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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 2020

HIGHLIGHTS

- Group’s sale contracts decreased by 15.4% to HK\$618 million
- Group’s total revenue decreased by 28.0% to HK\$510 million
- Group’s net profit decreased by 44.0% to HK\$136 million
- Group’s earning before interest, tax, depreciation and amortisation decreased by 32.7% to HK\$253 million
- Group’s net cash generated from operating activities decreased by 11.6% to HK\$342 million
- Basic earnings per share decreased by 44.5% to HK12.1 cents
- The Board declared an interim dividend of HK13.0 cents per share which will be payable in cash, representing a payout ratio of 107.4%

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 2020. 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 2020

		Six months ended 30 September	
	<i>Note</i>	2020	2019
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	4	509,807	708,054
Other income	5	29,406	3,568
Other gains/(losses) — net	6	4,076	(1,092)
Cost of inventories and consumables		(6,314)	(6,477)
Employee benefit and manpower service expenses		(164,600)	(185,585)
Marketing expenses		(72,939)	(72,801)
Depreciation of property, plant and equipment		(29,003)	(30,897)
Depreciation of right-of-use assets		(52,708)	(40,474)
Rental expenses of short-term leases in respect of stores and offices		(544)	(8,967)
Other operating expenses		(45,489)	(60,742)
Operating profit		171,692	304,587
Finance expense — net	7	(1,603)	(3,366)
Profit before income tax		170,089	301,221
Income tax expense	8	(34,454)	(58,342)
Profit for the period attributable to equity holders of the Company		135,635	242,879
Other comprehensive income/(losses): <i>Items that have been reclassified or may be reclassified subsequently to profit or loss</i>			
Currency translation differences		7,598	(16,418)
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Fair value (losses)/gains of financial asset at fair value through other comprehensive income		(2,906)	1,231
Total comprehensive income for the period attributable to equity holders of the Company		140,327	227,692
Earnings per share attributable to equity holders of the Company during the period	9		
— Basic		HK12.1 cents	HK21.8 cents
— Diluted		HK12.1 cents	HK21.7 cents

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

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2020

		30 September	31 March
		2020	2020
	<i>Note</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	143,211	142,162
Right-of-use assets	19	194,925	246,386
Financial assets at fair value through other comprehensive income	12	66,650	37,232
Deposits and prepayments		24,896	33,396
Deferred income tax assets		52,574	52,213
		482,256	511,389
Current assets			
Inventories		3,051	1,783
Trade receivables	14	66,949	74,666
Other receivables, deposits and prepayments		42,247	40,313
Financial assets at fair value through profit or loss	13	36,263	33,525
Term deposits with initial terms of over three months	15	25,211	71,116
Pledged bank deposits	16, 22	13,494	2,861
Cash and cash equivalents	17	850,811	563,591
		1,038,026	787,855
Total assets		1,520,282	1,299,244

		30 September 2020	31 March 2020
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	18	112,038	111,552
Reserves	18	725,737	567,444
Total equity		837,775	678,996
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		70,742	69,982
Provision for reinstatement costs		8,345	8,342
Lease liabilities	19	113,504	158,507
		192,591	236,831
Current liabilities			
Provision for reinstatement costs		1,444	2,769
Trade payables	20	504	736
Accruals and other payables		72,170	69,132
Lease liabilities	19	86,594	93,497
Deferred revenue		254,878	158,701
Tax payable		74,326	58,582
		489,916	383,417
Total liabilities		682,507	620,248
Total equity and liabilities		1,520,282	1,299,244

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

	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 2020									
As at 1 April 2020	111,552	128,743	11,621	7,633	(20,948)	–	(7,131)	447,526	678,996
Comprehensive income									
Profit for the period	–	–	–	–	–	–	–	135,635	135,635
Other comprehensive (losses)/income									
Currency translation differences	–	–	–	–	9,279	–	(1,681)	–	7,598
Equity investments at fair value through other comprehensive income									
— Fair value losses taken to reserves	–	–	–	–	–	–	(2,906)	–	(2,906)
Total comprehensive (loss)/income for the period	–	–	–	–	9,279	–	(4,587)	135,635	140,327
Total transactions with owners, recognized directly in equity									
Share option scheme — value of employment services	–	–	–	–	–	3,464	–	–	3,464
Issuance of shares upon the exercise of share options	486	17,966	–	–	–	(3,464)	–	–	14,988
	486	17,966	–	–	–	–	–	–	18,452
As at 30 September 2020	112,038	146,709	11,621	7,633	(11,669)	–	(11,718)	583,161	837,775

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	341,549	387,263
Net cash used in investing activities	(17,818)	(1,679)
Net cash used in financing activities	(43,102)	(239,458)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	280,629	146,126
Cash and cash equivalents at the beginning of the period	563,591	338,671
Effect on foreign exchange	6,591	(18,245)
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Cash and cash equivalents at the end of the period	850,811	466,552

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 high technology medical beauty services in Hong Kong (“HK”), the People’s Republic of China (the “PRC”), Macau and Australia.

