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PERFECT SHAPE MEDICAL LIMITED

必瘦站醫學美容有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1830)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

HIGHLIGHTS

- Group’s total revenue increased by 19.9% to HK\$708.1 million
- Revenue from the PRC and Macau operation increased by 28.1% to HK\$195.3 million
- Group’s net profit increased by 51.8% to HK\$242.9 million
- Group’s earning before interest, tax, depreciation and amortisation increased by 61.1% to HK\$376.0 million
- Group’s net cash generated from operating activities increased by 49.7% to HK\$336.6 million
- Basic earnings per share increased by 50.3% to HK21.8 cents

INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of Perfect Shape Medical Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2019. The interim results have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2019

		Six months ended 30 September	
	Note	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	4	708,054	590,372
Other income	5	3,568	2,990
Other (losses)/gains — net	6	(1,092)	2,989
Cost of inventories and consumables		(6,477)	(7,473)
Employee benefit and manpower service expenses		(185,585)	(162,951)
Marketing expenses		(72,801)	(83,470)
Depreciation		(71,371)	(36,022)
Operating lease rentals		—	(46,535)
Rental expenses of short-term leases in respect of stores and offices		(8,967)	—
Other operating expenses		(60,742)	(62,525)
Operating profit		304,587	197,375
Finance (expense)/income — net	7	(3,366)	2,192
Profit before income tax		301,221	199,567
Income tax expense	8	(58,342)	(39,608)
Profit for the period attributable to equity holders of the Company		242,879	159,959
Other comprehensive (losses)/income:			
<i>Items that have been reclassified or may be reclassified subsequently to profit or loss</i>			
Currency translation differences		(16,418)	(7,744)
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Fair value gains/(losses) of financial asset at fair value through other comprehensive income		1,231	(6,389)
Total comprehensive income for the period attributable to equity holders of the Company		227,692	145,826
Earnings per share attributable to equity holders of the Company during the period	9		
— Basic		<u>HK21.8 cents</u>	<u>HK14.5 cents</u>
— Diluted		<u>HK21.7 cents</u>	<u>HK14.4 cents</u>

Details of dividends payable to equity holders of the Company are set out in Note 10.

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2019

		30 September 2019	31 March 2019
	<i>Note</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	103,308	108,486
Right-of-use assets	19	222,928	–
Financial asset at fair value through other comprehensive income	12	70,602	70,277
Deposits and prepayments		29,737	29,268
Deferred income tax assets		9,527	9,255
		436,102	217,286
Current assets			
Inventories		2,588	2,651
Trade receivables	14	135,060	153,570
Other receivables, deposits and prepayments		45,625	47,202
Financial assets at fair value through profit or loss	13	36,222	35,218
Term deposits with initial terms of over three months	15	27,681	56,814
Pledged bank deposits	16, 22	7,946	4,021
Cash and cash equivalents	17	466,552	338,671
		721,674	638,147
Total assets		1,157,776	855,433

		30 September 2019	31 March 2019
	<i>Note</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	18	112,765	110,514
Share premium	18	170,704	192,694
Other reserves		(9,862)	16,067
Retained earnings		327,045	241,469
Total equity		600,652	560,744
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		27,596	24,594
Provision for reinstatement costs		5,575	5,598
Lease liabilities	19	144,949	–
		178,120	30,192
Current liabilities			
Provision for reinstatement costs		1,872	2,306
Trade payables	20	1,119	609
Accruals and other payables		70,965	75,025
Lease liabilities	19	80,549	–
Deferred revenue		119,198	116,337
Tax payable		105,301	70,220
		379,004	264,497
Total liabilities		557,124	294,689
Total equity and liabilities		1,157,776	855,433

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	Unaudited								
	Equity attributable to equity holders of the Company								
	Share capital	Share premium	Statutory reserve	Capital redemption reserve	Exchange reserve	Share-based compensation reserve	Financial assets at fair value through other comprehensive income reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Note 18)	(Note 18)							
For the six months ended 30 September 2019									
As at 1 April 2019	110,514	192,694	11,057	6,420	(6,848)	5,664	(226)	241,469	560,744
Comprehensive income									
Profit for the period	-	-	-	-	-	-	-	242,879	242,879
Other comprehensive (losses)/income									
Currency translation differences	-	-	-	-	(16,418)	-	-	-	(16,418)
Equity investments at fair value through other comprehensive income									
— Fair value gains taken to reserves	-	-	-	-	-	-	1,231	-	1,231
— Transfer of gain on disposal of equity investment at fair value through other comprehensive income to retained earnings	-	-	-	-	-	-	(5,078)	5,078	-
Total comprehensive (loss)/income for the period	-	-	-	-	(16,418)	-	(3,847)	247,957	227,692
Total transactions with owners, recognized directly in equity									
Dividends (Note 10)	-	(56,382)	-	-	-	-	-	(162,381)	(218,763)
Issuance of shares upon the exercise of share options	2,251	34,392	-	-	-	(6,678)	-	-	29,965
Share option scheme — value of employment services	-	-	-	-	-	1,014	-	-	1,014
	2,251	(21,990)	-	-	-	(5,664)	-	(162,381)	(187,784)
As at 30 September 2019	112,765	170,704	11,057	6,420	(23,266)	-	(4,073)	327,045	600,652

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

	Six months ended	
	30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	336,605	224,820
Net cash used in investing activities	(1,679)	(19,754)
Net cash used in financing activities	(188,800)	(146,892)
Net increase in cash and cash equivalents	146,126	58,174
Cash and cash equivalents at the beginning of the period	338,671	299,411
Effect on foreign exchange	(18,245)	(6,106)
Cash and cash equivalents at the end of the period	<u>466,552</u>	<u>351,479</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

Perfect Shape Medical Limited (the “Company”) and its subsidiaries (together, the “Group”) are principally engaged in the provision of slimming and non-invasive medical beauty services in Hong Kong (“HK”), the People’s Republic of China (the “PRC”) and Macau.

