Ms. Cho is currently the company secretary of DaChan Food (Asia) Limited (stock code: 3999) and was the company secretary of Perfectech International Holdings Limited (stock code: 765) from August 2016 to December 2016, both companies listed on the Main Board of the Stock Exchange.

Senior Management

Mr. So Hin Lung ("Mr. So"), aged 42, is the chief financial officer and company secretary of the Company and is responsible for overseeing the finance and accounting, internal control, corporate governance and regulatory compliance of the Company. Mr. So joined the Group in March 2011. Mr. So is a member of the Hong Kong Institute of Certified Public Accountants. He has over 16 years of experience in auditing and accounting.

Corporate Governance Report

The Directors consider that incorporating the elements of good corporate governance in the management structures and internal control procedures of the Group could balance the interests of the Shareholders, customers and employees. The Board has adopted the principles and the code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

In accordance with the requirements of the Listing Rules, the Company has established an audit committee, a remuneration committee and a nomination committee with specific written terms of reference.

During FY2019, the Company has complied with the CG Code as set out in Appendix 14 to 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.

Board of Directors

Composition of the Board of Directors

As at 31 March 2019, the Board comprises three executive Directors and three independent non-executive Directors. The composition of the Board was as follows:

Executive Directors

Dr. Au-Yeung Kong *(Chairman and Chief Executive Officer)*
Ms. Au-Yeung Wai *(Chief Operating Officer)*
Ms. Au-Yeung Hung

Independent Non-executive Directors

Ms. Hsu Wai Man, Helen
Mr. Chi Chi Hung, Kenneth
Ms. Cho Yi Ping

The biographical details of all Directors are set out on pages 22 and 23 of this annual report. To the best knowledge of the Company, save as disclosed under the section headed “Biographical Details of Directors and Senior Management”, there is no financial, business, family or other material or relevant relationships among members of the Board.

Functions of the Board

The principal function of the Board is to consider and approve the overall business plans and strategies of the Group, develop and implement the corporate governance function, monitor the implementation of these policies and strategies and the management of the Company.

Board Meetings and Board Practices

The Directors can attend meetings in person or through other means of electronic communication or by way of written resolution in accordance with the Company’s articles of association. All minutes of Board meetings were recorded in sufficient detail the matters considered by the Board and the decisions reached.

During the year ended 31 March 2019, the Board passed several written resolutions and held 9 meetings and 1 general meeting. Details of the attendance of Directors are as follows:

	Attendance/ Number of General Meeting entitled to attend	Attendance/ Number of Board Meetings entitled to attend
Executive Directors		
Dr. Au-Yeung Kong *(Chairman and Chief Executive Officer)*	1/1	9/9
Ms. Au-Yeung Wai *(Chief Operating Officer)*	1/1	9/9
Ms. Au-Yeung Hung	1/1	9/9
Independent Non-executive Directors		
Ms. Hsu Wai Man, Helen	1/1	9/9
Mr. Chi Chi Hung, Kenneth	1/1	9/9
Ms. Cho Yi Ping	1/1	9/9

During the year ended 31 March 2019, the management prepared monthly updates which were circulated to all the executive Directors on a monthly basis and made available to the independent non-executive Directors upon requests. The monthly updates have been circulated to all members of the Board on a monthly basis in accordance with the code provision C.1.2 of the CG Code.

Directors’ Appointment, Re-election and Removal

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from 10 February 2018, and shall continue thereafter unless and until terminated by not less than three months prior written notice to the other party and subject to the early termination provisions contained therein.

Ms. Hsu Wai Man, Helen and Mr. Chi Chi Hung, Kenneth have entered into a letter of appointment with the Company for a term of three years commencing from 10 February 2018 until terminated by not less than three months written notice to the other party and subject to the early termination provisions contained therein.

Ms. Cho Yi Ping has entered into a letter of appointment with the Company for a term of three years commencing from 14 August 2018 until terminated by not less than three months written notice to the other party and subject to the early termination provisions contained therein.

In compliance with the code provision A.4.2 of the CG Code, all Directors appointed to fill a casual vacancy should be subject to election by Shareholders at the first general meeting after appointment. By virtue of article 83(3) of the articles of association of the Company, the Board shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or additional to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

In compliance with the code provision A.4.2 of the CG Code, every Director should be subject to retirement by rotation at least once every three years. Furthermore, pursuant to article 84(1) of the articles of association of the Company, at each annual general meeting one-third of the Directors for the time being, (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

Independent Non-executive Directors

The Company has three independent non-executive Directors to comply with Rule 3.10(1) of the Listing Rules. Furthermore, among the three independent non-executive Directors, Ms. Hsu and Mr. Chi have appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules. In accordance with Rule 3.13 of the Listing Rules, the Company has received from each of its independent non-executive Directors the written confirmation of his/her independence. The Company, based on such confirmation, considers all independent non-executive Directors to be independent.

According to the code provision A.2.7 of the CG Code, the chairman should at least annually hold meetings with the non-executive Directors (including independent non-executive Directors) without the executive Directors present. The Company complied the code provision A.2.7 of the CG Code that the chairman of the Board met the independent non-executive Directors without the presence of the executive Directors.

Delegation of Powers

The Board delegates day-to-day operations of the Group to executive Directors and management of the Company with department heads responsible for different aspects of the business/functions, while reserving certain key matters in making strategic decision for its approval. When the Board delegates aspects of its management and administration functions to management, it gives clear directions as to the powers of management, in particular, with respect to the circumstances where management need to report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

Continuing Professional Development

According to the code provision A.6.5 of the CG Code, all Directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. The Company would arrange and/or introduce some directors' training courses for the Directors to develop and explore their knowledge and skills.

The Directors confirmed that they have complied with the code provision A.6.5 of the CG Code on the directors' training. During the year ended 31 March 2019, all the Directors have participated in continuous professional development by attending seminars or reading materials on the following topics to develop and refresh their knowledge and skills and provided a record of training to the Company.

Directors	Topic on training covered (Note)
Executive Directors	
Dr. Au-Yeung Kong	(a), (b)
Ms. Au-Yeung Wai	(a), (b)
Ms. Au-Yeung Hung	(a), (b)
Independent Non-executive Directors	
Ms. Hsu Wai Man, Helen	(a), (b), (d)
Mr. Chi Chi Hung, Kenneth	(a), (b), (d)
Ms. Cho Yi Ping	(a), (b), (d)

Note:

(a) Corporate governance

(b) Regulatory

(c) Management

(d) Finance

Remuneration Paid to Members of Key Management

Details of remuneration paid to members of key management (including all Directors and senior management as disclosed in section headed "Biographical Details of Directors and Senior Management" of this report) for the year ended 31 March 2019 fell within the following bands:

	No. of members of key management
Nil–HK$1,000,000	3
HK$1,000,001–HK$5,000,000	1
Over HK$5,000,000	3

Directors' and Officers' Liabilities

The Company has arranged for appropriate insurance covering the liabilities in respect of legal action against the Directors that may arise out in the corporate activities. The insurance coverage is reviewed on an annual basis.

Board Committees

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.

During the year ended 31 March 2019, the Audit Committee has reviewed the audited consolidated financial statements for the year ended 31 March 2018, the unaudited consolidated financial statements for the six months ended 30 September 2018, the internal control and corporate governance issues related to financial reporting of the Company and pre-audit issue for the financial year 2019. The Audit Committee held 3 meetings. Details of the attendance of members of the Audit Committee meetings are as follows:

	Attendance
Ms. Hsu Wai Man, Helen *(Chairman)*	3/3
Mr. Chi Chi Hung, Kenneth	3/3
Ms. Cho Yi Ping	3/3

Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") was established on 5 December 2011 with written terms of reference which was revised on 20 March 2012 in compliance with the CG Code and is available on the websites of the Stock Exchange and the Company. The primary duties of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration, make recommendations to the Board on the remuneration of non-executive Directors and the remuneration packages of individual executive Directors and senior management including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment.

The Remuneration Committee comprises three independent non-executive Directors, namely, Mr. Chi Chi Hung, Kenneth, Ms. Hsu Wai Man, Helen and Ms. Cho Yi Ping and two executive Directors, namely, Dr. Au-Yeung Kong and Ms. Au-Yeung Wai. Mr. Chi Chi Hung, Kenneth is the chairman of the Remuneration Committee.

During the year ended 31 March 2019, the Remuneration Committee held 1 meetings to review and make recommendations on the remuneration packages of all the Directors. Details of the attendance of members of the Remuneration Committee meeting are as follows:

	Attendance
Mr. Chi Chi Hung, Kenneth *(Chairman)*	1/1
Ms. Hsu Wai Man, Helen	1/1
Ms. Cho Yi Ping	1/1
Dr. Au-Yeung Kong	1/1
Ms. Au-Yeung Wai	1/1

Remuneration Policy for Directors and Senior Management

The remuneration payable to the employees includes salaries and allowances. The Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly. The primary goal of the remuneration policy with regard to the remuneration packages of the executive Directors is to enable the Group to retain and motivate executive Directors by linking their compensation with performance as measured against corporate objectives achieved. Each of the executive Directors is entitled to the remuneration packages include basic salaries and discretionary bonuses.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration, make recommendations to the Board on the remuneration of non-executive Directors and the remuneration packages of individual executive Directors and senior management.

The Share Option Scheme was adopted by the Shareholders by way of written resolution packages passed on 6 January 2012. The terms of the Share Option Scheme are complied with the provisions of Chapter 17 of the Listing Rules. The purpose of the Share Option Scheme is to provide the people and the parties working for the interests of the Group with an opportunity to obtain an equity interest in the Company, thus linking their interests with the interests of the Group and thereby providing them with an incentive to work better for the interests of the Group.

The Company believes that by offering the eligible persons a shareholding stake in the Company, the interests of the eligible persons and the Company become aligning, thereby providing the eligible persons with additional incentives to improve the Company's performance.

Nomination Committee

The nomination committee of the Company (the "Nomination Committee") was established on 5 December 2011 with written terms of reference which was revised on 20 March 2012, 25 June 2013 and 28 December 2018 respectively in compliance with the CG Code and is available on the websites of the Stock Exchange and the Company. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and management of the Board succession, assess the independence of independent non-executive Directors and review the board diversity policy of the Company (the "Board Diversity Policy").

The Nomination Committee comprises three independent non-executive Directors, namely, Ms. Cho Yi Ping, Mr. Chi Chi Hung, Kenneth and Ms. Hsu Wai Man, Helen, and two executive Directors, namely, Dr. Au-Yeung Kong and Ms. Au-Yeung Wai. Ms. Cho Yi Ping is the chairman of the Nomination Committee.

During the year ended 31 March 2019, the Nomination Committee held 1 meeting to review the structure, size, composition and diversity of the Board, review the Board Diversity Policy, assess the independence of independent non-executive Director, review the re-election of retiring Directors, and discuss the roles of the Chairman and the CEO. Details of the attendance of members of the Nomination Committee are as follows:

	Attendance
Ms. Cho Yi Ping *(Chairman)*	1/1
Mr. Chi Chi Hung, Kenneth	1/1
Ms. Hsu Wai Man, Helen	1/1
Dr. Au-Yeung Kong	1/1
Ms. Au-Yeung Wai	1/1

Director Nomination Policy

Director Nomination Policy of the Group ("Nomination Policy") is in place and was adopted in writing in the year taking into consideration the revised Listing Rules effective from 28 December 2018. The Nomination Policy sets out the procedures, process, and criteria for identifying and recommending candidates for election to the Board.

Board Diversity Policy

During the year ended 31 March 2019, the Nomination Committee had reviewed the Board Diversity Policy. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance.

In designing the Board's composition, the Nomination Committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness and discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The Nomination Committee also monitors the implementation of the Board Diversity Policy and reports to the Board on the achievement of the measurable objectives for achieving diversity under the Board Diversity Policy.

Accountability and Audit

Directors' and Auditor's Responsibilities for the Financial Statements

The Board acknowledges its responsibility to prepare the Group's financial statements for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 March 2019, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

A statement by the auditor of the Company regarding their reporting responsibilities is set out on pages 49 to 55 of this annual report.

Auditor's Remuneration

During the year ended 31 March 2019, there is no remuneration paid or payable to the Company's auditor, PricewaterhouseCoopers in respect of non-audit services. The remuneration paid or payable to the Company's auditor in respect of the audit services is as follow:

	HK$'000
Audit services	2,450

Corporate Governance Functions

According to code provision D.3 of the CG Code, the Board is responsible for performing the corporate governance duties of the Company in accordance with the written terms of reference adopted by the Board. The Board shall have the following duties and responsibilities for performing the corporate governance duties of the Company:

- to develop and review the Company's policies and practices on corporate governance and make recommendations on changes and updating;

- to review and monitor the training and continuous professional development of Directors and senior management;

- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;
- to review the Company compliance with the CG Code and disclosure in the corporate governance report; and
- such other corporate governance duties and functions set out in the CG Code (as amended from time to time) for which the Board are responsible.

During the year ended 31 March 2019, the Board had reviewed the policies and practices of the Company relating to the CG Code and the corporate governance report of the Company.

Risk Management and Internal Control

The Board acknowledges that it is its duty to monitor the risk management and internal control systems of the Group on an ongoing basis and review their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the Year, the Board, through the Audit Committee, conducted an annual review of both design and implementation effectiveness of the risk management and internal control systems of the Group, covering all material controls, including financial, strategic, operational and compliance controls, with a view to ensuring that resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions are adequate. In this respect, the Audit Committee communicates any material issues to the Board.

