PERFECT SHAPE BEAUTY TECHNOLOGY LIMITED

必 瘦 站 美 容 科 技 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1830)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2018

HIGHLIGHTS

- The Group's revenue for the year increased by 20% year-on-year to HK$906 million
- The Group's net profit margin increased from 12% year-on-year to 21%
- The Group's net profit for the year increased by 113% year-on-year to HK$194 million
- Basic earnings per share was HK18.0 cents
- Final dividend of HK10.1 cents per share and special final dividend of HK5.0 cents per share were proposed to mark the 15th anniversary of the Company. Total dividend per share for the year was HK22.7 cents, representing a payout ratio of 126%

FINAL RESULTS

The board of directors (the "Board") of Perfect Shape Beauty Technology Limited (the "Company") announces the results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2018, together with the comparative figures for the year ended 31 March 2017 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Note	**2018** *HK$'000*	2017 *HK$'000*
Revenue	3	**906,275**	756,975
Other income		**2,674**	2,761
Other gains/(losses) — net		**14,331**	(6,380)
Cost of inventories and consumables		**(14,232)**	(15,250)
Employee benefit and manpower service expenses	4	**(287,483)**	(248,569)
Marketing expenses		**(87,955)**	(76,439)
Depreciation		**(79,855)**	(85,989)
Operating lease rentals		**(101,042)**	(110,041)
Other operating expenses		**(101,516)**	(105,194)
Operating profit		**251,197**	111,874
Finance income		**3,617**	5,235
Profit before income tax		**254,814**	117,109
Income tax expenses	5	**(60,627)**	(25,753)
Profit for the year attributable to equity holders of the Company		**194,187**	91,356
Other comprehensive income/(losses):			
Items that have been reclassified or may be reclassified subsequently to profit or loss:			
Currency translation differences		**7,848**	(3,882)
Available-for-sale financial assets:			
— Fair value gains		**16,809**	9,302
— Fair value gains recycled to profit or loss upon disposal of the relevant financial assets		**(18,003)**	(303)
Total other comprehensive income for the year, net of tax		**6,654**	5,117
Total comprehensive income for the year attributable to equity holders of the Company		**200,841**	96,473
Earnings per share attributable to equity holders of the Company for the year	6		
— basic		**HK18.0 cents**	HK8.2 cents
— diluted		**HK17.9 cents**	HK8.2 cents

CONSOLIDATED BALANCE SHEET

As at 31 March 2018

	Note	**2018** *HK$'000*	2017 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**138,392**	184,816
Deposits and prepayments		**29,593**	31,826
Available-for-sale financial assets		**—**	52,358
Deferred income tax assets		**11,051**	10,651
		179,036	279,651
Current assets			
Inventories		**2,013**	1,267
Trade receivables	8	**165,885**	63,522
Other receivables, deposits and prepayments		**40,751**	46,417
Financial assets at fair value through profit or loss		**35,080**	—
Tax recoverables		**—**	19,876
Term deposits with initial terms of over three months		**70,208**	206
Pledged bank deposits		**26,142**	28,056
Cash and cash equivalents		**299,411**	298,994
		639,490	458,338
Total assets		**818,526**	737,989
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**108,600**	109,391
Share premium		**225,501**	280,533
Other reserves		**24,264**	12,521
Retained earnings		**111,802**	51,277
Total equity		**470,167**	453,722

	Note	2018 HK$'000	2017 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**22,016**	18,020
Provision for reinstatement costs		**6,203**	7,030
		28,219	25,050
Current liabilities			
Provision for reinstatement costs		**1,732**	2,242
Trade payables	9	**647**	776
Accruals and other payables		**81,991**	65,450
Deferred revenue		**204,294**	173,287
Tax payables		**31,476**	17,462
		320,140	259,217
Total liabilities		**348,359**	284,267
Total equity and liabilities		**818,526**	737,989

1 GENERAL INFORMATION

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

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

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated, and have been approved for issue by the Board of Directors on 28 June 2018.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

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

(i) New amendments to existing standards adopted by the Group

HKFRS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses
HKFRS 12 (Amendments)	Disclosure of Interests in Other Entities