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

This condensed consolidated interim financial information is presented in Hong Kong dollars (“HK\$”), unless otherwise stated. This condensed consolidated interim financial information for the six months ended 30 September 2019 is unaudited and has been reviewed by the audit committee of the Company. This condensed consolidated interim financial information was approved for issue by the Board on 28 November 2019.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

These interim financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 ‘Interim Financial Reporting’ issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. They have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair value. These unaudited condensed consolidated interim financial statements are presented in Hong Kong dollars (“HK\$”), which is same as the functional currency of the Company and its major subsidiaries.

The interim financial statements do not include all the information and disclosures required in the annual financial statements and thereby should be read in conjunction with the annual financial statements for the year ended 31 March 2019 (“2019 Financial Statements”) which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

The interim financial statements have been prepared in accordance with the same accounting policies and methods of computation as adopted by the Group in the 2019 Financial Statements except for the adoption of new accounting policies as a result of applying the new or revised HKFRSs as set out below.

2.1 Adoption of new or revised HKFRSs and HKASs

(a) New and amended standards and interpretation adopted by the Group

The HKICPA has issued the following new and amended standards and interpretations that are first effective for the current accounting period and relevant to the Group:

HKFRS 16	Leases
HK (IFRIC) – Int 23	Uncertainty over income tax treatments
Amendments to HKFRS 9	Prepayment features with negative compensation
Amendments to HKAS 19	Plan amendment, curtailment or settlement
Amendments to HKAS 28	Long-term interests in associates and joint ventures
Amendments to HKFRSs	Annual improvements to HKFRSs 2015-2017 cycle

The impact of adoption of HKFRS 16 is disclosed in Note 2.2 below. The other amended standards and interpretation did not have significant impact on the Group's accounting policies and did not require retrospective adjustments.

(b) New and amended standards issued but not yet adopted by the Group

The followings are new standards and amendments which have been issued but are not effective and have not been early adopted. The Group plans to adopt these new standards and amendments when they become effective:

		Effective for accounting periods beginning on or after
HKFRS 3 (Amendments)	Definition of a Business	1 January 2020
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 17	Insurance Contracts	1 January 2021
HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020

The Group has not early adopted the above new standards and amendments and is in the process of assessing the impact of those new standards and amendments on the Group's accounting policies and financial statements.

2.2 Changes in accounting policies upon adoption of new HKFRS

Changes In Accounting Policies

This note explains the impact of the adoption of HKFRS 16 “Leases” on the Group’s interim financial information and discloses the new accounting policies that have been applied from 1 April 2019 in Note 2.2(a) and (b) below.

The Group has adopted HKFRS 16 from mandatory adoption date of 1 April 2019 and applied the simplified transition approach and did not restate comparative amounts for the year prior to first adoption. Right-of-use assets for leases were measured on transition at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments.

(a) Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of HKAS 17 “Leases”. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 April 2019. The lessee’s incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 5.13% for HK and Macau, and 4.75% for PRC.

	<i>HK\$’000</i>
Operating lease commitment disclosed as at 31 March 2019 (Audited)	254,096
(Less): short-term lease recognised on a straight-line basis as expenses	<u>(16,583)</u>
	<u>237,513</u>
Lease liabilities discounted using the lessee’s incremental borrowing rate at the date of initial recognition, 1 April 2019 (Unaudited)	<u>215,963</u>
Of which are:	
Current lease liabilities	72,847
Non-current lease liabilities	<u>143,116</u>
	<u>215,963</u>

The associated right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated balance sheet as at 31 March 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The carry amounts of right-of-use assets by class of underlying asset are as below:

	30 September	1 April
	2019	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Properties	<u>222,928</u>	<u>215,963</u>

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-Int4 Determining whether an Arrangement contains a Lease.

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

The Group leases various offices and stores. Rental contracts are typically made for fixed periods of 2 to 6 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until 31 March 2019, leases of properties were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. If the lease transfers ownership of the underlying assets to the Group by the end of the lease term or if the cost of the right-of-use assets reflect that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date of the lease to the end of the useful life of the underlying assets. Otherwise, right-of-use assets are depreciated over the shorter of the assets' useful lives and their lease terms on a straight-line basis.

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;

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

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

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

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

Termination options

Termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of termination options are exercisable only by the Group as lessee and not by the respective lessor.

Judgements in determining the lease term and discount rate

In determining the lease term, management considers all facts and circumstances that create an economic incentive to not exercise a termination option. Periods after termination options are only included in the lease term if the lease is reasonably certain to be not terminated.

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

In determining the discount rate, the Group is required to exercise considerable judgement taking into account the nature of the underlying assets and the terms and conditions of the leases at the commencement date.

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value and cash flow interest rate risks and price risk), credit risk and liquidity risk.

The interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2019.

There has been no changes in the risk management policies since the year ended 31 March 2019.

4 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 slimming and non-invasive medical beauty services, which are subject to similar business risk, and resources are allocated based on what is beneficial to the Group in enhancing the value as a whole rather than any specific unit, the Group's chief operating decision-maker considers that the performance assessment of the Group should be based on the profit before income tax of the Group as a whole. Therefore, management considers there to be only one operating segment under the requirements of HKFRS 8.

During the six months ended 30 September 2019 and 2018, all of the Group's revenues are from contracts with customers and are recognised at a point in time.