During the Year, the Group appointed Corporate Governance Professionals Limited ("CGPL") to:

- assist in identifying and assessing the risks of the Group through a series of workshops and interviews; and
- independently perform internal control review and assess effectiveness of the Group's risk management and internal control systems.

The results of the independent review and assessment were reported to the Audit Committee and the Board. Moreover, improvements in internal control and risk management measures as recommended by CGPL to enhance the risk management and internal control systems of the Group and mitigate risks of the Group were adopted by the Board. Based on the findings and recommendations of CGPL as well as the comments of the Audit Committee, the Board considered the internal control and risk management systems effective and adequate.

The Group has established internal control procedures for the handling and dissemination of inside information in order to comply with Chapter 13 of the Listing Rules as well as Part XIVA of the Securities and Futures Ordinance. The internal control mechanism includes information flow and reporting processes, confidentiality arrangements, disclosure procedures, and staff training arrangements, etc.

Our Enterprise Risk Management Framework

The Group has established its enterprise risk management framework in 2016. While the Board has the overall responsibility to ensure that sound and effective internal controls are maintained, management is responsible for designing and implementing an internal control system to manage all kinds of risks faced by the Group.

Through the risk identification and assessment processes, risks are identified, assessed, prioritized and allocated treatments. Our risk management framework follows the COSO Enterprise Risk Management — Integrated Framework, which allows the Board and management to manage the risks of the Group effectively. The Board receives regular reports through the Audit Committee that oversights risk management and internal audit functions.

Our Risk Control Mechanism

The Group adopts a "three lines of defense" corporate governance structure with operational management and controls performed by operations management, coupled with risk management monitoring carried out by the finance and compliance team and independent internal audit outsourced to and conducted by CGPL. The Group maintains a risk register to keep track of all identified major risks of the Group. The risk register provides the Board, the Audit Committee, and management with a profile of its major risks and records management's action taken to mitigate the relevant risks. Each risk is evaluated at least annually based on its likelihood of occurrence and potential impact upon the Group. The risk register is updated by management as the risk owners with addition of new risks and/or removal of existing risks, if applicable, at least annually, after the annual risk evaluation has been performed. This review process can ensure that the Group proactively manages the risks faced by it in the sense that all risk owners have access to the risk register and are aware of and alert to those risks in their area of responsibility so that they can take follow-up action in an efficient manner.

Our risk management activities are performed by management on an ongoing process. The effectiveness of our risk management framework will be evaluated at least annually, and periodic management meeting is held to update the progress of risk monitoring efforts. Management is committed to ensuring that risk management forms part of the daily business operation processes in order to align risk management with corporate goals in an effective manner.

The Company will continue to engage external independent professionals to review the Group's system of internal controls and risk management annually and further enhance the Group's internal control and risk management systems as appropriate.

There is currently no internal audit function within the Group. The directors have reviewed the need for an internal audit function and are of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit function for the Group in order to meet its needs. Nevertheless, the directors will continue to review at least annually the need for an internal audit function.

Company Secretary

Mr. So has been appointed as the company secretary of the Company since March 2011 and he has taken no less than 15 hours of relevant professional training for the year ended 31 March 2019.

Investors and Shareholders Relations

The Company values communication with the Shareholders and investors. The Company uses two-way communication channels to account to Shareholders and investors for the performance of the Company. Enquiries and suggestions from Shareholders or investors are welcomed, and enquires from Shareholders may be put to the Board through the following channels to the company secretary of the Company:

1. By mail to the Company's principal place of business at Suite 01-08, 30th Floor, Langham Place Office Tower, 8 Argyle Street, Mong Kok, Kowloon, Hong Kong; or

2. By email at ir@perfectshape.com.hk

The Company uses a number of formal communications channel to account to Shareholders and investors for the performance of the Company. These include (i) the publications of interim and annual reports; (ii) the annual general meeting or extraordinary general meeting providing a forum for Shareholders to raise comments and exchanging views with the Board; (iii) updated key information of the Group available on the websites of the Stock Exchange and the Company; (iv) the Company's website offering communication channel between the Company and its Shareholders and investors; and (v) the Company's branch share registrars in Hong Kong serving the Shareholders in respect of all share registration matters.

The Company aims to provide its Shareholders and investors with high standards of disclosure and financial transparency. The Board is committed to providing clear, detailed, timely manner and on a regular basis information of the Group to Shareholders through the publication of interim and annual reports and/or dispatching circulars, notices, and other announcements.

The Company strives to take into consideration its Shareholders' views and inputs, and address Shareholders' concerns. Shareholders are encouraged to attend the annual general meeting for which at least 20 clear business days' notice shall be given. The chairman of the Board as well as chairmen of the Audit Committee, the Nomination Committee and the Remuneration Committee, or in their absence, the Directors are available to answer Shareholders' questions on the Group's businesses at the meeting. To comply with code provision E.1.2 of the CG Code, the management will ensure the external auditor to attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

All Shareholders have statutory rights to call for extraordinary general meetings and put forward agenda items for consideration by Shareholders. According to article 58 of the article of association of the Company, any one or more of the members of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

If a Shareholder wishes to propose a person (the "Candidate") for election as a Director at a general meeting, he/she shall deposit a written notice (the "Notice") at the Company's head office in Hong Kong at Suite 01-08, 30th Floor, Langham Place Office Tower, 8 Argyle Street, Mong Kok, Kowloon, Hong Kong. The Notice (i) must include the personal information of the Candidate as required by Rule 13.51(2) of the Listing Rules and his/her contact details; and (ii) must be signed by the Shareholder concerned including the information/documents to verify the identity of the Shareholder and signed by the Candidate indicating his/her willingness to be elected and consent of publication of his/her personal data. The period for lodgment of the Notice shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such meeting. In order to ensure the Shareholders have sufficient time to receive and consider the proposal of election of the Candidate as a Director without adjourning the general meeting, Shareholders are urged to submit and lodge the Notice as soon as practicable, say at least 15 business days prior to the date of the general meeting appointed for such election.

The Board has established a shareholder communication policy and will review it on a regular basis to ensure its effectiveness to comply with the code provision E.1.4 of the CG Code.

In order to promote effective communication, the Company also maintains website (www.psmedical.com.hk) which include the latest information relating to the Group and its businesses.

Save as disclosed elsewhere in this annual report, there was no significant changes in the Company's constitutional documents for the year ended 31 March 2019.

Directors' Report

The Directors submit herewith their annual report together with the audited consolidated financial statements for the year ended 31 March 2019.

Principal Place of Business in Hong Kong

The Company is a limited liability company incorporated in the Cayman Islands and its principal place of business in Hong Kong is Suite 01-08, 30th Floor, Langham Place Office Tower, 8 Argyle Street, Mong Kok, Kowloon, Hong Kong.

Principal Activities

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are the provision of slimming and high technology beauty services. Other particulars of the subsidiaries of the Company are set out in Note 37 to the consolidated financial statements.

Results

The profit of the Group for the year ended 31 March 2019 and the financial position of the Company and of the Group as at that date are set out in the consolidated financial statements on pages 56 to 60.

Dividend

The Directors recommended a payment of a final dividend equivalent to HK14.4 cents per Share and a special dividend of HK5.0 cents per Share for the year ended 31 March 2019 to 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 the year ended 31 March 2019 amounted to HK33.9 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.

Dividend Policy

The Company has adopted a dividend policy which aims sets out principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its net profits as dividends to the shareholders of the Company.

The Board shall also take into account the following factors of the Group when considering the declaration and payment of dividends:

- financial results;
- cash flow situation;
- business conditions and strategies;
- future operations and earnings;
- capital requirements and expenditure plans;

- interests of shareholders;
- any restrictions on payment of dividends; and
- any other factors that the Board may consider relevant.

Any dividend unclaimed shall be forfeited and shall revert to the Company in accordance with the Company's articles of association.

Business Review and Commentary

Business Review

The business review, including an analysis of the Group's performance during the year using financial key performance indicators and an indication of likely future development in the Group's business, is set out in the "Management Discussion and Analysis" on pages 14 to 21 of this annual report. This discussion forms part of this "Directors' Report".

Compliance with Relevant Laws and Regulations

It is the responsibility of the Board to ensure all operations in the Group are adhered to applicable laws, rules and regulations in particular, those have significant impact on the Group. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

During the year ended 31 March 2019, the Group has complied with the provisions of the Personal Data (Privacy) Ordinance to ensure that all personal data collected will be treated confidentially and for specific purposes only. As far as the Board is aware, there was no material breach of or non-compliance with the applicable laws and regulations that have a significant impact on the Group's business and operation by the Group.

Principal Risks and Uncertainties

Downside risks have been increased since there is slowing growth in emerging markets as to the global economic conditions has been weaker than expected. The continuing downturn economy may affect the results of operations and financial performance of the Group adversely. To ease its negative impact on the Group's financial position, the Group pursues to enhancing marketing strategies, intensifying cost controlling measures and adopting cautious network diversification plan on points of sales.

Changes in government policies, relevant regulations and guidelines established by the regulatory authorities would have an impact on the business operation of the Group. Failure to comply with the rules and requirements may lead to penalties or suspension of the business operation by the authorities. The Group has closely monitored changes in government policies, regulations and markets as well as assessing the impact of such changes.

The Group will closely monitor any signs of these occurrence and all departments of the Group will be involved in identifying, assessing and evaluating risks relating to their operational scope.

Environmental Protection Policy and Performance

The Group recognises its responsibility to the long term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Group has adopted effective measures to achieve efficient use of resources, energy saving and waste reduction. Green initiatives and measures have been implemented in the Group's offices and beauty centres. Details on Perfect Shape's strategies, efforts and performance with respect to environmental, social and governance (ESG) for the year ended 31 March 2019 are available in the Group's ESG Report, which will be published within three months after the publication of this annual report on the websites of the Company and the Stock Exchange.

Relationships with Key Stakeholders

Employees

The Group has been constantly reviewing staff remuneration package, training and occupational health and safety to ensure it is competitive with relevant industries. The Group also regards the personal development of its employees as highly important and strives to motivate its employees with a clear career path and opportunities for advancement and improvement of their skills.

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.

Customers

The Group maintains a good relationship with its customers. The Group has strengthened relationships with the customers while cultivating relationships with potential customers and has established long-term co-operation relationships with many customers. Such stellar performance can be attributed to our strong capability of responding to customers' needs on physical and psychological level. As we seek to provide our customers with all of their health and high technology beauty needs under one roof, we created mega centres in Hong Kong. In this way, it has allowed us to better serve our customers, as well as enabled us to centralise personnel, equipment and resources, resulting in greater efficiency.

Suppliers

The Group is in good relationship with its suppliers and conducts a fair and strict appraisal of its suppliers. The Group has developed long-standing co-operation relationships with the Group's suppliers and taken great care to ensure that they can share our commitment to product quality and morality. The Group carefully selected suppliers and required them to satisfy certain assessment criteria, including track record, experience, financial strength, reputation, ability to produce high-quality products and quality control effectiveness.

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.

Major Customers and Suppliers

The Group's top five customers accounted for approximately 1.9% of the total sales. The top five suppliers accounted for approximately 23.4% of the total purchases for the year. In addition, the Group's largest customer accounted for approximately 0.5% of the total sales and the Group's largest supplier accounted for approximately 8.3% of the total purchases for the year.

During the year ended 31 March 2019, none of the Directors, or any of their close associates or any Shareholder (which to the knowledge of the Directors own more than 5% of the Company's share capital) had beneficial interests in the Group's top five customers and suppliers.

Distributable Reserves

As at 31 March 2019, the Company's reserves available for distribution represent the share premium and retained earnings amounting to approximately HK$201,151,000.

The Directors recommend a payment of a final dividend equivalent to HK14.4 cents per Share and a special dividend of HK5.0 cents per Share for the year ended 31 March 2019.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group are set out in Note 17 to the consolidated financial statements.

Share Capital

Details of the share capital of the Company are set out in Note 27 to the consolidated financial statements.

Directors

The Directors during the year ended 31 March 2019 and up to the date of this report were:

Executive Directors

Dr. Au-Yeung Kong *(Chairman and Chief Executive Officer)*
Ms. Au-Yeung Wai *(Chief Operating Officer)*
Ms. Au-Yeung Hung

Independent Non-executive Directors

Ms. Hsu Wai Man, Helen
Mr. Chi Chi Hung, Kenneth
Ms. Cho Yi Ping

By virtue of article 84 of the articles of association of the Company at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation, and every Director shall be subject to retirement by rotation at annual general meeting at least once every three years. Accordingly, Ms. Au-Yeung Wai and Ms. Au-Yeung Hung, shall retire from office by rotation. Both Ms. Au-Yeung Wai and Ms. Au-Yeung Hung, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

Biographical details of the Directors are set out in pages 22 to 23 of this annual report.

Directors' Service Agreement

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from 10 February 2018 and shall continue thereafter unless and until terminated by not less than three months prior written notice to the other party and subject to the early termination provisions contained therein.

Ms. Hsu Wai Man, Helen and Mr. Chi Chi Hung, Kenneth, the independent non-executive Directors have entered into their respective letter of appointment with the Company for a term of three years commencing from 10 February 2018 until terminated by not less than three months written notice to the other party and subject to the early termination provisions contained therein.

Ms. Cho Yi Ping, an independent non-executive Director, has entered into a letter of appointment with the Company for a term of three years commencing from 14 August 2018 until terminated by not less than three months written notice to the other party and subject to the early termination provisions contained therein.