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 2020 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 30 November 2020.

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 2020 (“2020 Financial Statements”) which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA. The comparative financial information of condensed consolidated statement of cash flows in respect for the period ended 30 September 2019 has been reclassified to conform with current presentation.

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 2020 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

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

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

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Hedge accounting
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The new and amended standards did not have any 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:

HKFRS 17	Insurance Contracts ⁽³⁾
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁽²⁾
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁽⁴⁾
Amendments to HKFRS 16	COVID-19-Related Rent Concessions ⁽¹⁾
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current ⁽³⁾
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use ⁽²⁾
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ⁽²⁾
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2018-2020 Cycle ⁽²⁾

(1) Effective for the Group for annual periods beginning on or after 1 June 2020

(2) Effective for the Group for annual periods beginning on or after 1 January 2022

(3) Effective for the Group for annual periods beginning on or after 1 January 2023

(4) Effective for the Group for annual periods beginning on or after a date to be determined

The Group is in the process of assessing the impact of those new standards and amendments on the Group's accounting policies and financial statements.

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 2020.

There has been no changes in the risk management policies since the year ended 31 March 2020.

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 2020 and 2019, all of the Group's revenues was from contracts with customers and was recognised at a point in time.

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

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong	328,333	512,734
Regions outside Hong Kong	181,474	195,320
	<u>509,807</u>	<u>708,054</u>

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

	As at	
	30 September	31 March
	2020	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Hong Kong	302,094	337,853
Regions outside Hong Kong	60,938	84,091
	<u>363,032</u>	<u>421,944</u>

5 OTHER INCOME

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Government subsidies	27,026	2,598
Dividend income from financial assets at fair value through profit or loss	558	626
Dividend income from financial assets at fair value through other comprehensive income	736	—
Others	1,086	344
	<u>29,406</u>	<u>3,568</u>

6 OTHER GAINS/(LOSSES) — NET

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Losses on disposal of property, plant and equipment	(450)	(1,443)
Net exchange gains/(losses)	1,788	(653)
Fair value gains on financial assets at fair value through profit or loss	2,738	1,004
Other gains/(losses) — net	<u>4,076</u>	<u>(1,092)</u>

7 FINANCE EXPENSE — NET

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income on bank deposits	2,345	2,197
Interest expense on lease liabilities	<u>(3,948)</u>	<u>(5,563)</u>
Finance expense — net	<u>(1,603)</u>	<u>(3,366)</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% (FY2019/20 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% (FY2019/20 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 2019 and 2020. Companies established and operating in the Australia are subject to Australia corporate income tax at the rate of 27.5%.

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

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income taxation		
— Hong Kong	10,056	30,702
— Regions outside Hong Kong	<u>21,349</u>	<u>24,341</u>
Total current income taxation	31,405	55,043
Deferred taxation	<u>3,049</u>	<u>3,299</u>
	<u>34,454</u>	<u>58,342</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	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company	<u>135,635</u>	<u>242,879</u>
Weighted average number of ordinary shares for the purposes of basic earnings per share (thousand of share)	<u>1,117,286</u>	<u>1,112,474</u>
Basic earnings per share (HK cents per share)	<u>12.1</u>	<u>21.8</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 2020, 4,860,000 share options were granted to the Company's executive directors.

For the period ended 30 September 2020, the exercise of outstanding share options would be anti-dilutive as the average market price of the Company's shares did not exceed the exercise prices of the share options. Accordingly, dilutive earnings per share are same as basic earnings per share. (FY2019/20 interim: HK21.7 cents).

