

ANNUAL REPORT 2012

PERFECT
SHAPE



PERFECT SHAPE (PRC) HOLDINGS LIMITED
必瘦站(中國)控股有限公司

(incorporated in the Cayman Islands with limited liability)
Stock Code : 1830

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Board of Directors

Executive Directors

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

Independent Non-executive Directors

Ms. Hsu Wai Man, Helen
Mr. Chi Chi Hung, Kenneth
Ms. Pang Siu Yin

Audit Committee

Ms. Hsu Wai Man, Helen (*Chairman*)
Mr. Chi Chi Hung, Kenneth
Ms. Pang Siu Yin

Remuneration Committee

Ms. Hsu Wai Man, Helen (*Chairman*)
Mr. Chi Chi Hung, Kenneth
Ms. Pang Siu Yin
Dr. Au-Yeung Kong
Ms. Au-Yeung Wai

Nomination Committee

Ms. Hsu Wai Man, Helen (*Chairman*)
Mr. Chi Chi Hung, Kenneth
Ms. Pang Siu Yin
Dr. Au-Yeung Kong
Ms. Au-Yeung Wai

Company Secretary

Mr. So Hin Lung *CPA*

Authorised Representatives

Mr. So Hin Lung
Ms. Au-Yeung Wai

Registered Office

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



PERFECT
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Head Office and Principal Place of Business in Hong Kong

Suite 02-06, 42nd Floor
Langham Place Office Tower
8 Argyle Street
Mong Kok, Kowloon
Hong Kong

Principal Bankers

Hong Kong
The Hongkong and Shanghai Banking Corporation Limited

People's Republic of China
Industrial Bank Co., Ltd.

Auditor

PricewaterhouseCoopers

Principal Share Register and Transfer Office in Cayman Islands

Codan Trust Company (Cayman) Limited

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited

Compliance Advisor

China Everbright Capital Limited

Share Information

Stock code: 1830

Board lot: 4,000 shares

Company website: www.perfectshape.com.hk





Financial Summary

RESULTS

	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000	2009 HK\$'000
Revenue	381,160	308,976	234,857	236,273
Operating profit	87,820	65,463	35,710	34,671
Profit attributable to equity holders of the Company	68,672	50,260	29,519	28,583
Total Assets	383,571	258,872	185,169	149,468
Total Liabilities	162,850	210,026	147,664	136,482



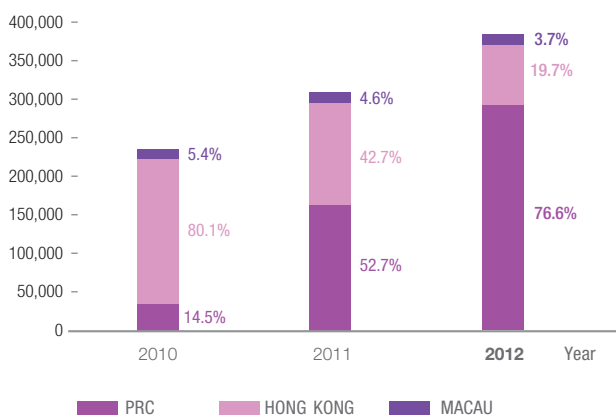
Financial Highlights

Selected Financial Data	FY2012	FY2011	Change (%)
<u>Financial highlight (HK\$'000)</u>			
Revenue	381,160	308,976	23.4%
Operating profit	87,820	65,463	34.2%
Profit before income tax	90,287	65,701	37.4%
Profit attributable to equity holders	68,672	50,260	36.6%
Earnings before interest, tax, depreciation and amortization	105,946	81,957	29.3%
Total equity attributable to equity holders	220,721	48,846	351.9%
Total assets	383,571	258,872	48.2%
<u>Financial information per share</u>			
Earnings	HK8.7 cents	HK6.7 cents	29.9%
<u>Financial ratio</u>			
Operating profit margin	23.0%	21.2%	
Net profit margin	18.0%	16.3%	
Return on equity	51.0%	116.4%	
Return on total assets	21.4%	22.6%	
Current ratio	2.00 times	0.91 times	