None of the Directors proposed for re-election at the forthcoming annual general meeting of the Company has a service contract which is not determinable by the Group within 1 year without payment of compensation (other than statutory compensation).

Equity-linked Agreement

Details of the equity-linked agreement entered into during the year ended 31 March 2019 or subsisting at the end of the year are set out below:

Share Option Scheme

The following is a summary of principal terms of the share option scheme of the Company (the "Share Option Scheme") adopted by the Shareholders by way of written resolution passed on 6 January 2012 (the "Adoption Date"). The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide the people and the parties working for the interests of the Group with an opportunity to obtain an equity interest in the Company, thus linking their interest with the interests of the Group and thereby providing them with an incentive to work better for the interests of the Group.

(b) Participants of the Share Option Scheme

The Board may, at its absolute discretion, grant all Directors (including executive, non-executive or independent non-executive Directors), any employee (full-time or part-time), any consultant or adviser of or to the Company or the Group (on an employment or contractual or honorary basis and paid or unpaid), who, in the absolute opinion of the Board, have contributed to the Company or the Group.

(c) Total number of Shares available for issue under the Share Option Scheme

The maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other Share Option Schemes of the Company (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other Share Option Schemes of the Company) must not in aggregate exceed 10% of all the Shares in issue as at the Listing Date unless the Company obtains the approval from the Shareholder.

As at the date of this annual report, the outstanding number of options available for issue under the Share Option Scheme is 94,163,600 Shares, representing 8.52% of the issued Shares.

(d) The maximum entitlement of each participant under the Share Option Scheme

The total number of Shares issued and to be issued upon exercise of options granted to each participant (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

Where the Board proposes to grant any option to a participant who is a substantial shareholder or an independent non-executive Director (or its subsidiaries), or any of their respective associates, and such option which if exercised in full, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted pursuant to the Share Option Scheme and other Share Option Schemes of the Company (including option exercised, cancelled, and outstanding) to such participant in the 12-month period up to and including the date of grant being proposed by the Board (the "Relevant Date") (i) representing in aggregate more than 0.1% of the total issued Shares at the Relevant Date; and (ii) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Relevant Date, in excess of HK$5,000,000, such proposed grant of options shall be approved by the shareholders of the Company in general meeting as required under the Listing Rules.

(e) Timing for exercising option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant in its absolute discretion.

(f) Payment of acceptance of option

The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1.

(g) Period of acceptance of option

An offer for the grant of options must be accepted within 28 days from the day on which such offer was made.

(h) The basis of determining the exercise price of option

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price determined by the Board and notified to a participant and shall be at least the highest of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day;

(ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five consecutive business days immediately preceding the date of grant of the option; and

(iii) the nominal value of the Share.

(i) Duration of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing from the Adoption Date.

Details of the share options movements during the year ended 31 March 2019 under the Share Option Scheme are as follows:

Name or category of grantees	Date of grant of share options	Exercise price (HK$)	Exercise period	Number of share options Balance as at 01.04.2018	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Balance as at 31.03.2019
Directors									
Dr. Au-Yeung Kong	27/04/2015 (Note 1)	HK$1.72	27/04/2018–26/04/2025	2,900,000	–	2,900,000	–	–	–
	27/04/2016 (Note 2)	HK$0.90	27/04/2016–26/04/2019 (Note 5)	1,852,000	–	1,852,000	–	–	–
	27/04/2017 (Note 3)	HK$0.82	27/04/2017–26/04/2020 (Note 6)	4,064,000	–	2,032,000	–	–	2,032,000
	27/04/2018 (Note 4)	HK$1.09	27/04/2018–26/04/2021 (Note 7)	–	4,584,000	4,584,000	–	–	–
Ms. Au-Yeung Wai	27/04/2015 (Note 1)	HK$1.72	27/04/2018–26/04/2025	2,900,000	–	–	–	–	2,900,000
	27/04/2016 (Note 2)	HK$0.90	27/04/2016–26/04/2019 (Note 5)	1,852,000	–	1,852,000	–	–	–
	27/04/2017 (Note 3)	HK$0.82	27/04/2017–26/04/2020 (Note 6)	4,064,000	–	2,032,000	–	–	2,032,000
	27/04/2018 (Note 4)	HK$1.09	27/04/2018–26/04/2021 (Note 7)	–	4,584,000	–	–	–	4,584,000
Ms. Au-Yeung Hung	27/04/2015 (Note 1)	HK$1.72	27/04/2018–26/04/2025	2,900,000	–	–	–	–	2,900,000
	27/04/2016 (Note 2)	HK$0.90	27/04/2016–26/04/2019 (Note 5)	1,852,000	–	1,852,000	–	–	–
	27/04/2017 (Note 3)	HK$0.82	27/04/2017–26/04/2020 (Note 6)	4,064,000	–	2,032,000	–	–	2,032,000
	27/04/2018 (Note 4)	HK$1.09	27/04/2018–26/04/2021 (Note 7)	–	4,584,000	–	–	–	4,584,000
Total				26,448,000	13,752,000	19,136,000	–	–	21,064,000

Notes:

1. The closing price of the shares immediately before 27 April 2015, on which those options were granted, was HK$1.72.

2. The closing price of the shares immediately before 27 April 2016, on which those options were granted, was HK$0.89.

3. The closing price of the Shares immediately before 27 April 2017, on which those options were granted, was HK$0.82.

4. The closing price of the Shares immediately before 27 April 2018, on which those options were granted, was HK$1.09.

5. (i) Not more than one third of the share options be exercised during the period from 27 April 2016 to 26 April 2017; (ii) not more than two thirds of the share options in total be exercised during the period from 27 April 2017 to 26 April 2018; and (iii) all remaining share options be exercised during the period from 27 April 2018 to 26 April 2019.

6. (i) Not more than one third of the share options be exercised during the period from 27 April 2017 to 26 April 2018; (ii) not more than two thirds of the share options in total be exercised during the period from 27 April 2018 to 26 April 2019; and (iii) all remaining share options be exercised during the period from 27 April 2019 to 26 April 2020.

7. The options shall be exercisable immediately on the Date of Grant.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation

As at 31 March 2019, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required to be recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Directors	Nature of interest	Number of ordinary shares	Number of underlying shares held pursuant to share options (Note 2)	Percentage of the issued share capital of the Company (Note 3)
Dr. Au-Yeung Kong	Beneficial owner	34,600,000 (L)	2,032,000 (L)	66.65%
	Interest of controlled corporation (Note 1)	700,000,000 (L)	–	
Ms. Au-Yeung Wai	Beneficial owner	9,616,000 (L)	9,516,000 (L)	65.07%
	Interest of controlled corporation (Note 1)	700,000,000 (L)	–	
Ms. Au-Yeung Hung	Beneficial owner	9,616,000 (L)	9,516,000 (L)	65.07%
	Interest of controlled corporation (Note 1)	700,000,000 (L)	–	

(L): Long position

Notes:

1. The 700,000,000 Shares are held by Sure Sino Investments Limited, among which 137,500,000 Shares are held through its wholly-owned subsidiary Market Event Holdings Limited and 180,000,000 Shares are held through its wholly-owned subsidiary Earlson Holdings Limited, respectively. Dr. Au-Yeung Kong, Ms. Au-Yeung Wai and Ms. Au-Yeung Hung beneficially own the entire issued share capital of Sure Sino Investments Limited. By virtue of the SFO, Dr. Au-Yeung Kong, Ms. Au-Yeung Wai and Ms. Au-Yeung Hung are deemed to be interested in the 700,000,000 Shares held by Sure Sino Investments Limited.

2. 2,032,000 underlying Shares of Dr. Au-Yeung Kong represent the Shares to be issued under the share options granted by the Company on 27 April 2017 under the share option scheme adopted by the Company on 6 January 2012. 9,516,000 underlying Shares of Ms. Au-Yeung Wai and Ms. Au-Yeung Hung respectively represent (i) 2,900,000 Shares to be issued under the share options granted by the Company on 27 April 2015; (ii) 2,032,000 Shares to be issued under the share options granted by the Company on 27 April 2017; and (iii) 4,584,000 Shares to be issued under the share options granted by the Company on 27 April 2018 under the share option scheme adopted by the Company on 6 January 2012.

3. The percentage represents the number of Shares interested divided by the number of the issued Shares as at 31 March 2019 (i.e. 1,105,140,000 Shares).

Save as disclosed above, as at 31 March 2019, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Right to Acquire Shares or Debentures

At no time during the year ended 31 March 2019 was the Company, or any of its holding companies, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company (including their spouses and children under 18 years of age) to hold any interest or short positions in the shares, or underlying shares, or debentures, of the Company or its associated corporations (within the meaning of Part XV of the SFO).

Competing Interest

During the year ended 31 March 2019, none of the Directors, management shareholders and substantial shareholders of the Company, or their respective associate (as defined in the Listing Rules) had any interest in any business which compete or may cooperate with the business of the Group. Confirmations were provided by or obtained from the Directors and the controlling Shareholders to ensure that none of them was engaged in the competing business. The Directors and the controlling Shareholders had participated in training or reading materials to understand their obligations with respect to the competing business. The independent non-executive Directors also reviewed the controlling Shareholders' compliance with the non-competition undertakings.

Substantial Shareholders' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company

As at 31 March 2019, other than the interests of certain Directors and chief executive of the Company as disclosed under the section headed "Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above, the interests or short positions of person in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholders	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company (Note 2)
Sure Sino Investments Limited	Beneficial owner	382,500,000 (L)	34.61%
	Interest of controlled corporation (Note 1)	317,500,000 (L)	28.72%
Earlson Holdings Limited (Note 1)	Beneficial owner	180,000,000 (L)	16.28%
Market Event Holdings Limited (Note 1)	Beneficial owner	137,500,000 (L)	12.44%

(L): Long position

Note:

1. Sure Sino Investments Limited beneficially owns the entire issued share capital of Earlson Holdings Limited and Market Event Holdings Limited. By virtue of the SFO, Sure Sino Investments Limited is deemed to be interested in the 180,000,000 Shares held by Earlson Holdings Limited and 137,500,000 Shares held by Market Event Holdings Limited, respectively.

2. The percentage represents the number of Shares interested divided by the number of the issued Shares as at 31 March 2019 (i.e. 1,105,140,000 Shares).

Save as disclosed above, as at 31 March 2019, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) who had an interest or short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Sufficiency of Public Float

From information publicly available to the Company and within the knowledge of the Directors, during the year ended 31 March 2019, the Company maintained the public float required by the Listing Rules.

Donation

The Group made a donation of HK$678,000 during the year ended 31 March 2019 (2018: HK$218,000).

Directors' Interests in Contracts

No contract of significance to which the Company, its holding companies, or any of its subsidiaries was a party, and in which a Director had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 March 2019.

Management Contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 March 2019.

Directors' Interests in Competing Business

As at 31 March 2019, none of the Directors or their respective associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

Directors' Material interests in Transactions, Arrangements and Contracts

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company's subsidiaries or its parent company was a party and in which a Director had a material interest, where directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 March 2019.

Related Party Transactions

Details of the related party transactions undertaken during the year ended 31 March 2019 are provided under Note 35 to the consolidated financial statements. These related party transactions did not fall under the definition of connected transaction or continuing connected transaction as defined in the Listing Rules.

Retirement Benefits Schemes

Particulars of retirement benefits schemes of the Group are set out in Note 14 to the consolidated financial statements.

Confirmation of Independence

The Company has received from each of the independent non-executive Directors a confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considered all the independent non-executive Directors to be independent.

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated.

Indemnity of Directors

The Company has maintained appropriate directors and officers liability insurance and such permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year ended 31 March 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

The Company maintains a high standard of corporate governance practices. Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 24 to 35. The Directors believe the long term financial performance as opposed to short term rewards is a corporate governance objective. The Board would not take undue risks to make short term gains at the expense of the long term objectives.

Five-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the past five financial periods is set out in the financial summary section on page 5 of this annual report.