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

	2020	2019
	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	1,117,286	1,112,474
Adjustments for calculation of diluted earnings per share:		
— Effect of exercise of share options granted on 27 April 2015	—	1,686
— Effect of exercise of share options granted on 27 April 2017	—	2,712
— Effect of exercise of share options granted on 27 April 2018	—	4,020
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	<u>1,117,286</u>	<u>1,120,892</u>

10 DIVIDENDS

At a meeting held on 30 June 2020, the Directors recommended the payment of a final dividend for the year ended 31 March 2020 of HK29.0 cents (2019: HK14.4 cents) per ordinary share and a special final dividend of HK5.0 cents (2019: HK5.0 cents) per ordinary share, totaling HK\$379,275,000 (2019: HK\$218,763,000). The directors proposed a scrip dividend alternative to all shareholders of the Company in respect of these dividend. The dividend, with scrip dividend alternative 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 2021 respectively. On 6 October 2020, the Company allotted and issued 103,519,393 new ordinary shares of the Company in lieu of cash dividends pursuant to the scrip scheme set out in the circular of the Company dated 1 September 2020.

At a meeting held on 30 November 2020, the Directors declared an interim dividend of HK13.0 cents (FY2019/20 interim: Nil) per ordinary share, totaling HK\$159,106,000. The dividend is not reflected as dividend payable in the interim financial information, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2021.

11 PROPERTY, PLANT AND EQUIPMENT

	Total <i>HK\$'000</i> (Unaudited)
Net book amount as at 1 April 2020	142,162
Additions	31,398
Disposal	(2,354)
Depreciation	(29,003)
Exchange differences	1,008
	<hr/>
Net book amount as at 30 September 2020	143,211
	<hr/>
Net book amount as at 1 April 2019	108,486
Additions	28,032
Disposal	(1,497)
Depreciation	(30,897)
Exchange differences	(816)
	<hr/>
Net book amount as at 30 September 2019	103,308
	<hr/>

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 September 2020 <i>HK\$'000</i> (Unaudited)	31 March 2020 <i>HK\$'000</i> (Audited)
Non-current		
Listed equity securities		
— Hong Kong	43,777	37,232
— Overseas	22,873	—
	<u>66,650</u>	<u>37,232</u>

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2020 <i>HK\$'000</i> (Unaudited)	31 March 2020 <i>HK\$'000</i> (Audited)
Unlisted fund investments, at fair value, in Hong Kong (<i>Note 22</i>)	<u>36,263</u>	<u>33,525</u>

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

	<i>HK\$'000</i>
At 1 April 2019 (audited)	35,218
Net fair value changes	<u>(1,693)</u>
As at 31 March 2020 (audited)	33,525
Net fair value changes	<u>2,738</u>
As at 30 September 2020 (unaudited)	<u>36,263</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	31 March
	2020	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Less than 60 days	50,628	40,253
60 days to 90 days	5,202	13,991
91 days to 120 days	8,931	11,368
121 days to 180 days	2,188	9,054
	<u>66,949</u>	<u>74,666</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 2020, the weighted average effective interest rate of the Group's term deposits with initial terms of over three months was 1.75% (as at 31 March 2020: 3.5%).

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

	As at	
	30 September	31 March
	2020	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
HK\$	25,000	60,000
RMB	–	10,905
Macau Patacas	211	211
	<u>25,211</u>	<u>71,116</u>

16 PLEDGED BANK DEPOSITS

As at 30 September 2020 and 31 March 2020, 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 2020, the weighted average effective interest rate of these pledged bank deposits is 0.59% (as at 31 March 2020: 0.50%).

17 CASH AND CASH EQUIVALENTS

	As at	
	30 September 2020 <i>HK\$'000</i> (Unaudited)	31 March 2020 <i>HK\$'000</i> (Audited)
Cash at banks	456,899	365,040
Cash on hand	2,937	1,162
Term deposits with initial terms of less than three months	390,975	197,389
	850,811	563,591
Denominated in:		
Hong Kong dollars	497,171	265,421
Chinese Renminbi	311,578	232,934
Macau Patacas	15,520	9,334
United States dollars	8,239	51,891
Australian dollars	18,303	4,011
	850,811	563,591

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 HK\$'000	Share premium HK\$'000	Total HK\$'000
At 1 April 2020	<u>1,115,516</u>	<u>111,552</u>	<u>128,743</u>	<u>240,295</u>
Issuance of share (<i>Note</i>)	<u>4,860</u>	<u>486</u>	<u>17,966</u>	<u>18,452</u>
At 30 September 2020	<u>1,120,376</u>	<u>112,038</u>	<u>146,709</u>	<u>258,747</u>