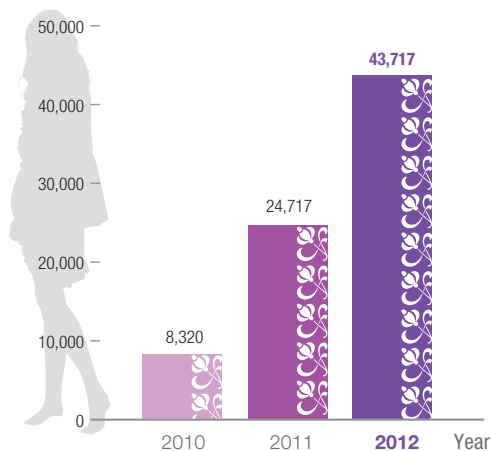


Financial Highlights

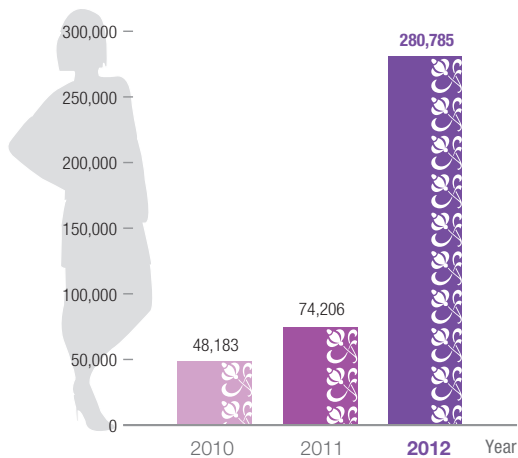
Revenue by geographical locations (\$'000)



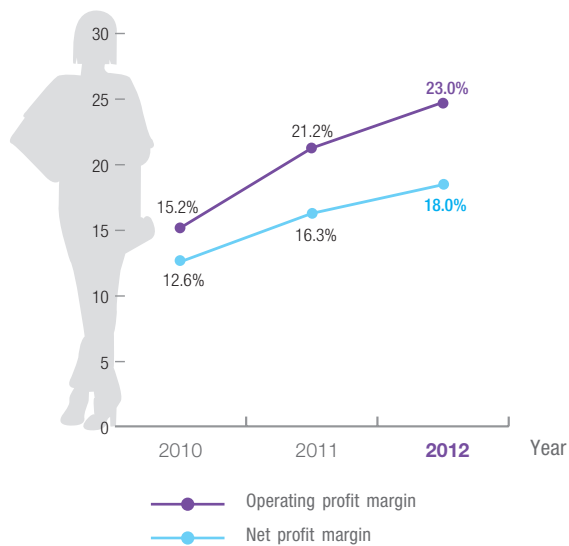
Members in PRC (Number of person)



Bank deposits and cash position (\$'000)



Profit margin (%)





PERFECT SHAPE



Chairman's Statement

To our shareholders

On behalf of the board of directors (the "Director(s)") of the Company (the "Board"), I am pleased to present the annual results of Perfect Shape (PRC) Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "Perfect Shape" or the "Group") for the year ended 31 March 2012.

Over the past year, the global economy continued to experience extreme volatility, yet despite of this, Perfect Shape was able to successfully list on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 10 February 2012. This significant milestone has helped strengthen our brand name while at the same time attract industry experts, strengthen the Group's capital base and allow us to enhance business development, which will be essential for long-term growth.

As Perfect Shape enters a new phase of development as a listed company, it will start on a positive note. During the year under review, the Group recorded encouraging results, including enhanced profitability and higher profit margin. The development and implementation of a brand strategy targeting the burgeoning PRC market has also started to bear fruit, leading to significant growth of our Mainland China operations.

For the year ended 31 March 2012, revenue rose by a respectable 23% to approximately HK\$381.2 million, which was primarily driven by our PRC operation. Operating profit topped HK\$87.8 million or a substantial year-on-year rise of 34%. Operating profit margin climbed from 21% in FY2011 to 23% in FY2012. In terms of profit attributable to shareholders of the Group, a satisfactory year-on-year increase of 37% was realised, which is equivalent to an increase by HK\$18.4 million from HK\$50.3 million in FY2011 to HK\$68.7 million in FY2012. Net profit margin also increased noticeably, rising from 16% to 18%.

The solid performance underscores the importance of our operation in the PRC. At present, 50 out of our 61 service centres are operated in Mainland China and are located within ten major metropolitan centres, specifically in the four major cities of Beijing, Shanghai, Guangzhou and Shenzhen, as well as some high-growth potential cities such as Chengdu, Chongqing, Dongguan, Foshan, Nanjing and Tianjin. Our strong presence has resulted in the creation of a solid customer base in the PRC. These loyal customers directly contributed to the healthy performance of our PRC operations; realising year-on-year revenue and profit before taxation growth of 79% and 117% respectively.