Auditor

The consolidated financial statements for the year ended 31 March 2017, 31 March 2018 and 31 March 2019 were audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment upon conclusion of the forthcoming annual general meeting of the Company. A resolution for the re-appointment of PricewaterhouseCoopers as the auditor of the Company is to be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board
Au-Yeung Kong
Chairman and Chief Executive Officer

Hong Kong, 24 June 2019

Independent Auditor's Report

pwc

羅兵咸永道

To the Shareholders of Perfect Shape Medical Limited
(formerly known as Perfect Shape Beauty Technology Limited)
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Perfect Shape Medical Limited (formerly known as Perfect Shape Beauty Technology Limited) (the "Company") and its subsidiaries (together as the "Group") set out on pages 56 to 132, which comprise:

- the consolidated balance sheet as at 31 March 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Basis for Opinion

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

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

Independence

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters — continued

The key audit matter identified in our audit is relating to revenue recognition for the sale of services.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition for the sale of services *(Refer to Note 2.17(a) to the consolidated financial statements)* During the year ended 31 March 2019, revenue from service contracts of approximately HK$1,197,031,000 was recognised in the Group's consolidated statement of comprehensive income. As at 31 March 2019, the Group had deferred revenue of approximately HK$116,337,000. As described in the accounting policies in Note 2.17(a) to the consolidated financial statements, revenue from the provision of slimming and beauty services are recognised when the services have been rendered to customers. Receipt of proceeds in respect of treatment packages for which the relevant services have not been rendered are deferred and recognised as deferred revenue in the consolidated balance sheet. The Group also implements a six-month expiry policy for all service contracts. Customers may not utilise all of their contractual rights within the service period and these unutilised treatments are referred to as "breakage". An expected amount of breakage is 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 treatments provided to customers.	Our audit procedures performed on revenue recognition for the sale of services included: • We understood and evaluated the key controls of the Group in respect of revenue recognition for the sale of services, including the recording of proceeds received in respect of treatment packages as deferred revenue, the recognition of revenue based on the number of treatment services rendered, the recognition of breakage in proportion to the pattern of treatments provided to customers, and the recognition of any residual deferred revenue as revenue upon the expiry of the treatment service contracts; • We tested, on a sample basis, the key controls over revenue recognition for the sale of services; • We tested, on a sample basis, the calculation of the amount of revenue recognised during the reporting period and the amount of revenue deferred as at the end of the reporting period with reference to the treatment service contracts, proceeds received and underlying treatment service records. This mainly involved: a. Agreeing the contract sums stipulated in the treatment service contracts to the bank receipt records; b. Agreeing the number and type of treatments stipulated in the treatment service contracts to the treatment service records; c. Checking the number and type of utilised treatments shown in the treatment service records to the corresponding documents acknowledged by the respective customers;

Key Audit Matters — continued

Key Audit Matter	How our audit addressed the Key Audit Matter
After the recognition of revenue from treatments provided and breakage, any residual deferred revenue at the end of the relevant service period are fully recognised as revenue in the consolidated statement of comprehensive income. We focused on this area because the estimation of breakage is inherently subjective and requires significant management judgment; and significant audit resources were allocated to perform the audit procedures on revenue recognition for the sale of services due to the magnitude of revenue transactions that occurred.	d. Recalculating the amount of revenue recognised based on the number and type of treatments utilised; e. Recalculating the amount of breakage recognised based on the proportion of treatments provided to customers; and f. Recalculating the amount of unutilised treatments for those expired contracts as at the end of the reporting period that should be recognised as revenue based on the terms of the corresponding treatment service contracts. • We assessed the reasonableness of management's estimate on breakage by performing the following procedures: a. Testing, on a sample basis, the accuracy of the historical data of customers' utilisation used by management to develop the estimate; and b. Assessing the appropriateness of the key assumption of expected future utilisation rate by comparing the expected future utilisation rate to the historical utilisation rate. Based upon the above procedures, we found that the recognition of revenue from the sale of services was supported by the available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Other Information — continued

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements — continued

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements — continued

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ng Hiu Tung.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 June 2019

Consolidated Statement Of Comprehensive Income

For the year ended 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Revenue	6	**1,197,031**	906,275
Other income	7	**3,495**	2,674
Other gains — net	8	**2,649**	14,331
Cost of inventories and consumables		**(13,600)**	(14,232)
Employee benefit and manpower service expenses	14	**(340,736)**	(287,483)
Marketing expenses		**(169,111)**	(87,955)
Depreciation	17	**(70,390)**	(79,855)
Operating lease rentals		**(94,093)**	(101,042)
Other operating expenses	9	**(115,387)**	(101,516)
Operating profit		**399,858**	251,197
Finance income	10	**4,195**	3,617
Profit before income tax		**404,053**	254,814
Income tax expenses	11	**(85,020)**	(60,627)
Profit for the year attributable to equity holders of the Company		**319,033**	194,187
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	13		
— basic		**HK28.9 cents**	HK18.0 cents
— diluted		**HK28.7 cents**	HK17.9 cents

The notes on pages 61 to 132 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	**108,486**	138,392
Deposits and prepayments	23	**29,268**	29,593
Financial assets at fair value through other comprehensive income	18	**70,277**	—
Deferred income tax assets	29	**9,255**	11,051
		217,286	179,036
Current assets			
Inventories	21	**2,651**	2,013
Trade receivables	22	**153,570**	165,885
Other receivables, deposits and prepayments	23	**47,202**	40,751
Financial assets at fair value through profit or loss	19	**35,218**	35,080
Term deposits with initial terms of over three months	24	**56,814**	70,208
Pledged bank deposits	25	**4,021**	26,142
Cash and cash equivalents	26	**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	27	**110,514**	108,600
Share premium		**192,694**	225,501
Other reserves		**16,067**	24,264
Retained earnings	28	**241,469**	111,802
Total equity		**560,744**	470,167

Consolidated Balance Sheet

As at 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	29	**24,594**	22,016
Provision for reinstatement costs	30	**5,598**	6,203
		30,192	28,219
Current liabilities			
Provision for reinstatement costs	30	**2,306**	1,732
Trade payables	31	**609**	647
Accruals and other payables	32	**75,025**	81,991
Deferred revenue	33	**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

The notes on pages 61 to 132 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 56 to 132 were approved by the Board of Directors on 24 June 2019 and were signed on its behalf.

Au-Yeung Kong
Director

Au-Yeung Wai
Director

Consolidated Statement Of Changes In Equity

For the year ended 31 March 2019

	Equity attributable to equity holders of the Company									
	Share capital HK$'000	Share premium HK$'000	Statutory reserve HK$'000	Capital redemption reserve HK$'000	Exchange reserve HK$'000	Share-based compensation reserve HK$'000	Financial assets at fair value through other comprehensive income reserve HK$'000	Available-for-sale financial assets revaluation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
For the year ended 31 March 2019										
At 1 April 2018, previously reported	108,600	225,501	11,021	6,420	(75)	6,898	–	–	111,802	470,167
Impact on initial adoption of HKFRS 15 (Note 2.2 (b))	–	–	–	–	894	–	–	–	82,754	83,648
At 1 April 2018, as restated	108,600	225,501	11,021	6,420	819	6,898	–	–	194,556	553,815
Comprehensive income										
Profit for the year	–	–	–	–	–	–	–	–	319,033	319,033
Other comprehensive losses										
Currency translation differences	–	–	–	–	(7,667)	–	–	–	–	(7,667)
Equity investments at fair value through other comprehensive income:										
– Fair value losses taken to reserves	–	–	–	–	–	–	(446)	–	–	(446)
– Fair value losses recycled to retained earnings upon disposal of the relevant financial assets	–	–	–	–	–	–	220	–	(220)	–
Total comprehensive (losses)/income	–	–	–	–	(7,667)	–	(226)	–	318,813	310,920
Total transactions with owners, recognised directly in equity										
Issuance of shares upon the exercise of share options (Note 27 (a))	1,914	22,450	–	–	–	(4,381)	–	–	–	19,983
Share-based payment (Note 15)	–	–	–	–	–	3,147	–	–	–	3,147
Dividends (Note 12)	–	(55,257)	–	–	–	–	–	–	(271,864)	(327,121)
Appropriation (Note 28(b))	–	–	36	–	–	–	–	–	(36)	–
	1,914	(32,807)	36	–	–	(1,234)	–	–	(271,900)	(303,991)
At 31 March 2019	110,514	192,694	11,057	6,420	(6,848)	5,664	(226)	–	241,469	560,744
For the year ended 31 March 2018										
At 1 April 2017	109,391	280,533	9,627	3,909	(7,923)	5,714	–	1,194	51,277	453,722
Comprehensive income										
Profit for the year	–	–	–	–	–	–	–	–	194,187	194,187
Other comprehensive income										
Currency translation differences	–	–	–	–	7,848	–	–	–	–	7,848
Available-for-sale financial assets:										
– Fair value gains	–	–	–	–	–	–	–	16,809	–	16,809
– Fair value gains recycled to profit or loss upon disposal of the relevant financial assets	–	–	–	–	–	–	–	(18,003)	–	(18,003)
Total comprehensive income/(losses)	–	–	–	–	7,848	–	–	(1,194)	194,187	200,841
Total transactions with owners, recognised directly in equity										
Repurchase and cancellation of ordinary shares (Note 27(b))	(2,511)	(17,436)	–	2,511	–	–	–	–	–	(17,436)
Issuance of shares upon the exercise of share options (Note 27(a))	1,720	16,362	–	–	–	(3,094)	–	–	–	14,988
Share-based payment (Note 15)	–	–	–	–	–	4,278	–	–	–	4,278
Dividends (Note 12)	–	(53,958)	–	–	–	–	–	–	(132,268)	(186,226)
Appropriation (Note 28(b))	–	–	1,394	–	–	–	–	–	(1,394)	–
	(791)	(55,032)	1,394	2,511	–	1,184	–	–	(133,662)	(184,396)
At 31 March 2018	108,600	225,501	11,021	6,420	(75)	6,898	–	–	111,802	470,167

The notes on pages 61 to 132 are an integral part of these consolidated financial statements.

Consolidated Statement Of Cash Flows

For the year ended 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
Cash generated from operations	36	**510,129**	262,329
Interest received		**4,084**	4,440
Income tax paid		**(60,798)**	(23,141)
Net cash generated from operating activities		**453,415**	243,628
Cash flows from investing activities			
Purchase of property, plant and equipment		**(53,174)**	(37,715)
Proceeds from disposal of property, plant and equipment	36	**17,482**	5,791
Reinstatement costs paid for leased premises	30	**(1,713)**	(1,052)
Purchase of financial assets at fair value through profit or loss		**—**	(36,183)
Purchase of financial assets at fair value through other comprehensive income		**(73,485)**	—
Proceeds from disposal of financial assets at fair value through other comprehensive income	18	**2,762**	—
Purchase of available-for-sale financial assets	18	**—**	(27,748)
Proceeds from disposal of available-for-sale financial assets	18	**—**	96,915
Decrease/(increase) in term deposits with initial terms of over three months		**13,394**	(70,002)
Net cash used in investing activities		**(94,734)**	(69,994)
Cash flows from financing activities			
Dividends paid	12	**(327,121)**	(186,226)
Repurchase of ordinary shares	27	**—**	(17,436)
Issuance of shares upon the exercise of share options	27	**19,983**	14,988
Net cash used in financing activities		**(307,138)**	(188,674)
Net increase/(decrease) in cash and cash equivalents		**51,543**	(15,040)
Cash and cash equivalents at 1 April		**299,411**	298,994
Effect of foreign exchange rate changes		**(12,283)**	15,457
Cash and cash equivalents at 31 March		**338,671**	299,411

The notes on pages 61 to 132 are an integral part of these consolidated financial statements.

Notes To The Consolidated Financial Statements

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 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

2 Summary of significant accounting policies — continued

2.1 Basis of preparation — continued

(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

2 Summary of significant accounting policies — continued

2.1 Basis of preparation — continued

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

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. The Group's current accounting policy for such leases is set out in Note 2.18 with the Group's future operating lease commitments, which are not reflected in the consolidated balance sheet, falling due as follows:

	2019 HK$'000	2018 HK$'000
Not later than one year	**98,741**	101,024
Later than one year and not later than five years	**155,355**	102,304
	254,096	203,328

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.

2 Summary of significant accounting policies — continued

2.1 Basis of preparation — continued

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

HKFRS 16 "Leases" — continued

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. The new accounting policies are set out in Note 2.8.

(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.

2 Summary of significant accounting policies — continued

2.2 Changes in accounting policies — continued

(a) HKFRS 9 "Financial Instruments" — continued

(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.

2 Summary of significant accounting policies — continued

2.2 Changes in accounting policies — continued

(a) HKFRS 9 "Financial Instruments" — continued

(ii) Impairment of financial assets — continued

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's new accounting policies on revenue recognition are set out in Note 2.17.

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".

2 Summary of significant accounting policies — continued

2.2 Changes in accounting policies — continued

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

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

	As previously reported under HKAS 18 HK$'000 (a)	Impact of the adoption of HKFRS 15 HK$'000 (b)	As restated under HKFRS 15 HK$'000 (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 as set out in Note 2.17. 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.

2 Summary of significant accounting policies — continued

2.2 Changes in accounting policies — continued

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

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 statement of comprehensive income 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)
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

2 Summary of significant accounting policies — continued

2.2 Changes in accounting policies — continued

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

Consolidated balance sheet as at 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)
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

2 Summary of significant accounting policies — continued

2.2 Changes in accounting policies — continued

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

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)	—

2.3 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 March 2019.

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

2 Summary of significant accounting policies — continued

2.3 Consolidation — continued

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group did not have any non-controlling interest.

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

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

2 Summary of significant accounting policies — continued

2.4 Segment reporting

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

2.5 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is Chinese Renminbi ("RMB"). Its consolidated financial statements are presented in HK$, which is the presentation currency of the Group and the Company.

(ii) Transactions and balances

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

(iii) Group companies

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

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(c) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2 Summary of significant accounting policies — continued

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisitions of the items.

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

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost of each asset to their residual values (if any) over their estimated useful lives, as follows:

Machinery and equipment	20% to 30%
Furniture and fixtures	20% to 30%
Office equipment	30%
Motor vehicles	20%
Leasehold improvements	2% or over the unexpired lease term, whichever is shorter
Land and building	3%

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.7 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash-generating units"). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

The Group has applied HKFRS 9 using the modified retrospective approach with which the accounting policies have been consistently applied to the consolidated financial statements of the Group throughout the years presented. The cumulated impact of the adoption, if any, will have been recognised in the retained earnings as of 1 April 2018 and that comparatives will not be restated.

2 Summary of significant accounting policies — continued

2.8 Financial assets — continued

2.8.1 Classifications

For the year ended 31 March 2019

From 1 April 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and

- those to be measured at amortised cost.

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

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investments at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

For the year ended 31 March 2018

The Group classifies its financial assets into the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

The Group classifies financial asset at fair value through profit or loss if they are acquired principally for the purpose of selling in the short term, especially held for trading. It is presented as current asset if it is expected to be sold within twelve months after the end of reporting period; otherwise they are presented as non-current assets.