Note: During the six months ended 30 September 2020, the Company issued 4,860,000 shares of the Company for proceeds of HK\$14,988,048, as a result of exercise of share options. The weighted average exercise price was approximately HK\$3.084 per share. As a result, HK\$486,000 were credited to the share capital account and the balance of HK\$14,502,048 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 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Right-of-use assets		
Properties	<u>194,925</u>	<u>246,386</u>
	<u>194,925</u>	<u>246,386</u>
	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Lease liabilities		
Non-current portion	113,504	158,507
Current portion	<u>86,594</u>	<u>93,497</u>
	<u>200,098</u>	<u>252,004</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 2020 HK\$'000 (Unaudited)	Six months ended 30 September 2019 HK\$'000 (Unaudited)
Depreciation charge of right-of-use assets		
Properties	<u>52,708</u>	<u>40,474</u>
	<u>52,708</u>	<u>40,474</u>
Interest expenses on leases liabilities	3,948	5,563
Expenses related to short-term leases of stores and offices	<u>544</u>	<u>8,967</u>

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

During the six months ended 30 September 2020, the total cash outflows for leases were analysed as below:

	2020 HK\$'000	2019 HK\$'000
Cash flows from operating activities*		
Payments for short-term leases in respect of stores and offices	<u>544</u>	<u>8,967</u>
Cash flows from financing activities		
Payment of interest element of lease liabilities	3,948	5,563
Payment of principal element of lease liabilities	<u>54,142</u>	<u>45,096</u>
The total cash outflow of leases	<u>58,634</u>	<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 2020, the aging analysis of trade payables based on invoice date is as follows:

	As at	
	30 September	31 March
	2020	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Less than 60 days	250	379
60 days to 120 days	12	8
Over 120 days	242	349
	504	736

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
	2020	2020
	<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	12,954	5,634

22 PLEDGE OF ASSETS

During the period ended 30 September 2020, 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	31 March
	2020	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Bank deposits (<i>Note 16</i>)	13,494	2,861
Unlisted fund investments (<i>Note 13</i>)	36,263	33,525
	<u>49,757</u>	<u>36,386</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 2020 and 2019, 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	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries and other benefits	14,091	12,586
Share-based payment	3,464	1,014
	<u>17,555</u>	<u>13,600</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 2020 (“FY2020/21 interim”).

With the outbreak of COVID-19 pandemic that spread rapidly around the globe, the normal way of life has been disrupted, which also led to substantial contraction of the global economy. The Group managed to mitigate the inevitable impact of store closure as a result of business disruption amid the fight against COVID-19 in many cities or countries where it has presence, achieving fairly satisfactory profits for the period that was mainly attributable to its first-mover advantage in the medical beauty industry added with a strong and solid customer base. During the FY2020/21 interim, the Group’s revenue declined by 28% year-on-year to HK\$510 million (FY2019/20 interim: HK\$708 million). Profit attributable to equity holders of the Company substantially decreased by 44% year-on-year to HK\$136 million (FY2019/20 interim: HK\$243 million). The Group maintained a stable cash position with considerable operating flexibility to address market challenges. Earnings before interest, tax, depreciation of property, plant and equipment and right-of-use assets and amortization (“EBITDA”) dropped by 33% year-on-year to HK\$253 million (FY2019/20 interim: HK\$376 million). Basic earnings per share decreased to HK12.1 cents compared with HK21.8 cents for the previous period.

Hong Kong Operation

During the FY2020/21 interim, the COVID-19 pandemic severely disrupted many economic activities, especially Hong Kong Government’s imposition of the compulsory closure of all beauty parlors in the city for 72 business days. As a result, revenue generated from the Hong Kong market dropped by 36% year-on-year to HK\$328 million (FY2019/20 interim: HK\$513 million), accounting for 64% of the Group’s total revenue (FY2019/20 interim: 72%).

The Group’s performance in Hong Kong was inevitably affected by the external events over the past six months. However, it was worth noting that after the FY2020/21 interim, sale contracts from Hong Kong during October 2020 and 11 days of “Double Eleven Shopping Festival” increased by 31.2% and 43.1% compared with the corresponding periods respectively.

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. After the impact of COVID-19 pandemic has alleviated and the situation has become more under control, the Group remains optimistic about its future development as customers are keen on looking for safe and effective treatment service provider to embellish their physical allure and self-esteem. With superior therapeutic effect, high safety standard and reliable reputation, the Group has become the first choice for them.