Mainland China will continue to play a central role in the Group's development. With a population of approximately 1.3 billion people, an economy that is still enjoying healthy growth and rising public affluence, all of these factors bode well for our prospects in the country. In fact, there is immense potential in the beauty and slimming industry. According to findings published by the Committee of Experts of International Slimness & Fitness Association (ISFA), the obese population in PRC exceeded 100 million people while the overweight population reached the 200 million mark in 2009. Also, Chinese consumers are moving towards premium brands for beauty services. According to the Euromonitor Report, premium brands, such as "Perfect Shape", are expected to gain a greater share of the beauty market than mass brands, while Hong Kong listed companies earn even more recognition.



In line with growing demand for quality slimming and beauty services, we will further enhance our offerings by providing one-stop clinic specialised in medical beauty by the third quarter of 2012, which will be developed complementing with slimming services, in order to better cater for the specific needs of each customer and boost the Group's income stream. Perfect Shape's high brand recognition, well-established network and extensive client base represent significant advantages that the Group will leverage towards tapping the medical beauty service segment. With the average spending per customer on medical beauty service being higher than that of the average spending on slimming service, medical beauty services hold the potential for becoming one of the major growth drivers. We trust that the development of this business will also go hand-in-hand with our beauty and slimming services in strengthening the reputation of the 'Perfect Shape 必瘦站' brand even further.

With our prime objective of becoming the largest premium slimming and beauty service provider in Mainland China as motivation, strategic expansion will take increasing precedence in the coming years. At the same time, we will strive to enhance the Group's quality standard and customer services, which will allow us to capture a greater share of the premium market segment that Chinese consumers are moving more towards. Fittingly, the Group has formulated a comprehensive expansion plan which includes the further opening of clinics that specialised in offering one-stop medical beauty and weight management services. As part of this plan, we expect to open clinics in four major cities in the PRC, namely, Shanghai, Beijing, Guangzhou and Shenzhen in the third quarter of the 2012/13 financial year.

Moving forward, we are confident that by expanding our presence in Mainland China, providing a full spectrum of quality medical beauty and slimming services and leveraging our solid reputation which has been further boosted following our listing in Hong Kong, Perfect Shape will indeed be in a 'perfect' situation to realise stable growth and deliver satisfactory returns to our shareholders.

Appreciation

On behalf of the Board, I would like to express my sincere gratitude to our shareholders, business partners and customers for their support. Appreciation must also be extended to the management team and entire Perfect Shape workforce for their diligence and dedication.

Dr. Au-Yeung Kong

Chairman

Hong Kong, 28 June 2012



Management Discussion and Analysis





Business Review

Market Overview

The slimming and beauty market in the People's Republic of China (the "PRC") possesses vast development potential which is expected to be sustained by increasingly high consumption power. According to data compiled by the Euromonitor Report, the market size of the body shaping and slimming industry in Mainland China increased from RMB3,271.7 million in 2005 to RMB7,166.9 million in 2010, representing a Compound Annual Growth Rate, ("CAGR") of 17.0% in terms of sales value of services. This industry is expected to further increase, rising from RMB7.2 billion in 2010 to RMB21.0 billion in 2015, representing a CAGR of 24.0%.

The burgeoning market of the PRC has consequently resulted in increasing competition, though the trend has been for companies to either target the mass or premium market. Recognising the advantage of the latter, the Group's 'Perfect Shape 必瘦站' brand targets mid to high end consumers with greater disposable income.

According to the trend that Euromonitor subscribes to, it is expected that the premium segment will capture greater market share as consumers continue to migrate upwards. To cater the growing demand of premium sliming and beauty services, the Group further strengthens its market position by employing endorsements from celebrities as well as the listing status on a highly-recognized stock exchange, conveying a message of trustworthiness that consumers are more receptive towards.

Mainland China Operations

Rapid expansion in Mainland China

The Company has a strong presence in the PRC. During the year under review, the Group recorded revenue of HK\$291.7 million from its PRC operations, representing a year-on-year growth of 79.1% compared with the revenue of HK\$162.9 million recorded last year.

Of the 61 service centres the Group operates in Hong Kong, Macau and the PRC, 50 are located in the Mainland – up from 30 service centres in the preceding financial year. These 50 stores are located in ten major metropolitan cities, namely Shanghai, Beijing, Shenzhen, Guangzhou, Chengdu, Chongqing, Dongguan, Foshan, Nanjing and Tianjin. The Group's top-end centres can be found in prestigious shopping malls or upscale department stores that are located in areas regularly frequented by mid to high-end customers. By further expanding 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.