2 Summary of significant accounting policies — continued

2.8 Financial assets — continued

2.8.1 Classifications — continued

For the year ended 31 March 2018 — continued

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determined payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the reporting date. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables, deposits, cash and cash equivalents, term deposits and pledged deposits.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated or not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

2.8.2 Recognition and measurement

For the year ended 31 March 2019

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

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated statement of comprehensive income.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2 Summary of significant accounting policies — continued

2.8 Financial assets — continued

2.8.2 Recognition and measurement — continued

For the year ended 31 March 2019 — continued

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in the consolidated statement of comprehensive income when the Group's right to receive payments is established.

Changes in the fair value of financial asset at fair value through profit or loss are recognised in other gains-net in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

For the year ended 31 March 2018

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial asset at fair value through profit or loss" category are presented in the consolidated statement of comprehensive income in the period in which they arise. Dividend income from financial asset at fair value through profit or loss is recognised in the consolidated statement of comprehensive income when the Group's right to receive payments is established.

Changes in the fair value of equity securities classified as available for sale are recognised in other comprehensive income.

2 Summary of significant accounting policies — continued

2.8 Financial assets — continued

2.8.2 Recognition and measurement — continued

For the year ended 31 March 2018 — continued

When available-for-sale investments are sold, the cumulative fair value gains or losses previously recognised in investment revaluation reserve is removed from investment revaluation reserve and recognised in profit or loss.

Dividends from these available-for-sale investments are recognised in profit or loss as other income when the Group's right to receive payment is established.

2.8.3 Impairment of financial assets

For the year ended 31 March 2019

The Group's financial assets measured at amortised cost are subject to HKFRS 9's expected credit loss model. The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1(b) sets out the details on how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of trade receivables. The provision matrix is determined based on historical observed default rates over the expected life of trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

For other receivables and deposits, the Group measures the impairment as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of the other receivables has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2 Summary of significant accounting policies — continued

2.8 Financial assets — continued

2.8.3 Impairment of financial assets — continued

For the year ended 31 March 2018

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

2 Summary of significant accounting policies — continued

2.8 Financial assets — continued

2.8.3 Impairment of financial assets — continued

For the year ended 31 March 2018 — continued

(b) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For equity investments under available-for-sale financial assets, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

2.8.4 Offsetting financial instruments

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

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by using the first in, first out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.10 Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

2 Summary of significant accounting policies — continued

2.12 Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. Financial liabilities (as disclosed in Note 20) are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. An equity instrument is any contract that does not meet the definition of financial liability and evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Ordinary shares are classified as equity. Incremental costs, net of tax, directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

2.13 Current and deferred income tax

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

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the places where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2 Summary of significant accounting policies — continued

2.13 Current and deferred income tax — continued

(b) Deferred income tax— continued

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

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

2.14 Employee benefits

(a) Pension obligations

The Group participates in various defined contribution retirement benefit plans which are available to all relevant employees. These plans are generally funded through payments to schemes established by government or trustee-administered funds.

A defined contribution plan is a pension plan under which the Group pays contributions on a mandatory, contractual or voluntary basis into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefit relating to employee service in the current and prior periods.

All contributions to pension plans are fully and immediately vested and the Group has no unvested benefits available to reduce its future contributions.

2 Summary of significant accounting policies — continued

2.14 Employee benefits — continued

(b) Bonus plan

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities of bonus plan are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

2.15 Share-based payments

Equity-settled share-based payment transactions

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from directors, employees, consultant or adviser of the Group as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

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

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

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (and share premium).

2 Summary of significant accounting policies — continued

2.16 Provisions

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

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in provision due to the passage of time is recognised as interest expense.

2.17 Revenue and income recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of products and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, service refunds, discounts and after eliminating sales within the Group.

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

Incremental costs of obtaining contracts with customers such as sales commissions paid or payable to staff may be capitalised as deferred costs in the Group's consolidated balance sheet if the Group expects to recover those costs. If capitalised, these deferred costs are recognised in the consolidated statement of comprehensive income in the period in which the deferred revenue that they relate is recognised as revenue. The Group has applied the practical expedient of directly recognising these incremental costs as expenses when incurred since the amortisation period of the assets that the Group otherwise would have recognised will be less than one year.

2 Summary of significant accounting policies — continued

2.17 Revenue and income recognition — continued

Revenue is recognised when specific criteria have been met for the Group's activities as described below:

(a) Sales of services

Revenue from the provision of slimming and beauty services are recognised in the accounting period when the services have been rendered to customers. Receipt of proceeds in respect of treatment packages for which the relevant services have not been rendered are deferred and recognised as "deferred revenue" in the consolidated balance sheet.

The Group implements a contractual six-month expiry policy for all service contracts. The customers may not utilise all of their contractual rights within the service period and these unutilised treatments are referred to as "breakage". An expected amount of breakage is 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 treatments provided to customers. After the recognition of revenue from treatments provided and breakage, any residual deferred revenue at the end of the relevant service period are fully recognised as revenue in the consolidated statement of comprehensive income.

The Group also operates refundable programmes on certain beauty services under which customers entered into service contracts for a prescribed numbers of treatments are entitled to refunds of the entire contracted amounts upon the completion of last treatments for any unsatisfactory treatment outcome. Revenue from these services are only recognised when the Group's refund obligations are discharged.

(b) Sales of products

Revenue from the sales of slimming and beauty products when control of the products has transferred, which generally coincides with the time when the products are delivered to the customers.

(c) Interest income

Interest income is recognised using the effective interest method.

(d) Dividend income

Dividend income is recognised when the right to receive payment is established.

2 Summary of significant accounting policies — continued

2.18 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

2.19 Government subsidies

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

Government subsidies relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government subsidies relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.20 Dividend distributions

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, as appropriate.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk, cash-flow and fair value interest-rate risks and price risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign exchange risk

The Group operates in Hong Kong, Macau and the PRC with most of the transactions denominated and settled in HK$, Macau Patacas ("MOP") and RMB respectively. The Company does not use any derivative financial instruments to hedge its exposure to foreign exchange risk. 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 (2018: Nil).

3 Financial risk management — continued

3.1 Financial risk factors — Continued

(b) Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of cash at banks, term deposits, pledged bank deposits, trade receivables, deposits and other receivables included in the consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to its financial assets.

The Group has two types of financial asset that is subject to the expected credit loss models:

- Trade receivables
- Other financial assets carried at amortised cost

Trade receivables

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance 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 default rates, adjusted to reflect the effects of existing market conditions as well as forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivable. Trade receivables with known insolvencies are assessed individually for impairment allowances and are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a prepayment plan with the Group, and a failure to make contractual payments.

Trade receivables of the Group represent amounts due from various financial institutions as a result of credit cards and instalment payment arrangement. Taking into account the high credit rating of these counterparties, who also has no recent history of default and that the Group is not contractually exposed to the risk of default by the ultimate customer arising from these payment arrangements, management assessed the expected credit loss rate of these trade receivables is close to zero. Therefore, the loss allowance provision for these balances was not material and no provision was recognised.

3 Financial risk management — continued

3.1 Financial risk factors — continued

(b) Credit risk — continued

Other financial assets carried at amortised cost

The Group's other financial assets carried at amortised cost include cash and cash equivalent, 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 twelve 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.

Management considered the credit risk of deposits and other receivables as low as counterparties have a strong capacity to meet their contractual cash flow obligations in the near term.

The majority of the Group's cash at banks, term deposits and pledged bank deposits are deposited in major financial institutions located in Hong Kong and Macau and the PRC, which are of high credit rating. Management does not expect any losses arising from non-performance by these counterparties.

The majority of the Group's rental deposits are placed with various landlords in Hong Kong, Macau and the PRC, and are due to refund upon the expiry of the tenancy agreement and handover of the leased premium. The Group has not experienced any defaults by the landlords.

Therefore, the Group has assessed that the expected credit losses for these financial assets carried at amortised costs were close to zero under 12-month expected losses method, and therefore no provision was recognised.

(c) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities.

The Group's primary cash requirements have been the payment for operating expenses. The Group mainly finances its working capital requirements through internal resources.

3 Financial risk management — continued

3.1 Financial risk factors — continued

(c) Liquidity risk — continued

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents and adequate amount of committed credit facilities to meet its liquidity requirements in the short and long term.

During the years ended 31 March 2019 and 2018, the credit terms with other financial institutions on instalment and credit card sales arrangement generally ranged from 3 days to 180 days. Generally, a relatively low proportion of the Group's total sales contracts was entered into through instalment sales arrangement with credit terms exceeding 120 days.

As at 31 March 2019 and 2018, the contractual undiscounted cash flows of the Group's current financial liabilities approximate their respective carrying amounts due to their short maturities.

(d) Cash-flow and fair value interest-rate risks

The Group does not have any significant interest bearing financial assets or liabilities except for term deposits, pledged bank deposits and cash at banks, details of which are disclosed in Notes 24, 25 and 26 to the consolidated financial statements respectively. Management considers that interest-rate risk exposure of the Group is insignificant and no sensitivity analysis is therefore presented thereon.

(e) Price risk

The Group's main market price risk exposures as at 31 March 2019 relate to financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income which comprised listed equity securities and unlisted fund investments, when its price risk exposures as at 31 March 2018 relate to available-for-sale financial assets which comprised listed equity securities.

As at 31 March 2019, if the market price of the financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income had increased/decreased by 5%, the Group's equity would have been approximately HK$5,275,000 higher/lower, mainly as a result of the gains/losses on financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

As at 31 March 2018, if the market price of the financial assets at fair value through profit or loss had increased/decreased by 5%, the Group's equity would have been approximately HK$1,754,000 higher/lower, mainly as a result of the gains/losses on financial assets at fair value through profit or loss.

The Group closely monitors the price movement and changes in market conditions that may have an impact on the value of these financial assets.

3 Financial risk management — continued

3.2 Fair value estimation

The following table presents the Group's financial instruments that are measured at fair value at 31 March 2019 and 2018. The different levels have been defined as follows:

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

(ii) Inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

(iii) Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs) (level 3).

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Group				
At 31 March 2019				
Financial assets at fair value through other comprehensive income				
– Listed equity investments	**70,277**	**—**	**—**	**70,277**
Financial assets at fair value through profit or loss				
– Unlisted fund investments	**—**	**35,218**	**—**	**35,218**
At 31 March 2018				
Financial assets at fair value through profit or loss				
– Unlisted fund investments	—	35,080	—	35,080

The fair value of unlisted fund investments that are not traded in an active market is determined by using valuation techniques, which include the use of quoted prices from the relevant financial institutions. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

There were no transfers between levels 1, 2 and 3 during the years ended 31 March 2019 and 2018.

The carrying amounts of the Group's current financial assets, including cash and cash equivalents, term deposits, pledged bank deposits, trade receivables, and deposits and other receivables; and the Group's current financial liabilities, including trade payables, and accruals and other payables approximate their fair values due to their short maturities.

3 Financial risk management — continued

3.3 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, return capital to shareholders, issue new shares or obtain bank borrowings.

The Group also monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as "equity", as shown in the consolidated balance sheet, plus net debt. The Group's strategy was to maintain a minimal gearing ratio. Management consider that the Group's capital risk is minimal as the Group has cash and cash equivalents of approximately HK$338,671,000 as at 31 March 2019 (2018: HK$299,411,000), and has no outstanding bank loans, overdrafts or other borrowings at 31 March 2019 (2018: Nil).

4 Critical accounting estimates and judgements

Estimates and judgements used in preparing the consolidated financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

(a) Revenue recognition of breakage

As explained in Note 2.17, the Group's revenue recognition from provision of services involves the element of breakage which is estimated by the Group's management based on the historical data of customers' utilisation and recognised as revenue in proportion to the pattern of rights exercised by the customers. The actual subsequent utilisation by the customers may be higher or lower than the amount of breakage estimated at the end of each reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

Prior to the adoption of HKFRS 15, any unutilised treatments are fully recognised in profit or loss at the end of the relevant service period.

4 Critical accounting estimates and judgements — continued

(b) Provision for refund policy

Except for the specific refundable service programmes as described in Note 2.17, the Group generally adopts a non-refundable service policy as contractually stipulated in all service contracts. Nevertheless, the Group may, depending on facts and circumstances for each case, accommodate certain amount of refunds upon customers' complaints and claims against treatment outcome. Taking into account the historical pattern of refund and actual amount incurred with respect to sales volume, management assesses any provision required at each balance sheet date.

(c) Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations.

If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to profit or loss.

(d) Impairment of receivables

The Group's management determines the provision for impairment of trade and other receivables based on an assessment of the expected credit losses of these receivables. The assessment is based on the historical loss experience, adjusted to reflect the effects of current conditions and forward looking information, which requires the use of judgements and estimates. Management reassesses the provision at each balance sheet date.

4 Critical accounting estimates and judgements — continued

(e) Current and deferred income tax

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

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectation is different from the original estimates, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimates is changed.

5 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.

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

5 Segment information — continued

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

6 Revenue

	2019 HK$'000	2018 HK$'000
Revenue from treatment service contracts (Note 33(b))	**1,197,031**	905,911
Revenue from sales of slimming and beauty products (Note 33(c))	**—**	364
	1,197,031	906,275

7 Other income

	2019 HK$'000	2018 HK$'000
Government subsidies (Note)	**1,961**	2,003
Dividend income from financial assets at fair value through profit or loss	**1,243**	—
Dividend income from financial assets at fair value through other comprehensive income	**101**	—
Dividend income from available-for-sale financial assets	**—**	522
Others	**190**	149
	3,495	2,674

Note: Government subsidies represent cash received from the local municipal government in the PRC as incentives to invest in certain regions of the PRC, the conditions attached thereto had been fully complied with.