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

	Six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong	512,734	437,909
The PRC and Macau	195,320	152,463
	<u>708,054</u>	<u>590,372</u>

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

	As at	
	30 September	31 March
	2019	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Hong Kong	283,272	117,740
The PRC and Macau	72,701	20,014
	<u>355,973</u>	<u>137,754</u>

5 OTHER INCOME

	Six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Government subsidies	2,598	1,869
Dividend income from financial assets at fair value through profit or loss	626	604
Others	344	517
	<u>3,568</u>	<u>2,990</u>

6 OTHER (LOSSES)/GAINS — NET

	Six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Losses)/gains on disposal of property, plant and equipment	(1,443)	3,735
Net exchange (losses)/gains	(653)	316
Fair value gains/(losses) on financial assets at fair value through profit or loss	1,004	(1,062)
Other (losses)/gains — net	<u>(1,092)</u>	<u>2,989</u>

7 FINANCE (EXPENSE)/INCOME — NET

	Six months ended 30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest income on bank deposits	2,197	2,192
Interest expense on lease liabilities	(5,563)	—
Finance (expense)/income — net	<u>(3,366)</u>	<u>2,192</u>

8 INCOME TAX EXPENSE

The Group is not subject to taxation in the Cayman Islands and the British Virgin Islands. Hong Kong profits tax has been provided for at the rate of 16.5% (FY2018/19 interim: 16.5%) for the period 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% (FY2018/19 interim: 25%). Companies established 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 six months ended 30 September 2018 and 2019.

The amount of taxation charged to the condensed consolidated statement of comprehensive income represents:

	Six months ended 30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current income taxation		
— Hong Kong	30,702	20,153
— PRC and Macau	<u>24,341</u>	<u>16,694</u>
Total current income taxation	55,043	36,847
Deferred taxation	<u>3,299</u>	<u>2,761</u>
	<u>58,342</u>	<u>39,608</u>

9 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 period.

	Six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company	<u>242,879</u>	<u>159,959</u>
Weighted average number of ordinary shares for the purposes of basic earnings per share (thousand of share)	<u>1,112,474</u>	<u>1,101,645</u>
Basic earnings per share (HK cents per share)	<u>21.8</u>	<u>14.5</u>

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 period ended 30 September 2019, 1,448,000 share options were granted to the Company's executive directors.

For the period ended 30 September 2019, the calculation of diluted earnings per share was based on the profit attributable to ordinary equity shareholders of the Company divided by the diluted weighted average number of ordinary shares of 1,120,892,000 in issue during the period. The diluted EPS is HK21.7 cents (FY2018/19 interim: HK14.4 cents).

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

	2019	2018
	Number of	Number of
	shares	shares
	(in thousand)	(in thousand)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	<u>1,112,474</u>	<u>1,101,645</u>
Adjustments for calculation of diluted earnings per share:		
— Effect of exercise of share options granted on 27 April 2015	<u>1,686</u>	—
— Effect of exercise of share options granted on 27 April 2016	—	570
— Effect of exercise of share options granted on 27 April 2017	<u>2,712</u>	<u>3,390</u>
— Effect of exercise of share options granted on 27 April 2018	<u>4,020</u>	<u>5,450</u>
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	<u>1,120,892</u>	<u>1,111,055</u>

10 DIVIDENDS

At a meeting held on 24 June 2019, the Directors recommended the payment of a final dividend for the year ended 31 March 2019 of HK14.4 cents (2018: HK10.1 cents) per ordinary share and a special final dividend of HK5.0 cents (2018: HK5.0 cents) per ordinary share, totaling HK\$218,763,000 (2018: HK\$166,876,000), which was paid on 13 September 2019 and has been reflected as an appropriation of retained earnings and share premium for the six months ended 30 September 2019.

The Directors do not recommend to declare interim dividend for the six months ended 30 September 2019 (FY2018/19 interim: HK14.5 cents).

11 PROPERTY, PLANT AND EQUIPMENT

	Total <i>HK\$'000</i> (Unaudited)
Net book amount as at 1 April 2019	108,486
Additions	28,032
Disposal	(1,497)
Depreciation	(30,897)
Exchange differences	(816)
Net book amount as at 30 September 2019	103,308
Net book amount as at 1 April 2018	138,392
Additions	34,992
Disposal	(12,657)
Depreciation	(36,022)
Exchange differences	(1,704)
Net book amount as at 30 September 2018	123,001

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 September 2019 <i>HK\$'000</i> (Unaudited)	31 March 2019 <i>HK\$'000</i> (Audited)
Non-current		
Listed equity securities		
— Hong Kong	70,602	29,608
— Overseas	—	40,669
	70,602	70,277

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2019 <i>HK\$'000</i> (Unaudited)	31 March 2019 <i>HK\$'000</i> (Audited)
Unlisted fund investments, at fair value, in Hong Kong (<i>Note 22</i>)	<u>36,222</u>	<u>35,218</u>

The movements in financial assets at fair value through profit or loss are summarized as follows:

	<i>HK\$'000</i>
At 1 April 2018 (audited)	35,080
Net fair value changes	<u>138</u>
As at 31 March 2019 (audited)	35,218
Net fair value changes	<u>1,004</u>
As at 30 September 2019 (unaudited)	<u>36,222</u>

14 TRADE RECEIVABLES

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

	As at 30 September 2019 <i>HK\$'000</i> (Unaudited)	31 March 2019 <i>HK\$'000</i> (Audited)
Less than 60 days	65,520	79,392
60 days to 90 days	19,605	24,545
91 days to 120 days	20,762	18,193
121 days to 180 days	<u>29,173</u>	<u>31,440</u>
	<u>135,060</u>	<u>153,570</u>

The carrying amounts of trade receivables approximate their fair values.

15 TERM DEPOSITS WITH INITIAL TERMS OF OVER THREE MONTHS

As at 30 September 2019, the weighted average effective interest rate of the Group's term deposits with initial terms of over three months was 3.5% (as at 31 March 2019: 2.8%).