To date, the Company has over 100,000 members in the PRC, Hong Kong and Macau. This impressive clientele has helped to instil confidence among new members, while referrals have also aided the Group grasp new market opportunities.



The Company entered the PRC via the opening of a service centre at the Jinguanghua Plaza in Shenzhen back in 2009. Since the establishment of this flagship centre, the Group has quickly strengthened its presence in the local market; leading to the strong rise in operating results since then. Revenue from the service centres in Shanghai recorded a phenomenal year-on-year jump of 238%, while revenue performance in Beijing was equally impressive with a rise of 147% compared with the preceding year. During the period under review, service centres in Shenzhen and Guangzhou achieved revenue increase of 56% and 11%, respectively. Revenue generated from the stores located in Chongqing, Dongguan, Foshan, Chengdu, Nanjing and Tianjin also presented a year-on-year increase of 32%.

While the Group's strong performance highlights the appeal of the slimming and beauty market, the relatively high entry barrier that exists for those seeking to enter the premium segment presents the Company with a decided advantage. Among the challenges that new entrants must contend with include, investing significant capital in large-scale marketing programmes to build brand awareness that must subsequently be supported by follow-up campaigns; leasing service centres in prime locations; recruiting and training staff to ensure their proficiency and professionalism for high-calibre services demanded; and purchasing relevant slimming and beauty-related equipment.

As senior management plays a crucial role in the Group's success, our team members possessing a proven track record for brand building and corporate management; are able to identify and respond to changing trends; and provide new and appealing slimming and beauty services that cater to customers' needs and sets the Group apart from its peers.

Hong Kong and Macau Operations

Medical beauty services

The Group provides medical beauty services, which include injection treatments such as Botox, Restylane and Sculptra, as well as laser treatments for hair removal, skin rejuvenation and depigmentation. All of the aforementioned services are carried under the 'Dr Face' brand name. The Group has also introduced the new brand 'BK 激光醫學美容中心' to further enhance its medical beauty service, which is engaged in laser treatments, with two service centres in Hong Kong.

The medical beauty services is expected to become one of the key growth drivers in the coming years. Revenue is expected to increase further: boding well for the future of this segment. It is worth noting that medical beauty services deliver a higher profit margin than other services, thus adding its importance to the Group's portfolio.

The Group's management team, with their significant medical knowledge and expertise, is determined to further expand the medical beauty services. In particular, the founder, chairman, executive director and chief executive officer of the Company, Dr Au-Yeung Kong is a registered medical practitioner who holds extensive experience in the slimming and beauty industry. Fully capable of selecting or referring relevant medical practitioners to perform medical beauty services, this underscores the Company's commitment to customer safety.

Future Plan

With the goal of further leveraging the robust growth of the slimming and beauty market in Mainland China, the Group plans to expand the size of its business network by 31 March 2015 under the renowned 'Perfect Shape 必瘦站' brand name. This will include looking for prestigious shopping malls for opening such establishments, and thus better accommodate the needs of affluent clients.

Medical beauty services are spurring the Group's business development. With the tremendous business opportunities arising from the medical beauty services, the Group has carefully reviewed its business portfolio in the last quarter during the review year and decided to allocate more resources in developing this business, including but not limited to injection treatment and laser treatment, which promises the Group with higher profit margins. Subsequent to the year ended 31 March 2012 and in the first quarter of FY2012/13, the Group recorded satisfactory performance in the medical beauty services business, and the sales from this sector is expected to grow further, as the Group expects the average spending per customer on medical beauty service will triple that of the average spending on slimming service, reaching around RMB60,000 per customer. The Group aims to devote more effort to expand its medical beauty service business under the brand name "Dr Face", intending to create synergy with the well-established slimming service offered under its "Perfect Shape" brand. In this way the Company can optimise its extensive client base of more than 100,000 members, enticing



them to experience the medical beauty services and thus boost the average spending per customer, thereby increasing the Group's recurring income.

Aside from medical beauty services, the Group plans to launch the multi-clinic offering one-stop beauty and health management services. Premium medical beauty services, anti-aging treatments and body checks will be offered to customers in these clinics. The Company will leverage its strong customer base to enter this business and increase its revenue stream. The Group targets to open four clinics specialised in medical beauty which will be located in Shanghai, Beijing, Guangzhou and Shenzhen respectively by 30 September 2012. The Group plans to expand to twelve specialised clinics by 30 September in 2013.