8 Other gains – net

	2019 HK$'000	2018 HK$'000
Gains/(losses) on disposal of property, plant and equipment	**2,557**	(3,472)
Net exchange (losses)/gains	**(46)**	903
Fair value gains/(losses) on financial assets at fair value through profit or loss	**138**	(1,103)
Gains on disposal of available-for-sale financial assets	**—**	18,003
	2,649	14,331

9 Other operating expenses

Included in other operating expenses are the following:

	2019 HK$'000	2018 HK$'000
Doctor consultation fee	**730**	1,113
Building management fee	**18,553**	19,321
Auditor's remuneration	**2,450**	2,000
Credit card and instalment arrangement commissions	**54,615**	36,536
Other tax and surcharges	**1,463**	1,477
Printing, stationeries and general office expenses	**5,365**	4,615
Utility charges	**3,068**	3,381
Courier, postages and delivery charges	**2,439**	5,897
Travelling expenses	**2,193**	2,361
Other expenses	**24,511**	24,815
	115,387	101,516

10 Finance income

	2019 HK$'000	2018 HK$'000
Interest income on bank deposits	**4,195**	3,617

11 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 **HK$'000**	2018 HK$'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 (Note 29)	**8,233**	5,930
	85,020	60,627

11 Income tax expenses — continued

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 HK$'000	2018 HK$'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.

12 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

12 Dividends — continued

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.

13 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

13 Earnings per share — continued

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 as set out in Note 15.

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

14 Employee benefit and manpower service expenses

	2019 HK$'000	2018 HK$'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.

14 Employee benefit and manpower service expenses — continued

(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.

15 Share-based payment

The Company has a share option scheme approved and adopted on 6 January 2012 ("Share Option Scheme"), pursuant to which share options may be granted to directors (including executive, non-executive or independent non-executive directors), any employee (full-time or part-time), any consultant or adviser of or to the Company or the Group (on an employment or contractual or honorary basis and paid or unpaid) to subscribe for the shares of the Company, subject to a maximum of 10% of the total number of shares in issue as at the listing date or such maximum number as approved by the shareholders.

The Share Option Scheme is valid and effective for a period of ten years commencing on the adoption date of the scheme.

The exercise price shall be at least the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five consecutive business days immediately preceding the date of grant of the option; and (iii) the nominal value of the share.

15 Share-based payment — continued

The terms and conditions of the share options granted and effective during the years ended 31 March 2019 and 2018 are as follows:

(a) Share options granted to directors on 27 April 2015

On 27 April 2015, the Company granted 2,900,000 share options to each of its three executive directors, amounting to a total of 8,700,000 share options granted. The exercise price is HK$1.72 per share option, being the closing price of the Company's shares on the grant date. These share options granted will be vested and exercisable after three years from the grant date. These options granted have a contractual option term of eight years and will be expired on 26 April 2025. The Company does not have a legal or constructive obligation to repurchase or settle the options in cash. During the year ended 31 March 2019, all share options out of the 8,700,000 share options were exercisable and 2,900,000 share options were exercised.

The fair value of these share options granted determined using the Binominal Option Pricing Model was HK$0.5497 per option. The significant inputs into the model were the exercise price of HK$1.72 at the grant date, volatility of 41.27%, dividend yield of 4.78% and an annual risk-free interest rate of 1.49%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last five years.

(b) Share options granted to directors on 27 April 2016

On 27 April 2016, the Company granted 5,552,000 share options to each of its three executive directors, amounting to a total of 16,656,000 share options granted. The exercise price is HK$0.90 per share option, being the closing price of the Company's shares on the grant date. Each grantee may exercise no more than one third of his/her respective share options granted during the period from 27 April 2016 to 26 April 2017, no more than two third of share options granted during the period from 27 April 2017 to 26 April 2018, and all granted share options during the period from 27 April 2018 to 26 April 2019. These options granted have a contractual option term of three years and will be expired on 26 April 2019. The Company does not have a legal or constructive obligation to repurchase or settle the options in cash. During the year ended 31 March 2018, 11,104,000 share options out of the 16,656,000 share options were exercisable and 11,100,000 share options were exercised. During the year ended 31 March 2019, the remaining 5,556,000 share options were exercised.

The fair values of these share options granted determined using the Binominal Option Pricing Model were ranging from HK$0.1942 to HK$0.2002 per option. The significant inputs into the model were the exercise price of HK$0.90 at the grant date, volatility of 48.82%, dividend yield of 7.61% and an annual risk-free interest rate of 0.77%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last five years.

15 Share-based payment — continued

(c) Share options granted to directors on 27 April 2017

On 27 April 2017, the Company granted 6,096,000 share options to each of its three executive directors, amounting to a total of 18,288,000 share options granted. The exercise price is HK$0.82 per share option, being the closing price of the Company's shares on the grant date. Each grantee may exercise no more than one third of his/her respective share options granted during the period from 27 April 2017 to 26 April 2018, no more than two third of share options granted during the period from 27 April 2018 to 26 April 2019, and all granted share options during the period from 27 April 2019 to 26 April 2020. These options granted have a contractual option term of three years and will be expired on 26 April 2020. The Company does not have a legal or constructive obligation to repurchase or settle the options in cash. During the year ended 31 March 2018, 6,096,000 share options out of the 18,288,000 share options were exercisable and exercised. During the year ended 31 March 2019, 12,192,000 share options out of the 18,288,000 share options were exercisable and 12,192,000 share options were exercised.

The fair values of these share options granted determined using the Binominal Option Pricing Model were ranging from HK$0.1362 to HK$0.1435 per option. The significant inputs into the model were the exercise price of HK$0.82 at the grant date, volatility of 48.1470%, and dividend yield of 12.44% and an annual risk-free interest rate of 0.94%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last three years.

(d) Share options granted to directors on 27 April 2018

On 27 April 2018, the Company granted 4,584,000 share options to each of its three executive directors, amounting to a total of 13,752,000 share options granted. The exercise price is HK$1.09 per share option, being the closing price of the Company's shares on the grant date. These share options are exercisable immediately on the date of grant. These options granted have a contractual option term of three years and will be expired on 26 April 2021. The Company does not have a legal or constructive obligation to repurchase or settle the options in cash. During the year ended 31 March 2019, all of the 13,752,000 share options were exercisable and 4,584,000 share options were exercised.

The fair values of these share options granted determined using the Binominal Option Pricing Model was HK$0.1829 per option. The significant inputs into the model were the exercise price of HK$1.09 at the grant date, volatility of 41.37%, dividend yield of 12.28% and an annual risk-free interest rate of 2.00%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last three years.

15 Share-based payment — continued

Total expenses recognised in profit or loss for the above share options granted to directors are set out in Note 16(a).

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2019		2018	
	Average exercise price in HK$ per share option	Number of share options (thousands)	Average exercise price in HK$ per share option	Number of share options (thousands)
At 1 April	1.13	26,448	1.18	25,356
Granted during the year	1.09	13,752	0.82	18,288
Exercised during the year	1.04	(19,136)	0.87	(17,196)
At 31 March	1.19	21,064	1.13	26,448

As at 31 March 2019, 14,968,000 options (2018: 4,000) out of the 21,064,000 outstanding options (2018: 26,448,000) were exercisable.

Share options outstanding as at year end have the following expiry dates and exercise prices:

	Exercise price in HK$ per share option	Number of share options (thousands)	
		2019	2018
Expiry date – 26 April 2025	1.72	5,800	8,700
Expiry date – 26 April 2019	0.90	—	5,556
Expiry date – 26 April 2020	0.82	6,096	12,192
Expiry date – 26 April 2021	1.09	9,168	—
		21,064	26,448

16 Directors' and senior management's remunerations

(a) Remunerations of directors and chief executive officer

	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Housing allowance HK$'000	Estimated money value of other benefit (Note) HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Remunerations paid or receivable in respect of accepting office as director HK$'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking HK$'000	Total HK$'000
Year ended 31 March 2019									
Executive directors									
Dr. Au-Yeung Kong (Chief executive officer)	12,000	–	–	–	1,049	–	–	–	13,049
Ms. Au-Yeung Hung	3,600	–	–	–	1,049	–	–	–	4,649
Ms. Au-Yeung Wai	3,600	–	–	–	1,049	–	–	–	4,649
Independent non-executive directors									
Ms. Hsu Wai Man, Helen	180	–	–	–	–	–	–	–	180
Mr. Chi Chi Hung, Kenneth	180	–	–	–	–	–	–	–	180
Ms. Cho Yi Ping	180	–	–	–	–	–	–	–	180
	19,740	–	–	–	3,147	–	–	–	22.887

Note: The amounts represent the share-based payment expenses charged to profit or loss during the year for share options granted to these directors (Note 15).

16 Directors' and senior management's remunerations — continued

(a) Remunerations of directors and chief executive officer — continued

	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Housing allowance HK$'000	Estimated money value of other benefit (Note) HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Remunerations paid or receivable in respect of accepting office as director HK$'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking HK$'000	Total HK$'000
Year ended 31 March 2018									
Executive directors									
Dr. Au-Yeung Kong									
(Chief executive officer)	4,800	–	7,200	–	1,426	–	–	–	13,426
Ms. Au-Yeung Hung	2,400	–	3,600	–	1,426	–	–	–	7,426
Ms. Au-Yeung Wai	2,400	–	3,600	–	1,426	–	–	–	7,426
Independent non-executive directors									
Ms. Hsu Wai Man, Helen	120	–	–	–	–	–	–	–	120
Mr. Chi Chi Hung, Kenneth	120	–	–	–	–	–	–	–	120
Ms. Cho Yi Ping	120	–	–	–	–	–	–	–	120
	9,960	–	14,400	–	4,278	–	–	–	28,638

No directors waived or agreed to waive any emoluments during the years ended 31 March 2019 and 2018.

16 Directors' and senior management's remunerations — continued

(b) Five highest paid individuals

The five individuals whose remunerations were the highest in the Group are as follows:

	Number of individuals	
	2019	2018
Directors	**3**	3
Employees	**2**	2
	5	5

Information relating to the remunerations of the directors has been disclosed above. Details of the remunerations of the remaining highest paid individuals not in the capacity as a director during the year are set out below:

	2019 **HK$'000**	2018 HK$'000
Basic salaries	**5,489**	5,123
Pension costs – defined contribution plans	**36**	36
	5,525	5,159

The number of highest paid individuals not in the capacity as a director whose remunerations for the year fell within the following bands:

	Number of non-directors	
	2019	2018
HK$1,500,001 to HK$2,500,000	**1**	1
HK$2,500,001 to HK$3,500,000	**1**	1

During the years ended 31 March 2019 and 2018, no emoluments had been paid to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

17 Property, plant and equipment

	Land and building HK$'000	Leasehold improvements HK$'000	Machinery and equipment HK$'000	Office equipment, furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 April 2017						
Cost	–	152,643	263,814	40,570	4,577	461,604
Accumulated depreciation	–	(102,030)	(145,312)	(27,879)	(1,567)	(276,788)
Net book amount	–	50,613	118,502	12,691	3,010	184,816
Year ended 31 March 2018						
Opening net book amount	–	50,613	118,502	12,691	3,010	184,816
Exchange differences	–	993	1,062	444	–	2,499
Additions	7,056	14,065	13,721	1,845	3,508	40,195
Disposals	–	(4,571)	(2,828)	(1,864)	–	(9,263)
Depreciation	(195)	(28,799)	(43,011)	(6,869)	(981)	(79,855)
Closing net book amount	6,861	32,301	87,446	6,247	5,537	138,392
At 31 March 2018						
Cost	7,056	145,453	277,293	38,985	8,085	476,872
Accumulated depreciation	(195)	(113,152)	(189,847)	(32,738)	(2,548)	(338,480)
Net book amount	6,861	32,301	87,446	6,247	5,537	138,392
Year ended 31 March 2019						
Opening net book amount	6,861	32,301	87,446	6,247	5,537	138,392
Exchange differences	–	(600)	(592)	(150)	–	(1,342)
Additions	–	12,424	31,009	8,046	5,272	56,751
Disposals	–	(1,121)	(12,446)	(59)	(1,299)	(14,925)
Depreciation	(212)	(19,550)	(43,769)	(5,053)	(1,806)	(70,390)
Closing net book amount	6,649	23,454	61,648	9,031	7,704	108,486
At 31 March 2019						
Cost	7,056	127,183	291,547	45,374	9,614	480,774
Accumulated depreciation	(407)	(103,729)	(229,899)	(36,343)	(1,910)	(372,288)
Net book amount	6,649	23,454	61,648	9,031	7,704	108,486

Additions of leasehold improvements during the years ended 31 March 2019 and 2018 included the estimated cost of reinstatement obligation upon the closure or relocation of shop or office premises.

18 Financial assets at fair value through other comprehensive income and available-for-sale financial assets

(a) Financial assets at fair value through other comprehensive income

	HK$'000
At 1 April 2018	–
Additions	73,485
Fair value losses taken to reserves	(446)
Disposals	(2,762)
At 31 March 2019	70,277

	2019 HK$'000
Equity investments listed in Hong Kong	29,608
Equity investments listed in the United States of America ("USA")	40,669
	70,277

As at 31 March 2019, financial assets at fair value through other comprehensive income comprise equity investments which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

During the year ended and as at 31 March 2019, certain equity investments listed in USA were pledged for certain Group's banking facilities in respect of credit card and instalment sale arrangement as set in Note 35.