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

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

HKFRS 9	Financial instruments[(1)]
HKFRS 15	Revenue from contracts with customers and the related amendments[(1)]
HKFRS 16	Leases[(2)]
HKFRS 17	Insurance contracts[(3)]
HK (IFRIC) Int-22	Foreign currency transactions and advance consideration[(1)]
HK (IFRIC) Int-23	Uncertainty over income tax treatments[(2)]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[(1)]
Amendments to HKFRS 4	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts[(1)]
Amendments to HKFRS 9	Prepayment features with negative compensation[(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 HKAS 28	Long-term interests in associates and joint ventures[(2)]
Amendments to HKFRS 1 and HKAS 28	As part of the annual improvements to HKFRSs 2014–2016 cycle[(1)]
Amendments to HKAS 40	Transfers of investment property[(1)]
Amendments to HKFRSs	Annual improvements to HKFRSs 2015–2017 cycle[(2)]

(1) Effective for the Group for annual periods beginning on or after 1 January 2018
(2) Effective for the Group for annual periods beginning on or after 1 January 2019
(3) Effective for the Group for annual periods beginning on or after 1 January 2021
(4) Effective for the Group for annual periods beginning on or after a date to be determined

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

(a) HKFRS 9 "Financial instruments"

HKFRS 9 is effective for accounting periods beginning on or after 1 January 2018, and permits either a full retrospective or a modified retrospective approach for the adoption. The Group intends to adopt HKFRS 9 using the modified retrospective approach with which the cumulative impact of the adoption will be recognised in the retained earnings as of 1 April 2018 and that comparatives will not be restated. The Group also intends to apply the practical expedient of using the lifetime expected credit loss to measure the impairment.

Management has performed preliminary assessment and expects that the adoption of the new expected credit loss model under HKFRS 9 will not have significant impact on the Group's financial position and results of operation.

HKFRS 9 also addresses the classification, measurement and recognition of financial assets and liabilities. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. As at 31 March 2018, all of the Group's financial assets and financial liabilities are carried at amortised cost, except for unlisted fund investments which is currently measured at fair value through profit or loss. These financial assets and financial liabilities would likely continue to be measured on the same basis under HKFRS 9.

(b) HKFRS 15, "Revenue from contracts with customers"

HKFRS 15 "Revenue from contracts with customers" replaces the previous revenue standards HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations on revenue recognition. The standard is effective for accounting periods beginning on or after 1 January 2018.

HKFRS 15 permits either a full retrospective or a modified retrospective approach for the adoption. The Group intends to adopt HKFRS 15 using the modified retrospective approach with which the cumulative impact of the adoption will be recognised in the retained earnings as of 1 April 2018 and that comparatives will not be restated.

Management has performed preliminary assessment on the implementation of HKFRS 15 and identified the following areas that will be affected:

- The Group implements a contractual six-month expiry policy for all service contracts which are non-refundable except for certain refundable programmes. The customers may not exercise all of their contractual rights. Under the Group's current revenue recognition policy, any unutilised treatments at the end of the service period are fully recognised in profit or loss. Under HKFRS 15, these customers' unexercised rights are referred to as "breakage". If the Group expects to be entitled to the breakage amount which is subject to certain requirements on constraining estimates of variable consideration, the Group shall recognise the expected breakage amount as revenue in proportion to the pattern of rights exercised by the customers. Pursuant to this recognition model, management will need to estimate the expected amount of breakage based on historical experiences and recognised breakage as revenue in proportion to the pattern of treatment utilisation by the customers.

- Under HKFRS 15, incremental costs of obtaining contracts with customers such as sales commissions paid or payable to staff may be capitalised as deferred costs in the Group's consolidated balance sheet if the Group expects to recover those costs. These deferred costs are recognised in profit or loss in the period in which the deferred revenue that they relate is recognised as revenue. Under existing accounting policy, these costs are expensed as incurred. Under HKFRS 15, the Group will need to assess whether to capitalise and amortise these incremental costs, or apply the practical expedient of directly recognising as expenses when incurred since the amortisation period of the asset that the Group otherwise would have recognised will be less than one year.