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

	As at	
	30 September	31 March
	2019	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
HK\$	–	10,000
RMB	27,470	46,604
Macau Patacas	211	210
	<u>27,681</u>	<u>56,814</u>

16 PLEDGED BANK DEPOSITS

As at 30 September 2019 and 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 as set out in Note 22. As at 30 September 2019, the weighted average effective interest rate of these pledged bank deposits is 0.50% (as at 31 March 2019: 0.69%).

17 CASH AND CASH EQUIVALENTS

	As at	
	30 September 2019 <i>HK\$'000</i> (Unaudited)	31 March 2019 <i>HK\$'000</i> (Audited)
Cash at banks	293,533	211,450
Cash on hand	142	469
Term deposits with initial terms of less than three months	172,877	126,752
	<u>466,552</u>	<u>338,671</u>
Denominated in:		
Hong Kong dollars	218,203	153,335
Chinese Renminbi	184,797	175,653
Macau Patacas	13,855	6,348
United States dollars	47,508	3,335
Australian dollars	2,189	–
	<u>466,552</u>	<u>338,671</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. The Group's cash and bank balances denominated in RMB are deposited with banks in Hong Kong and the PRC. The conversion of 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 PRC.

18 SHARE CAPITAL AND SHARE PREMIUM

	Number of shares '000	Ordinary shares <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2019	<u>1,105,140</u>	<u>110,514</u>	<u>192,694</u>	<u>303,208</u>
Issuance of share (<i>Note</i>)	22,512	2,251	34,392	36,643
Special dividend paid	<u>–</u>	<u>–</u>	<u>(56,382)</u>	<u>(56,382)</u>
At 30 September 2019	<u>1,127,652</u>	<u>112,765</u>	<u>170,704</u>	<u>283,469</u>

Note: During the six months ended 30 September 2019, the Company issued 22,512,000 shares of the Company for proceeds of HK\$29,965,000, as a result of exercise of share options. The weighted average exercise price was approximately HK\$1.331 per share. As a result, HK\$2,251,000 were credited to the share capital account and the balance of HK\$27,714,000 were credited to the share premium account.

19 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(a) Amounts recognised in the condensed consolidated balance sheet

The condensed consolidated balance sheet shows the following amounts relating to leases:

	30 September 2019 HK\$'000 (Unaudited)
Right-of-use assets*	
Properties	<u>222,928</u>
	<u>222,928</u>

- * Upon adoption of HKFRS 16, on 1 April 2019, the Group recognized right-of-use assets of approximately HK\$215,963,000 regarding lease on premises. During the six months ended 30 September 2019, the Group entered into a new lease on premises and recognized right-of-use assets of approximately HK\$47,008,000. As at 30 September 2019, the carrying amounts of right-of-use assets was HK\$222,928,000 in respect of the lease on premises.

	30 September 2019 HK\$'000 (Unaudited)
Lease liabilities	
Non-current portion	144,949
Current portion	<u>80,549</u>
	<u>225,498</u>

(b) Amounts recognised in the condensed consolidated statement of comprehensive income

The condensed consolidated statement of comprehensive income shows the following amounts relating to leases:

	Six months ended 30 September 2019 HK\$'000 (Unaudited)
Depreciation charge of right-of-use assets	
Properties	<u>40,473</u>
	<u>40,473</u>
Finance costs on leases	5,563
Rental expenses of short-term leases in respect of stores and offices	<u>8,967</u>

(c) Amounts recognised in the condensed consolidated statement of cash flows

During the six months ended 30 September 2019, the total cash outflows for leases were analysed as below:

	2019 HK\$'000
Cash flows from operating activities*	
Payments for short-term leases in respect of stores and offices	<u>8,967</u>
Cash flows from financing activities	
Payment of interest element of lease liabilities	5,563
Payment of principal element of lease liabilities	<u>45,096</u>
The total cash outflow of leases	<u>59,626</u>

- * Payments for short-term leases were not shown separately, but included in the line of “profit before income tax” in respect of the net cash generated from operations using the indirect method.

20 TRADE PAYABLES

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

As at 30 September 2019, the aging analysis of trade payables based on invoice date is as follows:

	As at	
	30 September	31 March
	2019	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Less than 60 days	849	208
60 days to 120 days	14	9
Over 120 days	256	392
	1,119	609

The carrying amounts of trade payables approximate their fair values.

21 COMMITMENTS

The Group had the following capital commitments not provided for:

	As at	
	30 September	31 March
	2019	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Capital expenditure contracted for but not yet incurred in respect of acquisition of property, plant and equipment	3,995	8,162

22 PLEDGE OF ASSETS

During the period ended 30 September 2019, certain of the Group's assets were pledged to secure banking facilities granted to the Group. The aggregate carrying amount of the assets of the Group pledged at the end of each reporting period is as follows:

	As at	
	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Bank deposits (<i>note 16</i>)	7,946	4,021
Unlisted fund investments (<i>note 13</i>)	36,222	35,218
	<u>44,168</u>	<u>39,239</u>

23 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.

- (a) During the period ended 30 September 2019 and 2018, some of the Group's banking facilities in respect of credit card and instalment sales arrangement was secured by pledged bank deposits and unlisted fund investments as set out in Note 13, 16 and 22.
- (b) Details of key management compensations are disclosed as below:

	Six months ended	
	30 September 2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Salaries and other benefits	12,586	9,600
Share-based payment	1,014	1,686
	<u>13,600</u>	<u>11,286</u>

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Perfect Shape Medical Limited (the “Company”) together with its subsidiaries (collectively, the “Group”) is pleased to announce its interim results for the six months ended 30 September 2019 (“FY2019/20 interim”). The Group has experienced strong growth in the recent years as a first-mover in providing premium slimming and non-invasive medical beauty services in Hong Kong, Macau and the People’s Republic of China (the “PRC”).