Complementing the Group's organic growth, the management will consider and weigh the benefits of potential partnerships with companies or mergers and acquisition opportunities which may further enhance the Company's competitiveness and market position.

Financial Review

Financial Performance

For the year ended 31 March 2012, the Group recorded revenue of HK\$381.2 million, representing an increase of 23.4% from HK\$309.0 million last year, and this was primarily due to revenue growth from the PRC operation, which accounted for over 75% of the Group's total revenue during the year. Earnings before interest, tax, depreciation and amortization was HK\$105.9 million, representing a rise of 29.1% from HK\$82.0 million in FY2010/11. Operating profit reached HK\$87.8 million (2011: HK\$65.5 million), representing a significant increase of 34.0%. Operating profit margin topped 23.0%, up from 21.2% in FY2010/11. The profit attributable to equity holders of the Company was HK\$68.7 million, up an impressive 36.6% year-on-year (2011: HK\$50.3 million). Net profit margin increased from 16.3% in FY2010/11 to 18.0% during the year. Basic earnings per share climbed 29.9% to HK8.7 cents (2011: HK6.7 cents).

Key components of the financial results for the year ended 31 March 2012 extracted from the consolidated financial statements as set out on page 35 of this annual report are highlighted as follows:

	% to Turnover	2012 HK\$'000	% to Turnover	2011 HK\$'000
Turnover		381,160		308,976
Employee benefit expenses	25.1%	(95,599)	27.7%	(85,648)
Marketing expenses	16.2%	(61,901)	18.3%	(56,420)
Operating lease rentals	10.5%	(40,105)	9.7%	(29,875)
Depreciation	4.8%	(18,126)	5.3%	(16,494)
Other operating expenses	19.0%	(72,555)	16.0%	(49,590)
Income tax expense	5.7%	(21,615)	5.0%	(15,441)
Profit for the year	18.0%	68,672	16.3%	50,260

Turnover

The Group achieved a total turnover of HK\$381.2 million for the year ended 31 March 2012, representing a growth of 23.4% as compared to HK\$309.0 million in 2011. The increase in turnover of approximately HK\$72.2 million was mainly due to the addition of PRC service centres from 30 in FY2010/11 to 50 in FY2011/12. The expansion of service capacity facilitated greater take-up of the Group's network services during the year and also broadened the customer base.

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

	2012 HK\$'000	2011 HK\$'000
Turnover		
The PRC		
Shanghai	107,743	31,879
Beijing	33,009	13,368
Guangzhou	70,579	63,885
Shenzhen	62,260	39,968
Second tier cities	18,154	13,751
	291,745	162,851
Hong Kong	75,215	131,947
Macau	14,200	14,178
Total	381,160	308,976



The increase in turnover of approximately HK\$72.2 million during 2012 was mainly attributable to a jump in sales experienced in Shanghai and Beijing, representing a year-on-year increase of 238.0% and 146.9% respectively. Such increases were due to the opening of more service centres during the year.

Employee benefit expenses

Employee benefit expenses mainly include wages and salaries, pension costs, staff welfare and directors' remunerations. For FY2011/12 and FY2010/11, the Group's employee benefit expenses were HK\$95.6 million and HK\$85.6 million respectively. The increase was mainly a result of hiring more staff to support the Group's plan of expanding its service centre network in the PRC.

Marketing expenses

Marketing expenses increased by HK\$5.5 million, or 9.8%, from HK\$56.4 million in FY2010/11 to HK\$61.9 million in FY2011/12. The increase in marketing expenses was primarily due to increased marketing activity in the PRC in order to raise brand awareness and capture a greater share of the local market. Marketing expenses as a percentage of revenue decreased from 18.3% in FY2010/11 to 16.2% in FY2011/12. The decrease reflected the rise in revenue outweighing marketing expenses, which was mainly because of the Group's ability to enjoy a cost advantage in marketing expenses as it could spread such costs across an enlarged service centre network that covers the PRC, Hong Kong and Macau.

Operating lease rentals

Operating lease rentals mainly related to leased properties located in the PRC, Hong Kong and Macau and are primarily incurred for the operations of service centres and office premises. The operating lease rentals increased by HK\$10.2 million, or 34.1%, from HK\$29.9 million in FY2010/11 to HK\$40.1 million in FY2011/12. The increase was due to the expansion of the service centre network in the PRC.