18 Financial assets at fair value through other comprehensive income and available-for-sale financial assets – continued

(b) Available-for-sale financial assets

	HK$'000
At 1 April 2017	52,358
Additions	27,748
Net fair value changes	16,809
Disposals	(96,915)
At 31 March 2018	–

Available-for-sale financial assets were all equity securities listed in Hong Kong.

19 Financial assets at fair value through profit or loss

	2019 **HK$'000**	2018 HK$'000
Unlisted fund investments, at fair value, in Hong Kong	**35,218**	35,080

Financial assets at fair value through profit or loss are all held for trading and represent the unlisted fund investments.

During the year ended 31 March 2019, fair value gains of financial assets at fair value through profit or loss amounting to HK$138,000 (2018: losses of HK$1,103,000) were recognised in profit or loss. Information about the Group's exposure to price risk is provided in Note 3.1(e). Information about the methods and assumptions used in determining fair value is provided in Note 3.2.

During the years ended and as at 31 March 2019 and 2018, these unlisted fund investments were pledged for certain Group's banking facilities in respect of credit card and instalment sale arrangement as set out in Note 35.

20 Financial instruments by category

	Financial assets at amortised cost HK$'000	Financial assets at fair value through other comprehensive income HK$'000	Financial assets at fair value through profit or loss HK$'000	Total HK$'000
Assets included in the consolidated balance sheet				
At 31 March 2019				
Trade receivables	**153,570**	**–**	**–**	**153,570**
Financial assets at fair value through other comprehensive income	**–**	**70,277**	**–**	**70,277**
Financial assets at fair value through profit or loss	**–**	**–**	**35,218**	**35,218**
Other receivables and deposits	**53,346**	**–**	**–**	**53,346**
Term deposits with initial terms of over three months	**56,814**	**–**	**–**	**56,814**
Pledged bank deposits	**4,021**	**–**	**–**	**4,021**
Cash and cash equivalents	**338,671**	**–**	**–**	**338,671**
	606,422	**70,277**	**35,218**	**711,917**

	Loans and receivables HK$'000	Financial assets at fair value through profit or loss HK$'000	Total HK$'000
Assets included in the consolidated balance sheet			
At 31 March 2018			
Trade receivables	165,885	–	165,885
Financial assets at fair value through profit or loss	–	35,080	35,080
Other receivables and deposits	39,297	–	39,297
Term deposits with initial terms of over three months	70,208	–	70,208
Pledged bank deposits	26,142	–	26,142
Cash and cash equivalents	299,411	–	299,411
	600,943	35,080	636,023

20 Financial instruments by category – continued

	Financial liabilities at amortised cost	
	2019	2018
	HK$'000	HK$'000
Liabilities included in the consolidated balance sheet		
Trade payables	**609**	647
Accruals and other payables (excluding accrued salaries and other taxes payables)	**45,273**	46,398
	45,882	47,045

21 Inventories

	2019	2018
	HK$'000	HK$'000
Trading merchandises and consumables	**2,651**	2,013

22 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
RMB	**2,885**	2,876
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.

22 Trade receivables – continued

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 HK$'000	2018 HK$'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 HK$'000	2018 HK$'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.

23 Other receivables, deposits and prepayments

	2019 HK$'000	2018 HK$'000
Current		
Prepayments	**19,524**	24,434
Deposits	**27,174**	15,246
Other receivables	**504**	1,071
	47,202	40,751
Non-current		
Prepayments for the acquisition of property, plant and equipment	**3,600**	6,613
Rental and utility deposits	**25,668**	22,980
	29,268	29,593
	76,470	70,344

The Group's other receivables and deposits were denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
HK$	**39,890**	27,721
RMB	**13,015**	11,158
MOP	**441**	418
	53,346	39,297

24 Term deposits with initial terms of over three months

As at 31 March 2019, the weighted average effective interest rate of the Group's term deposits with initial terms of over three months was 2.75% (2018: 1.10%).

The Group's term deposits with initial terms of over three months were denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
HK$	**10,000**	70,000
RMB	**46,604**	—
MOP	**210**	208
	56,814	70,208

The Group's term deposits with initial terms of over three months balances denominated in RMB were deposited with banks in the PRC. The conversion of the RMB-denominated balances into foreign currencies and the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the Government of the People's Republic of China.

25 Pledged bank deposits

As at 31 March 2019 and 2018, certain of the Group's bank deposits were pledged to certain financial institutions based in Hong Kong to secure banking facilities in respect of credit card and instalment sales arrangements. As at 31 March 2019, the weighted average effective interest rate of these deposits was 0.69% (2018: 0.15%).

The Group's pledged bank deposits were all denominated in HK$.

26 Cash and cash equivalents

	2019 HK$'000	2018 HK$'000
Cash at banks	**211,450**	223,310
Cash on hand	**469**	499
Term deposits with initial terms of less than three months	**126,752**	75,602
	338,671	299,411

Cash and cash equivalents were denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
HK$	**153,335**	73,440
RMB	**175,653**	220,878
MOP	**6,348**	3,597
United States dollars ("US$")	**3,335**	1,496
	338,671	299,411

Cash at banks earned interest at floating rates based on daily bank deposit rates. The Group's cash and bank balances denominated in RMB were deposited with banks in Hong Kong and the PRC. The conversion of the RMB-denominated balances into foreign currencies and the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the Government of the People's Republic of China.

27 Share capital

	Number of shares (in thousand)	Nominal value HK$'000
Issued and fully paid:		
Ordinary shares of HK$0.10 each		
At 1 April 2017	1,093,908	109,391
Issuance of shares (Note a)	17,196	1,720
Cancellation of shares (Note b)	(25,100)	(2,511)
At 31 March 2018	1,086,004	108,600
Issuance of shares (Note a)	19,136	1,914
At 31 March 2019	1,105,140	110,514

(a) During the year ended 31 March 2019, the Company issued 19,136,000 (2018: 17,196,000) shares of the Company for proceeds of approximately HK$19,983,000 (2018: HK$14,988,000), as a result of exercise of share options. The weighted average exercise price was approximately HK$1.044 per share (2018: HK$0.872 per share). As a result, HK$1,914,000 (2018: HK$1,720,000) were credited to the share capital account and the balance of HK$18,069,000 (2018: HK$13,268,000) were credited to the share premium account.

(b) During the year ended 31 March 2017, the Company repurchased 34,000,000 of its own shares. The total amount paid to repurchase the shares was approximately HK$21,483,000 and was charged to share premium within shareholders' equity. 28,092,000 shares out of the repurchased 34,000,000 shares were cancelled during the year ended 31 March 2017 and the remaining 5,908,000 repurchased shares were cancelled on 18 April 2017.

During the year ended 31 March 2018, the Company repurchased 19,192,000 of its own shares. The total amount paid for this repurchase was approximately HK$17,436,000 and was charged to share premium within shareholders' equity. All of the repurchased 19,192,000 shares as well as those 5,908,000 shares repurchased in 2017 (see paragraph above) were cancelled during the year ended 31 March 2018.

28 Reserves

(a) Movements in the reserves of the Group are set out in the consolidated statement of changes in equity.

(b) The Macau Commercial Code number 377 requires that companies incorporated in Macau should set aside a minimum of 25% of their respective profit after income tax to the legal reserve until the balance of the reserve reaches a level equivalent to 50% of their capital.

The PRC laws and regulations require companies registered in the PRC to provide for certain statutory reserves, which are to be appropriated from the profit after income tax (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holders. All statutory reserves are created for specific purposes. A PRC company is required to appropriate an amount of not less than 10% of statutory profits after income tax to statutory surplus reserves, prior to distribution of its post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the company, to expand the company's operations, or to increase the capital of the company. In addition, a company may make further contribution to the discretional surplus reserve using its post-tax profits in accordance with resolutions of the board of directors.

29 Deferred taxation

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The balances shown in the consolidated balance sheet are, after appropriate offsetting, as follows:

	2019	2018
	HK$'000	HK$'000
Deferred income tax assets		
Deferred income tax assets to be recovered after more than 12 months	**9,255**	11,051
Deferred income tax liabilities		
Deferred income tax liabilities to be settled after more than 12 months	**(5,225)**	(4,995)
Deferred income tax liabilities to be settled within 12 months	**(19,369)**	(17,021)
	(24,594)	(22,016)
Deferred income tax liabilities – net	**(15,339)**	(10,965)

29 Deferred taxation – continued

The movement on net deferred income tax liabilities account is as follows:

	2019 HK$'000	2018 HK$'000
At 1 April	(10,965)	(7,369)
Charged to profit or loss (Note 11)	(8,233)	(5,930)
Payment during the year	4,087	1,998
Exchange differences	(228)	336
At 31 March	(15,339)	(10,965)

The movement in deferred tax assets and liabilities prior to offsetting of balances within the same taxation jurisdiction is as follows:

Deferred income tax assets

	Tax losses		Decelerated tax deprecation		PRC advertising expenses		PRC accrued expenses		Total	
	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
At 1 April	21	2,769	7,670	6,539	(472)	(259)	3,837	4,353	11,056	13,402
Credited/(charged) to profit or loss	26	(2,748)	(1,365)	1,127	(47)	(204)	(183)	(857)	(1,569)	(2,682)
Exchange differences	–	–	(2)	4	4	(9)	(234)	341	(232)	336
At 31 March	47	21	6,303	7,670	(515)	(472)	3,420	3,837	9,255	11,056

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. As at 31 March 2019, the Group did not recognise certain deferred income tax assets of approximately HK$6,702,000 (2018: HK$6,091,000) in respect of accumulated tax losses amounting to approximately HK$36,294,000 (2018: HK$30,623,000) that can be carried forward against future taxable income. The tax losses of the PRC subsidiaries will expire in 5 years, while the tax losses of the Company and the other non-PRC subsidiaries do not have an expiry date.

29 Deferred taxation – continued

Deferred income tax assets – continued

As at 31 March 2019 and 2018, the expiry dates for the Group's unused tax losses are as follows:

	2019 HK$'000	2018 HK$'000
Expiry in		
2019	–	9,357
2020	1,201	2,134
2021	345	367
2022	338	360
2023	6,514	–
No expiry date	27,896	18,405
	36,294	30,623

Deferred income tax liabilities

	Accelerated tax depreciation		PRC withholding taxes		Total	
	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
At 1 April	(5,000)	(10,538)	(17,021)	(10,233)	(22,021)	(20,771)
(Charged)/credited to profit or loss	(229)	5,538	(6,435)	(8,786)	(6,664)	(3,248)
Reversal of deferred income tax liability upon distribution of profits and remittance of royalties from subsidiaries	–	–	4,087	1,998	4,087	1,998
At 31 March	(5,229)	(5,000)	(19,369)	(17,021)	(24,598)	(22,021)

As at 31 March 2019, total unremitted earnings of PRC subsidiaries amounted to approximately HK$367,903,000 (2018: HK$319,777,000).

30 Provision for reinstatement costs

The movement of provision for reinstatement costs is as follows:

	2019 HK$'000	2018 HK$'000
At 1 April	**7,935**	9,272
Provision during the year	**564**	1,004
Actual costs paid	**(1,713)**	(1,052)
Under/(over)-provision	**1,205**	(1,454)
Exchange differences	**(87)**	165
At 31 March	**7,904**	7,935
Represented by:		
– Non-current	**5,598**	6,203
– Current	**2,306**	1,732
	7,904	7,935

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

31 Trade payables – continued

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

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

32 Accruals and other payables

	2019 HK$'000	2018 HK$'000
Accrued operating expenses	**68,012**	72,464
Other payables	**7,013**	9,527
	75,025	81,991

Accruals and other payables were denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
HK$	**59,855**	55,289
RMB	**15,042**	26,176
MOP	**128**	526
	75,025	81,991

33 Deferred revenue

	2019 HK$'000	2018 HK$'000
Deferred revenue on prepaid treatment packages	**116,337**	204,294

The movement of deferred revenue is as follows:

	2019 HK$'000	2018 HK$'000
Beginning of the year	**204,294**	173,287
Initial application of HKFRS 15 (Note 2.2(b))	**(103,970)**	—
	100,324	173,287
Sales contracts entered into during the year (Note a)	**1,219,301**	939,629
Revenue from treatment service contracts (Note b)	**(1,197,031)**	(905,911)
Revenue recognised for the sales of slimming and beauty products (Note c)	**–**	(364)
Refunds of treatment packages (Note d)	**(4,817)**	(7,012)
Exchange differences	**(1,440)**	4,665
At the end of the year	**116,337**	204,294

Notes:

(a) The amounts represent the receipts from sales of slimming and beauty services and products to customers during the year which were to be settled via credit cards, electronic payment system, cheques, instalment payment arrangements or cash.

(b) The amounts represent revenue from treatment service contracts, of which an amount of HK$914.9 million (2018: HK$621.4 million) is recognised during the year upon the provision of services, whereas the remaining amount represents revenue recognised for services not utilised by customers during the contractual service period.

(c) The amounts represent the revenue recognised in profit or loss for the sales of products.

(d) The amounts represent refunds of treatment packages as a result of certain customers' complaints and claims in relation to treatment outcome assessed with reference to individual physical conditions and treatment progress on a case-by-case basis.

As at 31 March 2019 and 2018, the entire balance of deferred revenue was aged within one year from the date when the respective sales contracts were entered into.