During the FY2019/20 interim, the Group’s revenue increased by 19.9% year-on-year to HK\$708.1 million (FY2018/19 interim: HK\$590.4 million). Profit attributable to equity holders of the Company substantially increased by 51.8% year-on-year to HK\$242.9 million (FY2018/19 interim: HK\$160.0 million). The Group continued to maintain a strong cash position with considerable operating flexibility to address to the market challenges. Earnings before interest, tax, depreciation and amortisation (“EBITDA”) grew by 61.1% year-on-year to HK\$376.0 million (FY2018/19 interim: HK\$233.4 million). Basic earnings per share increased to HK 21.8 cents compared with HK14.5 cents for the previous period.

HONG KONG OPERATION

During the FY2019/20 interim, revenue generated from the Hong Kong market increased by 17.1% year-on-year to HK\$512.7 million (FY2018/19 interim: HK\$437.9 million), accounting for 72.4% of the Group’s total revenue (FY2018/19 interim: 74.2%).

Apart from the emphasis on the already mature slimming service, the Group devoted greater efforts in non-invasive medical beauty services which have been enthusiastically received by its customers who are looking for safe and effective treatment to embellish their physical allure and self-esteem. Always believed in “word-of-mouth” referrals by its loyal and satisfied customers, all of the Group’s slimming and medical beauty services are delivered by the Group’s well-trained professionals complemented by the management team’s years of extensive experience in refining the best tailor-made treatments for its customers. With the huge potential of medical beauty to be unleashed from the market resulting from the growing concern about physical appearance and perfect outlook and the increasing spending power from middle-class customers to address such concerns, the management remains confident of the future prospects of its business leveraging the Group’s excellent service management that facilitates superior quality assurance.

THE PRC AND MACAU OPERATION

During the FY2019/20 interim, revenue generated from the Mainland China and Macau markets recorded a significant increase of 28.1% year-on-year to HK\$195.3 million (FY2018/19 interim: HK\$152.5 million), accounting for 27.6% of the Group's total revenue (FY2018/19 interim: 25.8%). Despite the ongoing trade dispute between the United States and China which has affected overall consumption sentiment in the country, the Group is pleased to see the steady business growth of these two markets in the past half year due to the increase of active spending members and broad-based clientele.

As one of the leading medical beauty brands listed and founded in Hong Kong, Perfect Shape has earned the exceptional trust of its customers in the PRC who are looking for safe and effective beauty treatment. Thanks to the strong network in China and Macau, through which the Group operates direct service centres in five metropolitan cities in China, namely Beijing, Shanghai, Guangzhou, Shenzhen and Macau, customers in the most populous areas can easily access Perfect Shape's one-stop beauty centres in prestigious shopping malls, catering for the needs of high-end customers. Complementing these efforts, the Group has also launched a client-referral programme which strategically aims to capture more new customers in order to expand its member base. The Group's ongoing mission is to provide one-stop platforms in the country that cater for all of its consumers' beauty and slimming requirements.

FINANCIAL PERFORMANCE

Revenue

The Group's revenue increased by 19.9% to HK\$708.1 million for the six months ended 30 September 2019, compared to HK\$590.4 million for the same period of last year. The Hong Kong operation was the largest geographical operating segment of the Group in the period under review, which accounted for about 72.4% of the Group's turnover (FY2018/19 interim: 74.2%). Sales from Hong Kong region increased by 17.1% to approximately HK\$512.7 million during the six months ended 30 September 2019 (FY2018/19 interim: HK\$437.9 million). Sales from the PRC and Macau region increased by 28.1% to approximately HK\$195.3 million during the six months ended 30 September 2019 (FY2018/19 interim: HK\$152.5 million).

Marketing Expenses

Marketing expenses decreased by 12.8% from HK\$83.5 million for the six months ended 30 September 2018 to HK\$72.8 million for the six months ended 30 September 2019. Marketing expenses as a percentage of revenue has dropped to approximately 10.3% (FY2018/19 interim: 14.1%). The purpose of spending on marketing was primarily on raising our brand awareness and promoting our non-invasive medical beauty services to enhance customer engagement.

Operating Lease Rentals

Operating lease rentals mainly related to the leased properties in Hong Kong, the PRC and Macau are primarily incurred for the operations of service centers and office premises. Such service centers are located in prime commercial districts for effective market penetration. Operating lease rentals slightly decreased by HK\$0.3 million, or 0.6%, from HK\$46.5 million for the six months ended 30 September 2018 to HK\$46.2 million (excluding the effect on the adoption of HKFRS16) for the six months ended 30 September 2019. Aiming to enhance the future growth of the Group, the Group will periodically review the expansion plan of service area to enhance customers' experience.

As explained in note 2.2, the Group has applied HKFRS 16 "Leases" ("HKFRS 16"), for first time in the current interim period. HKFRS 16 superseded HKAS 17 "Leases". Under adoption of HKFRS 16, leases amounts recognised in the consolidated statement of comprehensive income has been divided into three major elements (i) depreciation charge; (ii) finance cost; and (iii) rental expense (please refer to note 19b for the detail).

Profit and Profit Margin

Net profit for the period substantially increased by 51.8% to HK\$242.9 million from HK\$160.0 million in the same period of last year. Benefiting from economic of scale, the Group's net profit margin for the period increased to 34.3% from 27.1% in the same period of last year. In addition, the increase was mainly attribute to (i) a substantial increase of active spending members especially in the China region; (ii) the persistent growth of the business; and (iii) a substantial increase in profit margin as compared to the same period of last year. Basic earnings per share were HK21.8 cents (FY2018/19 interim: HK14.5 cents).