Overseas Operation

During the FY2020/21 interim, revenue generated from the China, Macau and Australia markets recorded a decrease of 7% year-on-year to HK\$182 million (FY2019/20 interim: HK\$195 million), accounting for 36% of the Group's total revenue (FY2019/20 interim: 28%). Owing to the impact of COVID-19 pandemic and slowdown in global economic growth, the performance of overseas operation slightly deteriorated. However, it was worth noting that after the FY2020/21 interim, sale contracts from overseas during October 2020 and 11 days of "Double Eleven Shopping Festival" increased by 30.4% and 47.0% compared with the corresponding periods respectively. Leveraging Perfect Shape's strong brand appeal and well-established customer base, together with the expected stabilisation of the pandemic, the Group is well-positioned to capitalise on the tremendous market demand for quality medical beauty service.

Despite the challenging conditions, the Group has remained agile and prudent in strengthening its relations with customers, and keeping abreast of their beauty and slimming needs. Consequently, this has resulted in the provision of services that exceed their expectations, and the Group is therefore delighted to see its efforts rewarded with increased patronage.

FINANCIAL PERFORMANCE

Revenue

The Group's revenue decreased by 28% to HK\$510 million for the six months ended 30 September 2020, compared to HK\$708 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 64% of the Group's turnover (FY2019/20 interim: 72%). Sales from Hong Kong region dropped by 36% to approximately HK\$328 million during the six months ended 30 September 2020 (FY2019/20 interim: HK\$513 million). Sales from the China, Macau and Australia region decreased by 7% to approximately HK\$182 million during the six months ended 30 September 2020 (FY2019/20 interim: HK\$195 million).

Marketing Expenses

Marketing expenses remain the same at HK\$73 million for the six months ended 30 September 2020 (FY2019/20 interim: HK\$73 million). Marketing expenses as a percentage of revenue has increased to approximately 14% (FY2019/20 interim: 10%). 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.

Expenses Related to Leases of Stores and Office

These expenses related to the leased properties in Hong Kong, China, Macau and Australia are primarily incurred for the operations of service centres and office premises. Such service centres are located in prime commercial districts for effective market penetration. The Group has applied HKFRS 16 "Leases" ("HKFRS 16") and 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) HK\$0.5 million as expenses related to short-term leases of stores and offices; (ii) HK\$52.7 million in depreciation charge; and (iii) HK\$3.9 million in finance cost.

Operating Lease Rentals

Under previous principles of HKAS 17 "Leases", operating lease rentals increased by HK\$2 million, or 4.2%, from HK\$46 million to HK\$48 million (excluding the effect on the adoption of HKFRS 16) when compared with the same period of last year. The increase was due to expansion of service centres in Macau and Australia. Aiming to enhance the future growth of the Group, the Group will periodically review the expansion plan of service area to enhance customers' experience.

Profit and Profit Margin

Net profit for the period substantially declined by 44% to HK\$136 million from HK\$243 million in the same period of last year. Challenging from the global economic concession, the Group's net profit margin for the period decreased to 27% from 34% in the same period of last year. Basic earnings per share were HK12.1 cents (FY2019/20 interim: HK21.8 cents).

Liquidity, Financial Resources and Capital Structure

The total equity of the Group as at 30 September 2020 was HK\$838 million (as at 31 March 2020: HK\$679 million). The Group generally finances its operation with internally generated cash flows. The Group had bank and cash balance of approximately HK\$890 million (as at 31 March 2020: HK\$638 million). The Group had no external bank borrowings as at 30 September 2020 (as at 31 March 2020: nil). As at 30 September 2020, the Group had net current assets of approximately HK\$548 million (as at 31 March 2020: HK\$404 million). The gearing ratio as at 30 September 2020 was nil (as at 31 March 2020: nil), calculated as total borrowing over shareholder's equity.

Cash generated from operations in the six months ended 30 September 2020 was approximately HK\$342 million (FY2019/20 interim: HK\$387 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 2020, the Group did not have any significant contingent liabilities.

Subsequent Event

On 6 October 2020, the Company allotted and issued 103,519,393 new ordinary shares of the Company in lieu of cash dividends pursuant to the scrip scheme set out in the circular of the Company dated 1 September 2020.

Foreign Exchange Exposure

The Group principally engages its business operation in Hong Kong, Macau, China and Australia. The Group has subsidiaries operating in China, Macau and Australia, in which most of their transactions are denominated and settled in Chinese Renminbi (“RMB”), Macau Patacas (“MOP”) and Australian dollar (“AUD”). In respect of transactions settled in RMB, MOP and AUD, 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 2020, 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 2020, there was HK\$36 million (as at 31 March 2020: HK\$34 million) financial assets at fair value through profit or loss and HK\$67 million (as at 31 March 2020: HK\$37 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 2020 stated in this announcement is as follow:

(a) Listed equity securities in Hong Kong

Stock code	Name of investment	Principal business	Nature of investment	Number of shares	Percentage of total share capital	Investment cost	Fair value as at 30.9.2020	Unrealised (gains)/ losses on change in fair value	Dividend received	Percentage to the Group's total assets
						HK\$'000	HK\$'000	HK\$'000	HK\$'000	
11	Hang Seng Bank	Mainly engaged in the banking business	Investment in shares	130,000	0.0068%	21,257*	14,833	6,424	489	0.98%
66	MTR Corporation Limited	Principally engaged in railway operation	Investment in shares	500,000	0.0081%	23,106*	19,124	3,982	247	1.26%
700	Tencent Holdings Limited	Provision of Internet and mobile value-added services, online advertising services and e-Commerce transactions services	Investment in shares	9,500	0.0001%	4,911*	4,859	52	–	0.32%
9988	Alibaba Group Holding Limited	Provision of technology infrastructure and marketing reach	Investment in shares	18,000	0.0001%	4,785	4,961	(176)	–	0.33%
						<u>54,059</u>	<u>43,777</u>	<u>10,282</u>	<u>736</u>	

* These stocks invested in the Shanghai and Shenzhen Connect investment account and the presentation exchange difference was HK\$1.6 million as at 30 September 2020.

(b) *Listed equity securities in Overseas*

Stock code	Name of investment	Principal business	Nature of investment	Number of shares	Percentage	Investment cost	Fair value	Unrealised	Dividend received	Percentage
					of total		as at	(gains)/		to the
					share		30.9.2020	losses on		Group's
					capital	HK\$'000	HK\$'000	change in fair value HK\$'000	HK\$'000	total assets
AMZN	Amazon.com, Inc	Engages in the retail sale of consumer products and subscriptions in North America and internationally	Investment in shares	200	0.00004%	4,831	4,880	(49)	–	0.32%
GOOG	Alphabet Inc.	Provides online advertising services in the United States, Europe, the Middle East, Africa, the Asia-Pacific, Canada, and Latin America	Investment in shares	400	0.00006%	4,738	4,556	182	–	0.30%
MSFT	Microsoft Corporation	Develops, licenses, and supports software, services, devices, and solutions worldwide	Investment in shares	3,000	0.00004%	4,746	4,890	(144)	–	0.32%
AAPL	Apple Inc	Designs, manufactures, and markets smartphones, personal computers, tablets, wearables, and accessories worldwide	Investment in shares	5,000	0.00003%	4,277	4,488	(211)	–	0.30%
FB	Facebook, Inc.	Develops products that enable people to connect and share with friends and family through mobile devices, personal computers, virtual reality headsets, and in-home devices worldwide	Investment in shares	2,000	0.00007%	4,036	4,059	(23)	–	0.27%
						22,628	22,873	(245)	–	

(c) *Unit trusts held by banks*

Name of investment	Number of units held	Investment cost <i>HK\$'000</i>	Fair value as at 31.3.2020 <i>HK\$'000</i>	Fair value as at 30.9.2020 <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	10,838	11,719	881	169	0.77%
HSBC Asian Bond Fund	1,153,589	11,595	11,101	11,963	862	186	0.79%
PIMCO Global Investment Grade Credit Fund	112,349	11,965	11,586	12,581	995	203	0.83%
		<u>35,080</u>	<u>33,525</u>	<u>36,263</u>	<u>2,738</u>	<u>558</u>	

Charges on the Group's Assets

As at 30 September 2020, 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 1,207 employees as at 30 September 2020. During the period under review, total staff cost accounted for approximately 32% 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 the period.

PROSPECTS

COVID-19 pandemic has impacted people from all walk of life, as well as many industries that are directly dependent on end users. The beauty industry is one such segment, and in Hong Kong – a principal market of Perfect Shape, the pandemic was hard felt. During the review period, beauty centres are among various sectors which had to suspend operations for 72 days as part of social distancing measures – the temporary closure was a tremendous blow to business. Still, the Group was better insulated from the repercussion of COVID-19 pandemic than its industry peers due to the first mover advantage that it enjoys in non-invasive medical beauty services, which are difficult to substitute, as well as a solid and loyal customer base that Perfect Shape has established. Consequently, the Group was still able to record a revenue of HK\$510 million with satisfactory net profit of HK\$136 million during the review period.