Management will continue to perform detailed assessment on the implementation of HKFRS 15, and the initial results indicated that it will have impact on the financial position and performance of the Group, including revenue and deferred revenue, as well as changes on the disclosure.

(c) HKFRS 16, "Leases"

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

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

The new standard is not expected to apply until the financial year ending 31 March 2020. Early adoption is permitted only if HKFRS 15 is adopted at the same time.

Management has performed a preliminary assessment on the implementation of HKFRS 16 and the initial results indicated that it would not result in any significant impact on the Group's financial position and results of operation other than increase in assets and liabilities in the Group's financial statements. The adoption of HKFRS 16 would also not affect the Group's total cash flows in respect of the leases.

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

3 SEGMENT INFORMATION

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

In light of effective management of the Group's business, the segment information previously presented by geographic locations under "Hong Kong and Macau" and "The PRC" have been reclassified as "Hong Kong" and "The PRC and Macau" from 1 April 2017 onwards, both in the internal management reports adopted by the Group's chief operating decision makers, and in the consolidated financial statements of the Group. The comparative figures have also been reclassified to conform to the new presentation. The above changes in segment information were adopted to better reflect the current operations of the Group, as well as the resource allocation and future business developments of the Group.

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

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**589,624**	484,304
The PRC and Macau	**316,651**	272,671
	906,275	756,975

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

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**104,286**	36,213
The PRC and Macau	**150,528**	80,896
	254,814	117,109

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

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**135,499**	174,439
The PRC and Macau	**32,486**	42,203
	167,985	216,642

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

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**29,976**	31,594
The PRC and Macau	**9,215**	11,388
	39,191	42,982

4 EMPLOYEE BENEFIT AND MANPOWER SERVICE EXPENSES

	2018	2017
	HK$'000	*HK$'000*
Wages and salaries	**263,130**	227,050
Pension costs — defined contribution plans *(Note a)*	**10,284**	8,564
Share-based payment expenses	**4,278**	4,231
Other staff welfares	**8,744**	7,759
Total employee benefit expenses (including directors' remunerations)	**286,436**	247,604
Manpower service costs *(Note b)*	**1,047**	965
	287,483	248,569

(a) Pension costs — defined contribution plans

Hong Kong

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

The PRC

As stipulated under the relevant rules and regulations in the PRC, the subsidiaries operating in the PRC contribute to state-sponsored retirement plans for its employees. Depending on the provinces of their registered residences and their current regions of work, the employees contribute approximately 0% to 11% (2017: 0% to 11%) of their basic salaries, while the subsidiaries contribute approximately 15% to 32% (2017: 16% to 32%) of the basic salaries of its employees and have no further obligations for the actual payment of pensions or post-retirement benefits beyond the contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to the retired employees.

(b) Manpower service costs

During the years ended 31 March 2018 and 2017, the Group entered into certain manpower service arrangements with several external manpower service organisations in the PRC. Under these arrangements, certain of the Group's manpower requirements were fulfilled by these organisations at agreed service fees whereas the human resources provided were directly employed by the relevant service organisations.

5 INCOME TAX EXPENSE

The Group is not subject to taxation in the Cayman Islands and the British Virgin Islands. Hong Kong profits tax has been provided for at the rate of 16.5% (2017: 16.5%) for the year on the estimated assessable profits arising in or derived from Hong Kong. Companies established and operating in the PRC are subject to PRC corporate income tax at the rate of 25% (2017: 25%). Companies incorporated and operating in Macau are subject to Macau complementary tax, under which taxable income of up to MOP600,000 is exempted from taxation with amounts beyond this amount to be taxed at a fixed rate of 12% for the years ended 31 March 2018 and 2017.