Liquidity, Financial Resources and Capital Structure

The total equity of the Group as at 30 September 2019 was HK\$600.7 million (as at 31 March 2019: HK\$560.7 million). The Group generally finances its operation with internally generated cash flows. The Group had bank and cash balance of approximately HK\$502.2 million (as at 31 March 2019: HK\$399.5 million), after payment of the FY2018/19 special dividends and final dividends of HK\$218.8 million at 13 September 2019. The Group had no external bank borrowings as at 30 September 2019 (as at 31 March 2019: nil). As at 30 September 2019, the Group had net current assets of approximately HK\$342.7 million (as at 31 March 2019: HK\$373.7 million). The gearing ratio as at 30 September 2019 was nil (as at 31 March 2019: nil), calculated as total borrowing over shareholder's equity.

Cash generated from operations in the six months ended 30 September 2019 was approximately HK\$336.6 million (FY2018/19 interim: HK\$224.8 million). With bank and cash balances presently on hand, the Group's liquidity position remains strong and has sufficient financial resources to finance its commitments and to meet its working capital requirements.

Capital Commitments

Please refer to note 21 to the financial statements for details of capital commitments.

Contingent Liabilities

As at 30 September 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. In respect of transactions settled RMB and Macau Patacas, the Group did not have significant exposure to foreign exchange rate risk during the period 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.

Significant Acquisition

During the six months ended 30 September 2019, there was no significant acquisition by the Group.

Treasury Policy

The Group adopts a prudent approach in treasury and investment activities. The Group's surplus funds are mainly held under fixed and saving deposits in renowned banks, cautions investment fund, principal protected investments as well as listed investment stocks to enhance returns on the surplus funds. As at 30 September 2019, there was HK\$36.2 million (as at 31 March 2019: HK\$35.2 million) financial assets at fair value through profit or loss and HK\$70.6 million (as at 31 March 2019: HK\$70.3 million) financial asset at fair value through other comprehensive income of the Group.

Significant Investment

The information of the Group's significant investment held at 30 September 2019 stated in this announcement is as follow:

(a) Listed equity security in Hong Kong

Stock code	Name of investment	Principal business	Nature of investment	Number of shares	Percentage of total share capital	Investment cost HK\$'000	Market value HK\$'000	Unrealised (gains)/ losses on change in fair value HK\$'000	Dividend received HK\$'000	Percentage to the Group's total assets
11	Hang Seng Bank	Mainly engaged in the banking business	Investment in shares	60,000	0.0031%	10,139	10,140	(1)	Nil	0.88%
66	MTR Corporation Limited	Principally engaged in railway operation	Investment in shares	400,000	0.0065%	19,026	17,599	1,427	Nil	1.52%
700	Tencent Holdings Limited	Provision of Internet and mobile value-added services, online advertising services and e-Commerce transactions services	Investment in shares	100,000	0.0010%	35,494	33,020	2,474	Nil	2.85%
2388	BOC HONG KONG	Principally engaged in the provision of banking and related financial services	Investment in shares	370,000	0.0035%	10,016	9,843	173	Nil	0.85%
						<u>74,675</u>	<u>70,602</u>	<u>4,073</u>	<u>Nil</u>	

(b) *Unit trusts held by banks*

Name of investment	Number of units held	Investment cost <i>HK\$'000</i>	Market value <i>HK\$'000</i>	Unrealised gains on change in fair value <i>HK\$'000</i>	Dividend received <i>HK\$'000</i>	Percentage to the Group's total assets
Blackrock Asian Tiger Bond Fund	1,048,184	11,520	11,645	(125)	224	1.01%
HSBC Asian Bond Fund	1,153,589	11,595	11,936	(341)	236	1.03%
PIMCO Global Investment Grade Credit Fund	112,349	<u>11,965</u>	<u>12,641</u>	<u>(676)</u>	<u>166</u>	1.09%
		<u>35,080</u>	<u>36,222</u>	<u>(1,142)</u>	<u>626</u>	

Charges on the Group's Assets

As at 30 September 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 at fair value through profit or loss as set out in Note 22.

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 employees and recognizes the importance of retaining qualified staff to achieve continuous success. The Group had 1,190 employees as at 30 September 2019. During the period under review, total staff cost accounted for approximately 26.2% of the Group's revenue. Based on the performance and experiences of each employee, the Group's remuneration policy is in line with the prevailing market practices. The Group will constantly review staff remuneration package to maintain its competitiveness in the labor market.

Material Acquisition and Disposal

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

PROSPECTS

Amidst the difficult business operating environment in the past half year in both Hong Kong and the PRC, the Group was still able to deliver sustainable business growth with rising profit margins due to its solid customer base and one-stop slimming and beauty services, meeting all customers' needs under one roof. Highlights of these services include slimming service, traditional beauty services and non-invasive medical beauty services. Providing one-stop diversified beauty services has helped the Group to drive up not only its business volume and spending per customer, but more importantly, its profit and profit margins. This performance has served as a tremendous encouragement amidst the current severe business environment and testified to the solid business foundation of the Group.

Hong Kong Operation

With its long history of operating beauty centres in Hong Kong, the Group fully understands customers' needs and can quickly adapt to the changing consumption pattern and market trends. In recent years, the Group has adopted a more prudent approach to open new stores with a major focus on consolidating its network of stores to enhance their sales and cost effectiveness. Hence, the Group has opened one-stop mega service centres by consolidating several smaller service centres to cater for all the customer needs for beauty treatment using devices with advanced technology. This has allowed the Group to centralise personnel, equipment and resources to realise higher efficiency and economies of scale.

In addition, the Group sees that there is a large scope for growth in the long-run from Chinese visitors coming to Hong Kong to receive medical beauty treatment due to the renowned professionalism of Hong Kong practitioners under a sound regulatory regime. With the rapid growth of the size of Mainland China's middle class at 400 million people, Chinese customers are particularly interested in the efficacy of the treatment and willing to spend considerable amounts of money on quality and effective medical treatments. These customers prefer going to licensed and reputable professional institutions which are considered to be more hygienic, comfortable and safe as well as skilled. To capture this growth potential, the Group will continue to open, expand or consolidate the current medical beauty centres in the core shopping areas and along the major transportation hub connecting to Mainland China in order to provide easy access to this huge group of potential customers.