Hong Kong Business

Taken in the context that the impact of COVID-19 pandemic will be short term whereas the demand for quality medical beauty services will recover, the Group will adopt a proactive approach towards client engagement. Consequently, while nurturing relations with existing customers, it will at the same time conduct effective promotions to attract new local customers. In addition, the Group will continue to consolidate its store network, which includes opening one-stop mega service centre in order to centralise personnel, equipment and resources so as to enhance sales and cost-effectiveness. The Group will also seek to seize opportunities from the “men beauty” segment, which has experienced an uptake in quality medical beauty services as more men are conscious of their physical appearance. Since such men are also willing to spend greater sums on their appearance, the Group will look to expand the “Perfect Men” brand of non-evasive beauty treatments to tap this demand.

China and Macau Business

With government efforts to contain local COVID-19 pandemic transmission rate to near zero proving to be a success, the China economy began to recover from the pandemic in the third quarter, as evidenced by GDP growth of 4.9% between July and September 2020. The nation's post-pandemic recovery has led to a rebound in consumption, especially among the middle-class who, unable to travel overseas due to restrictions, have settled for local consumption. To capture the economic rebound, the Group will leverage its long history and brand equity to accelerate growth in China; expanding its footprint in cities adjacent to locations where it already has a presence. Subsequent to the period end, the Group opened its first flagship service centre at Super Brand Mall, Shanghai, in November 2020. The centre will be positioned as a premium "Men's Beauty Expert" so as to capitalise on the tremendous market demand for "male beauty and weight management" services in China. Going forward, the Group will continue to actively identify potential locations in China for the purpose of further expanding the "men beauty and weight management" business.

In addition, it will also seize opportunities arising from the Guangdong-Hong Kong-Macao Greater Bay Area, by bringing world-class medical beauty technologies from Hong Kong to the region. While Macau is one of the cities less impacted by COVID-19 pandemic, revenue generated from Macau operations during the review period experienced substantial growth and demand for quality medical beauty service from reputable operator in the city is tremendous. Consequently, the Group plans to open three flagship service centres in Macau in November and December 2020, which will be dedicated to serving the Greater Bay Area, and will not only provide "medical beauty" services, but also "men beauty", "weight management" and "hair growth treatment" services.

Global Expansion

Despite the challenging business environment resulting from COVID-19 pandemic, the Group views global expansion favourably given the resilient and strong worldwide demand for beauty services; hence, such expansion will continue to constitute its main strategy in the near future. Having tapped the Australia market with the opening of its first beauty centre in February 2020, the Group is pleased by the positive feedback, which testifies to the successful implementation of its global expansion strategy. The Group plans to open its second centre – located in Melbourne, within this financial year, and will explore more investment opportunities in Australia moving forward. Still other target countries where the Group's successful Hong Kong business model will be replicated include the United States, the United Kingdom and Singapore. Given the management team's in-depth knowledge of the industry, the Group's technological knowhow, and senior management's thorough understanding of Asian and Western body types so that treatments can be tailored accordingly, the management is confident that it can replicate the Perfect Shape business model in more countries, and the Group can earn the trust and regular patronage of customers. In addition to business expansion, the Group will actively seek attractive investment opportunities, particularly amid industry consolidation resulting from the COVID-19 pandemic. With its clear development blueprint, the management is optimistic about the Group's ability to strengthen its market presence, both regionally and around the world.

Overall Outlook

To achieve its expansion goal and support business development, the Group is embarking on a global recruitment drive. Such effort will allow the Group to realise growth particularly in existing markets, including Hong Kong, Macau, China and Australia. The Group will also look to expand its business in mature markets in Asia, North America and Europe, as well as bolster its workforce in the future. What is more, leveraging its professional management team and solid industry experience, the Group will keep abreast of the latest technologies and medical innovations while continuing to acquire new devices that deliver treatment solutions which fulfil customers' needs and increase customer satisfaction.

The Group will continue to provide high-quality services and first-class experiences to customers so as to reinforce its leading position in the medical services industry, as well as facilitate business development that is integral to sustainable returns for its shareholders.

INTERIM DIVIDEND

The Board recommended a payment of an interim dividend of HK13.0 cents per share of the Company (the “Share”) for the six months ended 30 September 2020 to the shareholders of the Company (the “Shareholders”) whose name appear on the register of members of the Company on 18 December 2020. The proposed interim dividend will be paid on or around 12 January 2021.

OTHER INFORMATION

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 months period ended 30 September 2020.

Closure of Register of Members

The register of members of the Company will be closed from 16 December 2020 to 18 December 2020 (both dates inclusive), during which period no transfer of Shares will be registered. In order to qualify for the interim dividend, 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 54, Hopewell Center, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on 15 December 2020.