34 Commitments

(a) Operating lease commitments

The Group had future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases as follows:

	2019 HK$'000	2018 HK$'000
Not later than one year	98,741	101,024
Later than one year and not later than five years	155,355	102,304
	254,096	203,328

(b) Capital commitments

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

35 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Parties are also considered to be related if they are subject to common control or joint control.

Members of key management and their close family members are also considered as related parties.

(a) During the years ended 31 March 2019 and 2018, certain of the Group's banking facilities in respect of credit card and instalment sales arrangement were secured by (i) personal guarantee provided by a director; (ii) a property owned by a director; (iii) the pledged bank deposits as at 31 March 2019 and 31 March 2018 as set out in Note 25; (iv) certain listed equity securities as at 31 March 2019 as set out in Note 18; and (v) certain unlisted fund investments as set out in Note 19 respectively.

In July 2017, the personal guarantee and property owned by the director were released and replaced by the pledge of certain unlisted fund investment as set out in Note 19 respectively.

(b) Details of key management compensations are disclosed in Note 16 to the consolidated financial statements.

36 Notes to consolidated statement of cash flows

(a) Cash generated from operations

	2019 HK$'000	2018 HK$'000
Profit before income tax	**404,053**	254,814
Adjustments for:		
— Depreciation	**70,390**	79,855
— (Gains) losses on disposal of property, plant and equipment	**(2,557)**	3,472
— Gains on disposal of available-for-sale financial assets	**—**	(18,003)
— Fair value (gains) losses on financial assets at fair value through profit or loss	**(138)**	1,103
— Under/(over)-provision for reinstatement costs	**1,205**	(1,454)
— Interest income	**(4,195)**	(3,617)
— Share-based payment expenses	**3,147**	4,278
	471,905	320,448
Changes in working capital:		
— Inventories	**(643)**	(738)
— Trade receivables	**12,145**	(102,125)
— Other receivables, deposits and prepayments	**(9,954)**	10,099
— Trade payables, accruals and other payables	**(2,898)**	6,393
— Deferred revenue	**17,453**	26,338
— Pledged bank deposits	**22,121**	1,914
Cash generated from operations	**510,129**	262,329

(b) In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	2019 HK$'000	2018 HK$'000
Net book amount disposed (Note 17)	**14,925**	9,263
Gains/(losses) on disposal of property, plant and equipment (Note 8)	**2,557**	(3,472)
Proceeds from disposal of property, plant and equipment	**17,482**	5,791

37 Particulars of principal subsidiaries

As at 31 March 2019 and 2018, the Company had the following principal subsidiaries:

Name of subsidiary	Place of incorporation/ establishment	Principal activities and place of operation	Registered/ issued and fully paid up capital	Effective interest held by the Group
Direct interests:				
Perfect Shape Advertising Company Limited	Hong Kong	Provision of advertising services to group companies in Hong Kong	HK$10,000	100%
Perfect Shape Holdings (China) Limited	The British Virgin Islands	Investment holding in the PRC	100 shares of US$1 each	100%
Success Honour Holdings Limited	The British Virgin Islands	Investment holding in Hong Kong	100 shares of US$1 each	100%
Perfect Shape & Skin Management Co. Limited	Hong Kong	Holding of trademarks in Hong Kong and the PRC	HK$10,000	100%
Next App Limited	The British Virgin Islands	Investment holding in Hong Kong	1 shares of US$1 each	100%
Indirect interests:				
Perfect Healthcare Limited (formerly known as BK Medical Group Limited)	Hong Kong	Provision of slimming and beauty services and sales of slimming and beauty products in Hong Kong	HK$10,000	100%
I-Medi Asia Limited	Hong Kong	Rental of equipment to group companies in Hong Kong	HK$10,000	100%
Perfect Medical Group Limited	Hong Kong	Provision of slimming and beauty services and sales of slimming and beauty products in Hong Kong	HK$10,000	100%
Perfect Health Group Limited	Hong Kong	Provision of slimming and beauty services and sales of slimming and beauty products in Hong Kong	HK$10,000	100%
Perfect Medical Limited (formerly known as Perfect Shape & Spa Limited)	Hong Kong	Provision of slimming and beauty services and sales of slimming and beauty products in Hong Kong	HK$10,000	100%
New Beauty Management Limited	Hong Kong	Provision of slimming and beauty services and sales of slimming and beauty products in Hong Kong	HK$10,000	100%

37 Particulars of principal subsidiaries – continued

Name of subsidiary	Place of incorporation/ establishment	Principal activities and place of operation	Registered/ issued and fully paid up capital	Effective interest held by the Group
Indirect interests: – continued				
Dr. Paris Group Limited	Hong Kong	Provision of slimming and beauty services and sales of slimming and beauty products in Hong Kong	HK$10,000	100%
Perfect Shape & Skin (Macau) Limited	Macau	Provision of slimming and beauty services and sales of slimming and beauty products in Hong Kong	MOP100,000	100%
Perfect Medical Beauty Group Limited	Hong Kong	Provision of slimming and beauty services and sales of slimming and beauty products in Hong Kong	HK$10,000	100%
Beauty Home Group Limited	Hong Kong	Provision of slimming and beauty services and sales of slimming and beauty products in Hong Kong	HK$10,000	100%
Perfect Shape & Spa (TST) Limited (formerly known as Perfect Shape Medical Limited)	Hong Kong	Provision of slimming and beauty services and sales of slimming and beauty products in Hong Kong	HK$10,000	100%
Perfect Shape (Holdings) Limited	Hong Kong	Provision of management services to group companies in Hong Kong	HK$10,000	100%
My Beauty Spa Group Limited	Hong Kong	Provision of slimming and beauty services and sales of slimming and beauty products in Hong Kong	HK$10,000	100%
Perfect Shape Investment (Shanghai) Limited	Hong Kong	Investment holding in the PRC	HK$10,000	100%
Perfect App Technology Limited	Hong Kong	Provision of slimming and beauty services and sales of slimming and beauty products in Hong Kong	HK$10,000	100%
Dr. Au Yeung Kong and Associates Limited (formerly known as Perfect Beauty World Limited)	Hong Kong	Provision of slimming and beauty services and sales of slimming and beauty products in Hong Kong	HK$10,000	100%
Perfect Beauty Group Limited	Hong Kong	Provision of slimming and beauty services and sales of slimming and beauty products in Hong Kong	HK$20,000	100%

37 Particulars of principal subsidiaries – continued

Name of subsidiary	Place of incorporation/ establishment	Principal activities and place of operation	Registered/ issued and fully paid up capital	Effective interest held by the Group
Indirect interests: – continued				
Treasure Green Investment Limited	Hong Kong	Provision of slimming and beauty services and sales of slimming and beauty products in Hong Kong	HK$1	100%
Loyal Fortunate Limited	The British Virgin Island	Provision of slimming and beauty services and sales of slimming and beauty products in Hong Kong	1 shares of US$1 each	100%
Hong Kong Charity Foundation Limited	Hong Kong	Charitable activities	Limited by guarantee	100%
廣州必瘦站纖體美容有限公司 (Guangzhou Perfect Shape Limited)@	The PRC	Provision of slimming and beauty services and sales of slimming and beauty products in the PRC	RMB1,000,000	100%
必瘦站企業管理諮詢（深圳）有限公司 (Perfect Shape Consultancy Shenzhen Limited)#	The PRC	Investment holding in the PRC	RMB1,000,000	100%
廣州瘦必站纖體美容有限公司 (Guangzhou Shape Perfect Limited)@	The PRC	Provision of slimming and beauty services and sales of slimming and beauty products in the PRC	RMB1,000,000	100%
北京纖麗佳企業管理諮詢有限公司 (Beijing Slimming Beauty Limited)@	The PRC	Provision of slimming and beauty services and sales of slimming and beauty products in the PRC	RMB1,000,000	100%
深圳瘦必站美容纖體有限公司 (Shenzhen Shape Perfect Limited)@	The PRC	Provision of slimming and beauty services and sales of slimming and beauty products in the PRC	RMB1,000,000	100%
上海慕詩企業管理諮詢有限公司 (Shanghai Mushi Consultancy Limited)@	The PRC	Provision of corporate management services and slimming and beauty services in the PRC	RMB1,000,000	100%
上海必瘦站企業管理諮詢有限公司 (Shanghai Perfect Shape Consultancy Limited)@	The PRC	Provision of slimming and beauty services and sales of slimming and beauty products in the PRC	RMB1,000,000	100%
上海愛瑪企業管理諮詢有限公司 (Shanghai Emma Consultancy Limited)@	The PRC	Provision of corporate management services and slimming and beauty services in the PRC	RMB1,000,000	100%

37 Particulars of principal subsidiaries – continued

Name of subsidiary	Place of incorporation/ establishment	Principal activities and place of operation	Registered/ issued and fully paid up capital	Effective interest held by the Group
Indirect interests: – continued				
必瘦站投資管理諮詢(上海)有限公司 (Shanghai Perfect Shape Investment Management Limited)#	The PRC	Investment holding in the PRC	RMB1,000,000	100%
上海必瘦站美容服務有限公司 (Shanghai Perfect Shape Cosmetic Limited)@	The PRC	Provision of slimming and beauty services and sales of slimming and beauty products in the PRC	RMB10,000,000	100%
深圳瘦必站醫療美容診所 (Shenzhen Perfect Shape Cosmetic Limited)@	The PRC	Provision of slimming and beauty services in the PRC	RMB200,000	100%
廣州羅紹淼醫療美容診所有限公司 (Guangzhou Luo Shao Miao Cosmetic Clinic Limited)@	The PRC	Provision of slimming and beauty services in the PRC	RMB1,000,000	100%

\# The company is established as a wholly foreign-owned enterprise in the PRC.

@ The company is established as a limited liability company in the PRC.

Note: The English names of the group companies established in the PRC represent the best effort by the directors in translating its Chinese name as they do not have official English names.

38 Balance sheet of the Company

	2019 HK$'000	2018 HK$'000
ASSETS		
Non-current assets		
Interests in subsidiaries	**22,035**	22,035
Amounts due from subsidiaries	**320,128**	344,972
	342,163	367,007
Current assets		
Prepayments and other receivables	**368**	368
Cash and cash equivalents	**676**	9,623
	1,044	9,991
Total assets	**343,207**	376,998
EQUITY		
Share capital	**110,514**	108,600
Share premium	**192,694**	225,501
Reserves (Note(a))	**39,979**	42,878
Total equity	**343,187**	376,979
LIABILITIES		
Current liabilities		
Accruals and other payables	**20**	19
Total equity and liabilities	**343,207**	376,998

The balance sheet of the Company was approved by the Board of Directors on 24 June 2019 and was signed on its behalf.

Au-Yeung Kong
Director

Au-Yeung Wai
Director

38 Balance sheet of the Company – continued

Note (a) Reserve movement of the Company

	Retained earnings HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Available-for-sale financial assets revaluation reserve HK$'000	Share-based compensation reserve HK$'000	Exchange reserve HK$'000	Total HK$'000
At 1 April 2017	4,900	22,015	3,909	1,194	5,714	(2,328)	35,404
Profit for the year	134,940	–	–	–	–	–	134,940
Dividends (Note 12)	(132,268)	–	–	–	–	–	(132,268)
Fair value gains of available-for-sale financial assets	–	–	–	15,675	–	–	15,675
Fair value gains recycled to profit or loss upon disposal of the relevant financial assets	–	–	–	(16,869)	–	–	(16,869)
Currency translation differences	–	–	–	–	–	2,301	2,301
Share-based payment (Note 15)	–	–	–	–	4,278	–	4,278
Repurchase and cancellation of ordinary shares (Note 27(b))	–	–	2,511	–	–	–	2,511
Issuance of shares upon the exercise of share options (Note 27(a))	–	–	–	–	(3,094)	–	(3,094)
At 31 March 2018 and 1 April 2018	7,572	22,015	6,420	–	6,898	(27)	42,878
Profit for the year	272,749	–	–	–	–	–	272,749
Dividends (Note 12)	(271,864)	–	–	–	–	–	(271,864)
Currency translation differences	–	–	–	–	–	(2,550)	(2,550)
Share-based payment (Note 15)	–	–	–	–	3,147	–	3,147
Issuance of shares upon the exercise of share options (Note 27(a))	–	–	–	–	(4,381)	–	(4,381)
At 31 March 2019	**8,457**	**22,015**	**6,420**	**–**	**5,664**	**(2,577)**	**39,979**

Note:

Pursuant to the reorganisation in preparation for the listing of the shares of the Company on the Stock Exchange (the "Reorganisation"), the Company acquired the entire issued share capital of Success Honour Holdings Limited, Perfect Shape Holdings (China) Limited, Perfect Shape & Skin Management Co., Ltd. and Perfect Shape Advertising Company Limited, the then holding companies of all other companies comprising the Group and consequently became the holding company of the Group. The Reorganisation was completed on 1 December 2011.

The capital reserve of the Company represents the difference between the aggregate of consideration paid and nominal amounts of the Company's shares issued pursuant to the Reorganisation, and the value of net assets of the underlying subsidiaries.

39 Benefits and interests of directors

(a) Directors' emoluments (regarded as key management compensation)

Details of directors' emolument were disclosed in Note 16.

(b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits during the year (2018: Nil).

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

During the year ended 31 March 2019, the Company did not pay consideration to any third parties for making available directors' services (2018: Nil).

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

As at 31 March 2019, there were no loans, quasi-loans and other dealings in favour of the directors, controlled bodies corporate by and connected entities with such directors (2018: Nil).

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

Save as disclosed in Note 35 to the consolidated financial statements, there were no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2018: Nil).