Apart from the efforts to expand the scale of its current business which mainly targets women, the Group is also actively exploring to extend its non-invasive medical beauty treatments to men under the brand “Perfect Men”. It sees huge growth potential attributable to the increasing attention of men toward their own appearance and it has become more common for men to visit beauty centres. The management is confident that medical beauty treatment for men can become another growth driver in the foreseeable future.

The PRC and Macau Operation

A study of the attitude of Chinese middle-class consumers towards beauty services has revealed that paying visits to beauty salons had by then become routine for people living in cities. As the beauty industry has developed and technology has improved, female consumers in Mainland China want more than just traditional beauty treatment. New services, including non-invasive medical beauty and slimming treatments, are becoming increasingly popular.

Building on Perfect Shape’s strong brand and customer base established in the PRC over the last decade, the Group is well-positioned to accelerate growth of its business in the country by extending its footprint to the cities adjacent to where it already has a presence. In particular, the Group is looking into the opportunities arising from the Guangdong-Hong Kong-Macao Greater Bay Area by transplanting Hong Kong’s world-class medical beauty technologies there. Always a pioneer in the beauty sector, Perfect Shape is set to capture the huge growth potentials in the Greater Bay Area by opening and the flourishing of Hong Kong-style one-stop mega-beauty centres to benefit both local and expatriate populations. The Group is planning to open more stores to capture high-spending power customers as well as high-end customers in the nearby Chinese cities. It is also actively exploring suitable locations within the Bay Area, beyond Guangzhou and Shenzhen, but focusing more on those cities where the Group has not yet built a presence.

The Overall View

Political turbulence continued to buffet the economy in Hong Kong during the third quarter, after growth in the second quarter slumped to the weakest pace since the global financial crisis in 2009. In August, annual retail sales in Hong Kong plunged 25.3%, marking the steepest fall since current records began. Although the city's economy is expected to gain impetus in 2020 on recovering domestic demand from China, the US-China trade dispute and softer growth prospects in China will keep the external sector relatively subdued. However, opportunities and challenges always exist side by side. Despite the uncertainties over the global economy, the Chinese economy is expected to maintain stable GDP growth for the full year of 2019. What's more, industry consolidation is expected within the beauty sector whereby consumers tend to go to those brands with a long-history and good reputation. Perfect Shape is therefore well-placed to capture not only business opportunities but continue to evaluate suitable investment opportunities in order to drive business growth both organically and by acquisitions.

Building on over 15 years of its management's hands-on experience in the slimming and beauty sector, Perfect Shape truly understands its customers' needs especially for safe, quality and attentive services in a comfortable setting. It will continue to provide an attractive and comfortable service environment to ensure customers enjoy the most fabulous experience in its service centres. In the face of the ever-changing market environment and shifting consumer demand, the Group will closely monitor market dynamics and react quickly to capitalise on the trend of consumption upgrade.

Medical aesthetic technology has undergone a substantial transformation in the past decade and will continue to evolve as technology advances. Keeping abreast of the latest technologies and medical innovations is of the utmost importance. Led by the Group's Chairman, a registered medical practitioner in Hong Kong, the management team is committed to bringing state-of-the-art non-invasive medical beauty treatments to meet the huge demand. Towards this end, it will continue to procure new devices enabling a suitable treatment solutions set for its customers relying on its experienced management team's expert skills and knowledge, with the ultimate aim of providing premium services to its customers.

Looking ahead, the Group will continue to provide a top-notch customer experience, as well as a high-quality services menus to cater for the needs of the more sophisticated and quality-conscious customers. The Group will build on its achievements to establish a firmer position as an industry-leading company, with the ultimate goal to enhance both its profitability and enterprise value in the long run. Thus the Group is committed to sustaining strong growth momentum and creating greater value for shareholders.

Financial Management and Dividend Strategy

In view of current economic challenges and opportunities, the board of directors (the “Board”) has elected to adopt a prudent approach towards financial management, which, for the time being, will include maintaining more cash on hand. The Group’s management also believes that having greater cash on hand is essential since present conditions are excellent for merger and acquisition opportunities. The Group’s major targets would be reputable or potential medical beauty or healthcare related companies that have a presence in Hong Kong or the PRC to fuel our sustainable growth in the market with immense potential. The Board is nonetheless steadfast in its determination to share the fruit of its efforts with shareholders in the future.

Interim Dividend

The Board does not recommend any interim dividend for the six months ended 30 September 2019.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). Specific inquiry has been made to each of the Directors and all Directors have confirmed that they have complied with the Model Code during the six-month period ended 30 September 2019.

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

As at 30 September 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 of Hong Kong Limited (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	Percentage of the issued share capital of the Company
Dr. Au-Yeung Kong	Beneficial owner	45,104,000 (L)	—	66.07%
	Interest of controlled corporation (<i>Note 1</i>)	700,000,000 (L)	—	
Ms. Au-Yeung Wai	Beneficial owner	19,132,000 (L)	—	63.77%
	Interest of controlled corporation (<i>Note 1</i>)	700,000,000 (L)	—	
Ms. Au-Yeung Hung	Beneficial owner	19,132,000 (L)	—	63.77%
	Interest of controlled corporation (<i>Note 1</i>)	700,000,000 (L)	—	

(L): Long position

Note:

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.

Save as disclosed above, as at 30 September 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

Apart from as disclosed under the sections headings “Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation” above and “Share Option Scheme” below, at no time during the six months ended 30 September 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, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

Competing Interest

During the period under review and last financial year, 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 co-operate with the business of the Group.