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 2020, 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 total number of shares of the Company (Note 2)
Dr. Au-Yeung Kong	Beneficial owner	69,096,000 (L)	—	68.64%
	Interest of controlled corporation (Note 1)	700,000,000 (L)		
Ms. Au-Yeung Wai	Interest of controlled corporation (Note 1)	700,000,000 (L)	—	62.47%
Ms. Au-Yeung Hung	Beneficial owner	19,132,000 (L)	—	64.18%
	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 Earls 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. The calculation of percentage is based on the total number of shares of the Company as at 30 September 2020, which was 1,120,376,000.

Save as disclosed above, as at 30 September 2020, 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 2020 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 2020, 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	Number of issued ordinary shares held	Percentage of the total number of shares of the Company (Note 2)
Sure Sino Investments Limited	Beneficial owner	382,500,000 (L)	34.14%
	Interest of controlled corporation (Note 1)	317,500,000 (L)	28.33%
Earlson Holdings Limited (Note 1)	Beneficial owner	180,000,000 (L)	16.06%
Market Event Holdings Limited (Note 1)	Beneficial owner	137,500,000 (L)	12.27%

(L): Long position

Notes:

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 calculation of percentage is based on the total number of shares of the Company as at 30 September 2020, which was 1,120,376,000.

Save as disclosed above, as at 30 September 2020, 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 2020 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 01.04.2020	Granted during the period	Exercised during the period	Lapsed during the period	Canceled during the period	Balance as at 30.09.2020
Directors									
Dr. Au-Yeung Kong	17/08/2020 (Note 1)	HK\$2.908	17/08/2020–16/08/2023 (Note 3)	—	1,716,000	1,716,000 (Note 4)	—	—	—
Ms. Au-Yeung Wai	02/07/2020 (Note 2)	HK\$3.180	02/07/2020–01/07/2023 (Note 3)	—	1,572,000	1,572,000 (Note 5)	—	—	—
Ms. Au-Yeung Hung	02/07/2020 (Note 2)	HK\$3.180	02/07/2020–01/07/2023 (Note 3)	—	1,572,000	1,572,000 (Note 5)	—	—	—
Total				—	4,860,000	4,860,000	—	—	—

Notes:

1. The closing price of the shares immediately before 17 August 2020, on which those options were granted, was HK\$2.92.
2. The closing price of the Shares immediately before 2 July 2020, on which those options were granted, was HK\$2.76.
3. The options shall be exercisable immediately on the Date of Grant.
4. The weighted average closing price of the Shares immediately before the date on which the share options were exercised by Dr. Au-Yeung Kong was HK\$2.89.
5. The weighted average closing price of the Shares immediately before the date on which the share options were exercised by Ms. Au-Yeung Wai and Ms. Au-Yeung Hung was HK\$3.02.

The estimate fair value of the share options granted during the six months ended 30 September 2020 was approximately HK\$3,464,000. The estimated fair value of the share options granted was measured using Black-Scholes option pricing model with the fair value per share option of HK\$0.73, taking into account the terms and conditions upon which the options were granted. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of a share option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of a share option.

Purchase, Sale or Redemption of Listed Securities of the Company

During the six months ended 30 September 2020, 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 2020 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 2020, 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, the roles of the Chairman and the Chief Executive Officer performed by the same individual, Dr. Au-Yeung Kong, is beneficial to the business prospects and management of the Group. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same individual can provide the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies. 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 2019 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 2020.

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, 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.

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 2019 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 management of the Board succession, assess the independence of independent non-executive Directors and review the board diversity policy and the policy for the nomination of Directors.

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.

Changes of Directors' Information

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information on the Director are as follows:

Ms. Hsu Wai Man, Helen (“Ms. Hsu”) has been appointed as an independent non-executive director of Beijing Gas Blue Sky Holdings Limited (Stock code: 6828) on 6 July 2020, Harmonicare Medical Holdings Limited (Stock code: 1509) on 24 August 2020, both companies listed on Main Board of the Stock Exchange, and Perfect Optronics Limited (Stock code: 8311) on 25 September 2020, a company listed on Growth Enterprise Market of the Stock Exchange. Ms. Hsu resigned as an independent non-executive director of Circle International Holdings Limited (Stock code: CCH), which is listed on the National Stock Exchange of Australia (NSX), with effect from 14 May 2020.

Publication of Interim Results Announcement and Interim Report

This interim results announcement is published on the Company’s website (www.psmedical.com.hk) and the Stock Exchange’s website (www.hkex.com.hk). The 2020/21 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, 30 November 2020

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.