	2018	2017
	HK$'000	*HK$'000*
Current income taxation		
— Hong Kong profits tax	**20,258**	7,876
— PRC corporate income tax	**29,889**	16,054
— Macau income tax	**3,273**	2,248
	53,420	26,178
Under/(over) provision in prior years		
— Hong Kong profits tax	**1,277**	(3,451)
Total current income taxation	**54,697**	22,727
Deferred taxation	**5,930**	3,026
	60,627	25,753

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

	2018	2017
	HK$'000	*HK$'000*
Profit before income tax	**254,814**	117,109
Tax calculated at the applicable domestic tax rates *(Note a)*	**52,762**	24,054
Income not subject to tax	**(243)**	(465)
Expenses not deductible	**90**	453
Tax effect of unrecognised tax losses	**1,874**	1,463
Utilisation of tax losses previously not recognised	**(3,236)**	(1,199)
Effect of PRC withholding taxes	**8,786**	5,410
Tax credit *(Note b)*	**(569)**	(466)
Under/(over) provision in prior years	**1,277**	(3,451)
Others	**(114)**	(46)
Tax charge	**60,627**	25,753

Notes:

(a) The weighted average applicable tax rate for the year ended 31 March 2018 was 20.7% (2017: 20.5%).

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

6 EARNINGS PER SHARE

Basic

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

	2018	2017
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**194,187**	91,356
Weighted average number of ordinary shares for the purposes of basic earnings per share *(thousands of shares)*	**1,081,369**	1,116,289
Basic earnings per share *(HK cents per share)*	**18.0**	8.2

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the years ended 31 March 2018 and 2017, share options were granted to the Company's executive directors.

During the year ended 31 March 2017, the exercise of the 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, diluted earnings per share for the year ended 31 March 2017 are the same as basic earnings per share of the respective year.

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

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

	2018 **Number of shares** ***(in thousand)***
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**1,081,369**
Adjustments for calculation of diluted earnings per share:	
— Effect of exercise of share options granted on 27 April 2016	**782**
— Effect of exercise of share options granted on 27 April 2017	**2,658**
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	**1,084,809**

7 DIVIDENDS

	2018 ***HK$'000***	2017 *HK$'000*
Interim, paid, of HK7.6 cents (2017: HK3.4 cents) per ordinary share *(notes i and iii)*	**82,627**	37,848
Final, proposed, of HK10.1 cents (2017: HK4.6 cents) per ordinary share *(notes ii and iv)*	**111,619**	49,641
Special, proposed, of HK5.0 cents (2017: HK5.0 cents) per ordinary share *(notes ii and iv)*	**55,256**	53,958
	249,502	141,447

Notes:

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

(ii) At a board meeting held on 30 June 2017, the directors recommended the payment of a final and special dividend of HK4.6 cents and HK5.0 cents per ordinary share, totaling HK$49,641,000 and HK$53,958,000 respectively. The dividends were paid on 8 September 2017, and were reflected as an appropriation of retained earnings and share premium for the year ended 31 March 2018 respectively.

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

(iv) At a board meeting held on 25 June 2018, the directors recommended the payment of a final and special dividend of HK10.1 cents and HK5.0 cents per ordinary share, totalling HK$111,619,000 and HK$55,256,000 respectively. The dividend was not reflected as dividends payable in these consolidated financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2019 respectively after receiving the shareholders' approval at the forthcoming annual general meeting.

8 TRADE RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**165,885**	63,522

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

	2018	2017
	HK$'000	*HK$'000*
HK$	**160,894**	58,149
Chinese Renminbi ("RMB")	**2,876**	2,269
Macau Patacas	**2,115**	3,104
	165,885	63,522

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

The credit terms of the Group's trade receivables generally range from 3 days to 180 days (2017: 3 days to 180 days). The ageing analysis of trade receivables by the dates on which the relevant invoices are issued is as follows:

	2018	2017
	HK$'000	*HK$'000*
Less than 60 days	**80,589**	55,681
60 days to 90 days	**26,723**	5,110
91 days to 120 days	**18,976**	2,731
121 days to 180 days	**39,597**	—
	165,885	63,522

At 31 March 2018, trade receivables of approximately HK$7,060,000 (2017: HK$4,109,000) were past due but not considered to be impaired because they were mainly related to a number of financial institutions of high individual credit ratings with no recent history of default. The ageing analysis of these trade receivables by the days of overdue repayment is as follows:

	2018	2017
	HK$'000	*HK$'000*
Less than 60 days	**7,006**	3,854
60 days to 120 days	**54**	255
	7,060	4,109

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

As at 31 March 2018 and 2017, no collateral was received from these counterparties.