During the period under review and last financial year, 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 obligation 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 30 September 2019, other than the interests of certain Directors and chief executives 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, persons who had interests or short positions 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 are, 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	Percentage of the issued share capital of the Company (Note 1)	
		Number of issued ordinary shares held	
Sure Sino Investments Limited	Beneficial owner	382,500,000 (L)	33.92%
	Interest of controlled corporation (Note 2)	317,500,000 (L)	28.15%
Earlson Holdings Limited (Note)	Beneficial owner	180,000,000 (L)	15.96%
Market Event Holdings Limited (Note)	Beneficial owner	137,500,000 (L)	12.19%

(L): Long position

Notes:

1. The calculation of percentage is based on the total number of shares of the Company as at 30 September 2019, which was 1,127,652,000.
2. 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.

Save as disclosed above, as at 30 September 2019, the Directors were not aware of any other person (other than the Directors and chief executives 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.

Share Option Scheme

The share option scheme of the Company (the “Share Option Scheme”) adopted by the Shareholders by way of written resolution was passed on 6 January 2012 for the purpose of providing 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. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

Details of the share options movements during the six months ended 30 September 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 01.04.2019	Granted during the period	Exercised during the period	Lapsed during the period	Canceled during the period	Balance as at 30.09.2019
Directors									
Dr. Au-Yeung Kong	27/04/2017	HK\$0.82	27/04/2017–26/04/2020	2,032,000	—	2,032,000	—	—	—
	(Note 2)		(Note 5)						
	16/08/2019	HK\$3.45	16/08/2019–15/08/2022	—	1,448,000	1,448,000	—	—	—
	(Note 4)		(Note 6)						
Ms. Au-Yeung Wai	27/04/2015	HK\$1.72	27/04/2018–26/04/2025	2,900,000	—	2,900,000	—	—	—
	(Note 1)								
	27/04/2017	HK\$0.82	27/04/2017–26/04/2020	2,032,000	—	2,032,000	—	—	—
	(Note 2)		(Note 5)						
	27/04/2018	HK\$1.09	27/04/2018–26/04/2021	4,584,000	—	4,584,000	—	—	—
	(Note 3)		(Note 6)						
Ms. Au-Yeung Hung	27/04/2015	HK\$1.72	27/04/2018–26/04/2025	2,900,000	—	2,900,000	—	—	—
	(Note 1)								
	27/04/2017	HK\$0.82	27/04/2017–26/04/2020	2,032,000	—	2,032,000	—	—	—
	(Note 2)		(Note 5)						
	27/04/2018	HK\$1.09	27/04/2018–26/04/2021	4,584,000	—	4,584,000	—	—	—
	(Note 3)		(Note 6)						
Total				21,064,000	1,448,000	22,512,000	—	—	—

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 2017, on which those options were granted, was HK\$0.82.
3. The closing price of the Shares immediately before 27 April 2018, on which those options were granted, was HK\$1.09.
4. The closing price of the Shares immediately before 16 August 2019, on which those options were granted, was HK\$3.41.
5. (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.
6. The options shall be exercisable immediately on the Date of Grant.

Purchase, Sale or Redemption of Listed Securities of the Company

During the six months ended 30 September 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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.

Corporate Governance

The Company is committed to the establishment of good corporate governance practices and procedures. The Company has complied with all the code provisions as set out in Corporate Governance Code and Corporate Governance Report to the Appendix 14 of the Listing Rules (the "CG Code") throughout the six months ended 30 September 2019 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 should be separate and should not be performed by the same individual. During the six months ended 30 September 2019, Dr. Au-Yeung Kong has been performed as both the chairman of the Board (the “Chairman”) and the chief executive officer of the Company (the “Chief Executive Officer”); therefore, the Group does not at present separate the roles of the Chairman and the Chief Executive Officer.

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, it is assumed to be 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 a candidate with suitable leadership, knowledge, skills and experience can be identified within or outside the Group, the Company may make necessary arrangements.

Audit Committee

The audit committee of the Company (the “Audit Committee”) was established on 5 December 2011 with the latest written terms of reference which were revised on 28 December 2018 in compliance with the CG Code and are 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, Ms. Cho Yi Ping and Mr. Chi Chi Hung, Kenneth. 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 financial reporting matters, including the review of the unaudited interim results for the six months ended 30 September 2019.

Remuneration Committee

The remuneration committee of the Company (the “Remuneration Committee”) was established on 5 December 2011 with written terms of reference which were revised on 20 March 2012 in compliance with the CG Code and are 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, which include any compensation payable for loss or termination of their office or appointment.

The Remuneration Committee comprises three independent non-executive Directors, namely, Ms. Hsu Wai Man, Helen, Ms. Cho Yi Ping and Mr. Chi Chi Hung, Kenneth, 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.

Nomination Committee

The nomination committee of the Company (the “Nomination Committee”) was established on 5 December 2011 with the latest written terms of reference which were revised on 28 December 2018 in compliance with the CG Code and are 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 succession planning for Directors, assess the independence of independent non-executive Directors and review the board diversity policy and the policy for the nomination of Directors of the Company.

The Nomination Committee comprises three independent non-executive Directors, namely, Ms. Hsu Wai Man, Helen, Ms. Cho Yi Ping and Mr. Chi Chi Hung, Kenneth, 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.

Publication of Interim Results Announcement and Interim Report

This interim results announcement is published on the Company's website (www.perfectshape.com.hk) and the Stock Exchange's website (www.hkex.com.hk). The 2019/20 Interim Report containing all the information required by the Listing Rules will be dispatched to the Shareholders and available on the same websites in due course.

By Order of the Board
Perfect Shape Medical Limited
Dr. Au-Yeung Kong
Chairman

Hong Kong, 28 November 2019

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