As at 31 March 2018 and 2017 and during the years then ended, no trade receivables were impaired.

9 TRADE PAYABLES

Payment terms with majority of the suppliers are on open account. Certain suppliers grant credit period ranging from 30 to 180 days (2017: 30 to 180 days).

At 31 March 2018 and 2017, the ageing analysis of trade payables based on invoice date is as follows:

	2018	2017
	HK$'000	*HK$'000*
Less than 60 days	**277**	186
60 days to 120 days	**35**	3
Over 120 days	**335**	587
	647	776

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

	2018	2017
	HK$'000	*HK$'000*
HK$	**147**	269
RMB	**500**	507
	647	776

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

For the year ended 31 March 2018 (the "FY2018"), the Group recorded revenue increased by 20% to HK$906 million and the Group's earnings before interest, tax and depreciation increased by 67% to HK$331 million. Profit before income tax grew by 118% year-on-year from HK$117 million to HK$255 million. Profit attributable to shareholders of the Group increased by 113% to HK$194 million year-on-year. Operating margin and net profit margin increased from 15% and 12% in FY2017 to 28% and 21% in FY2018 respectively. The improvement in these margins was attributable to the (i) increase in average spending per customer due to increased customer satisfaction; (ii) increase in profit margin as a result of effective cost control; and (iii) gain from disposal of available-for-sale financial assets as compared to the corresponding period of last year.

Hong Kong Business

During FY2018, revenue contributed from the Hong Kong market recorded an increase of 22% to HK$590 million from HK$484 million in FY2017. As the Group continues to grow, it has been closely examining the market trends. The Group has also been striving to enrich service range from traditional beauty and slimming service to non-invasive medical beauty service. The transformation from slimming service to non-invasive medical beauty service has not only brought us significant increase in profitability, but has also shown our capability of answering customers' needs on a physical and psychological level.

With such focused positioning, the non-invasive medical beauty services have become a significant growth driver and made promising contribution to the Group. We believe there are more potentials to be unleashed from the market. Led by our Chairman who is a registered medical practitioner in Hong Kong, our management team will continue to bring state-of-the-art non-invasive medical beauty services to meet the huge demand.

Mainland China and Macau Business

The Company has a strong presence in Mainland China and Macau. During FY2018, the Group recorded revenue of HK$317 million from its Mainland China and Macau operations, representing a year-on-year growth of 16% compared with the revenue of HK$273 million in FY2017.

The Group operates 33 service centres in Mainland China and Macau. These 33 stores are located in five major metropolitan cities, namely Shanghai, Beijing, Shenzhen, Guangzhou and Macau. The Group's top-end centers can be found in prestigious shopping malls that are located in areas regularly frequented by high-end customers. By locating in these prime locations, the Company has been able to rapidly capture the market share, allowing it to command higher premiums for its services, as well as strengthen its position in the upper echelon of the industry.

The Group has well established a strong network in Mainland China. With the government self-imposed macroeconomic discipline that led to softness in both domestic and external economies, the Group faced challenges in Mainland China's retail market. Heedless of this unfavourable environment, the Group has successfully leveraged on its leading market position and broad-based clientele. As with previous marketing policy, the Group delegated more resources to further enhance brand awareness with the aim of attracting a broader base of clients. The Group launched a client-referral program which strategically aims to capture more new customers to expand our member base. It can help to instill confidence among new members, while referrals have also aided the Group to grasp new market opportunities.

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

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

Prospects

The Group performed well as it successfully brought its fundamental advantages to the full play under the outstanding leadership of the management. The net profit of the Group increased by 113% from HK$91 million for the same period of last year to HK$194 million for the period under review. This was a tremendous encouragement to the Group amidst the severe business environment at the present and testified to the solid strengths of the Group.

Hong Kong Overview

In Hong Kong, with the enriching lifestyle, medical beauty have turned from extravagance to daily necessities. With the increasing hectic pace of life, we understand that customers are requesting efficient and effective medical beauty services. In order to establish an amiable interdependence with our customers, the Group addresses customers' genuine needs with sincerity and offers safe, quality and considerate services to customers. A graceful and comfortable service environment can give assurance that customers enjoy the most fabulous experience in our service centres.

Mainland China Overview

Whilst economic growth in Mainland China has moderated in recent years, the country, as the world's second largest economy, is expected to remain the key growth driver for the world economy. The Mainland China market will continue to bring enormous opportunity to the business of the Group. The Mainland China Government will continue to actively promote economic development and raise the income of residents. In the long run, the ongoing economic reforms and expansion of middle and upper classes in the PRC will drive sustainable growth in consumption on slimming and traditional beauty services.

With the implementation of the two-child policy, and generally more and more women who care about their appearance after their pregnancy, the demand for slimming and traditional beauty services will continue to rise further. As for the operations in Mainland China, the Group will continue to provide top-notch customers' experience, as well as high-quality service to cater for the needs of the more sophisticated and quality conscious customers.

The Group is optimistic about the prospect of its Mainland China business. The Group's cumulative brand awareness and extensive network, the management's diversified sales strategies and cost-effectiveness enhancement measures as well as the solid customer demand for slimming and traditional beauty service, the outlook for the Mainland China business remains positive, which will be conducive to the sustainable development of the Group.

Finally, our resourceful management team has a proven track record of mastering changes and creating shareholder value during challenging times and the Group will stay focused on consolidating its business strengths and leading market position through a variety of strategies and measures. Looking forward, we will build on our achievements to establish a firmer position as a leading company in the industry, and are determined to solidify our platform for a sustainable growth. There is no shadow of doubt in our mind that this will push the Group's overall level of earnings higher over the long run and enhance our corporate value both substantially and comprehensively.

Liquidity, Financial Resources and Capital Structure

The total equity of the Group as at 31 March 2018 was HK$470 million (FY2017: HK$454 million). The Group generally finances its operation with internally generated cash flows. The Group had bank and cash balance of approximately HK$396 million as at 31 March 2018 (FY2017: HK$327 million), without external bank borrowing. The Group's gearing ratio as at 31 March 2018 was nil (FY2017: nil), based on the short-term and long-term interest bearing bank borrowings and the equity attributable to equity holders of the Company. As at 31 March 2018, the Group had net current assets of approximately HK$319 million (FY2017: HK$199 million).

Cash generated from operations in FY2018 was approximately HK$262 million (FY2017: HK$245 million). With the healthy bank and cash balances on hand, the Group's liquidity position remains strong and it has sufficient financial resources to fund its future plans but at the same time to meet its working capital requirement.

Foreign Exchange Exposure

The Group principally engages its business operation in Hong Kong, Macau and Mainland China. The Group has subsidiaries operating in Mainland China and Macau, in which most of their transactions are denominated and settled in 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 year due to the transactions being generally denominated in the functional currency of the respective group companies. The Group has not entered into any foreign exchange contract as hedging measures.

Employees and Remuneration Policies

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

The Group employed a total work force of 987 employees as at 31 March 2018 (FY2017: 1,271 employees). The Group's remuneration policies are in line with the prevailing market practices and are determined on the basis of performance and experience of the individual. The Group has been constantly reviewing staff remuneration package to ensure it is competitive with relevant industries.

Capital Commitments

As at 31 March 2018, the Group had the following capital commitments:

	2018	2017
	HK$'000	*HK$'000*
Capital expenditure contracted for but not yet incurred in respect of acquisition of property, plant and equipment	**2,784**	1,024

Event after the Balance Sheet Date

On 27 April 2018, the Group granted 4,584,000 share options to each of the Company's three executive directors which amounted to a total of 13,752,000 share options granted. Each share option entitles the holder to subscribe for one ordinary share of the Company at an exercise price of HK$1.09 per share subject to a vesting period of three years from the date of grant.

Dividend

The Board recommended a payment of a final dividend equivalent to HK10.1 cents per share of the Company (the "Share(s)") and a special final dividend of HK5.0 cents per Share for FY2018 to the shareholders of the Company (the "Shareholders") whose names appear on the register of members on Thursday, 23 August 2018. Together with interim dividend of HK7.6 cents per Share paid, the total dividend for FY2018 amounted to HK22.7 cents per Share (FY2017: HK13 cents per Share).

The proposed final and special final dividends are subject to approval by the Shareholders at the forthcoming annual general meeting of the Company and will be paid on or around Thursday, 13 September 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 9 August 2018 to Wednesday, 15 August 2018 (both dates inclusive) during which period no transfer of Shares will be registered. In order to attend and vote at the annual general meeting of the Company, all transfers of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 8 August 2018.

The register of members of the Company will be closed from Tuesday, 21 August 2018 to Thursday, 23 August 2018 (both dates inclusive), during which period no transfer of Shares will be registered. In order to qualify for the final dividend and special final dividend, all transfers of Shares, accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrars in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 20 August 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

(a) During the year ended 31 March 2018, the Company repurchased 19,192,000 of its own shares. The total amount paid for this repurchase was HK$17,435,840 and was charged to share premium within shareholders' equity. All of the repurchased 19,192,000 shares as well as those 5,908,000 shares repurchased last year were cancelled during the year.

(b) During the year ended 31 March 2018, the Company issued 17,196,000 (2017: Nil) Shares for proceeds of approximately HK$14,988,000 (2017: Nil), as a result of the exercise of share options. The weighted average exercise price was approximately HK$0.872 per Share. As a result, HK$1,720,000 (2017: Nil) was credited to the share capital account and the balance of HK$16,362,000 (2017: Nil) was credited to the share premium account.

Month of repurchase	Number of ordinary Shares repurchased	Purchase price paid per Share Highest *HK$*	Lowest *HK$*	Aggregate consideration paid (including transaction costs) *HK$*
April 2017	6,440,000	0.81	0.76	5,009,920
May 2017	2,404,000	0.84	0.77	1,968,040
August 2017	4,660,000	0.81	0.79	3,726,280
September 2017	1,288,000	0.80	0.80	1,030,400
October 2017	124,000	0.95	0.95	117,800
December 2017	3,276,000	1.35	1.23	4,356,000
January 2018	1,000,000	1.25	1.20	1,227,400
	19,192,000			17,435,840

Save as disclosed above, during the year ended 31 March 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

During the year ended 31 March 2018, the Company has complied with the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Exchange (the "Listing Rules") except the issues mentioned in the following paragraphs:

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separated and should not be performed by the same individual. During the year ended 31 March 2018, Dr. Au-Yeung Kong is both the chairman of the Board (the "Chairman") and the chief executive officer of the Company (the "CEO"); therefore, the Group does not at present separate the roles of the Chairman and the CEO.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Specific enquiry has been made to each of the Directors and all Directors have confirmed that they have complied with the Model Code during the year ended 31 March 2018.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established on 5 December 2011 with written terms of reference which were revised on 20 March 2012 and 15 January 2016 in compliance with the CG Code and is available on the websites of the 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 of the Company, namely, Ms. Hsu Wai Man, Helen, Mr. Chi Chi Hung, Kenneth and Ms. Cho Yi Ping. Ms. Hsu Wai Man, Helen is the chairman of the Audit Committee.

The Audit Committee has reviewed the accounting standards and practices adopted by the Group and discussed with the management about the risk management, internal control and financial reporting matters, including reviewing the financial statements and annual results for the year ended 31 March 2018.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated balance sheet, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 March 2018 as set out in this annual results announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this annual results announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the Company's website (http://www.perfectshape.com.hk) and the Exchange's website (http://www.hkex.com.hk). The 2018 annual report for the year ended 31 March 2018 containing all the information required by the Listing Rules will be despatched to the Shareholders and available on the same websites in due course.

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

Hong Kong, 28 June 2018

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