Other operating expenses

Our other operating expenses increased by HK\$23.0 million, or 46.4%, from HK\$49.6 million in FY2010/11 to HK\$72.6 million in FY2011/12. The increase was primarily due to the combined effect of (i) an increase in building management fee of HK\$3.1 million, or 50%, from HK\$6.2 million in FY2010/11 to HK\$9.3 million in FY2011/12; (ii) an increase in business tax of HK\$4.9 million, or 64.5%, from HK\$7.6 million in FY2010/11 to HK\$12.5 million in FY2011/12; and (iii) an increase in other expenses of HK\$14.7 million, or 71.4%, from HK\$20.6 million in FY2010/11 to HK\$35.3 million in FY2011/12.

Taxation

Income tax expense increased by HK\$6.2 million, or 40.3%, from HK\$15.4 million in FY2010/11 to HK\$21.6 million in FY2011/12. The increase is consistent with the increasing trend of our profit before income tax and also our profit before income tax derived from the PRC, which was subject to higher tax rate.

Profit for the year and Margin

The profit for the year attributable to shareholders reached HK\$68.7 million, posting an impressive increase of 36.6% as compared to HK\$50.3 million in FY2010/11. The Group's net profit margin also improved to 18.0% in FY2011/12 from 16.3% in FY2010/11. Basic earnings per share in FY2011/12 was HK8.7 cents as compared to HK6.7 cents in FY2010/11.

Dividend

The Board recommended a payment of a final dividend equivalent to HK2.5 cents per share of the Company (the "Share") for the year ended 31 March 2012 to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on Thursday, 23 August 2012. Such proposed final dividend is pending approval by the Shareholders at the forthcoming annual general meeting of the Company to be held on Wednesday, 15 August 2012 (the "AGM") and will be paid on or around Tuesday, 18 September 2012.



Liquidity, Financial Resources and Capital Structure

The total equity of the Company as at 31 March 2012 was HK\$220.7 million (2011: HK\$48.8 million). The Group generally finances its operation with internal generated cash flows. The Group had bank and cash balance of approximately HK\$280.8 million as at 31 March 2012 (2011: HK\$74.2 million), with no external bank borrowing. The Group's gearing ratio as at 31 March 2012 was nil (2011: 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 2012, the Group had net current assets of approximately HK\$158.5 million (2011: net current liabilities of HK\$17.6 million).

Cash generated from operations in 2012 is approximately HK\$80.0 million (2011: HK\$105.7 million). With the bank and cash balances in hand, the Group's liquidity position remains strong and it has sufficient financial resources to finance its commitments and to meet its working capital requirement.

Capital Expenditure

The total capital expenditure incurred by the Group during the year ended 31 March 2012 amounted to HK\$23.6 million, which were mainly used in leasehold improvements, equipment and machinery in connection with the expansion of its service network in China.

Capital Commitments

As at 31 March 2012, the Group had the following capital commitments.

	2012 HK\$'000	2011 HK\$'000
Capital expenditure contracted for but not yet incurred in respect of acquisition of property, plant and equipment	1,059	5,752

Contingent Liabilities

As at 31 March 2012, the Group did not have any significant contingent liabilities.

Foreign Exchange Exposure

Since the Group's assets and liabilities, revenue and payments are mainly denominated in Hong Kong Dollars and Renminbi, the Group considers that there was no significant exposure to foreign exchange fluctuations.

Significant Acquisition

Save as disclosed in Note 1 to the consolidated financial statements included in this annual report, there was no other significant acquisition by the Group during the year ended 31 March 2012.

Treasury Policies

The Group adopts a prudent approach in the treasury and investment activities. The Group's surplus funds are mainly held under fixed and saving deposits in renowned banks as well as principal protected investments to increase returns on the surplus funds. As at 31 March 2012, the financial assets of the Group amounted to HK\$6.4 million, representing approximately 2.2% of the surplus cash.

The Group will continue to adopt conservative treasury policies, control tightly over our cash and strengthen our risk management. Our surplus cash will generally be placed in short-term deposits denominated in HK dollars and Renminbi. In order to achieve greater flexibility in our cash management to enhance the return on surplus cash available, we will continue to invest in general not exceeding 10% of the total amount of our surplus cash in low-risk short-term fixed income investment products, including certificates of deposit issued by authorised institutions or banks in Hong Kong and the PRC. In general, such fixed income investment products will be held to maturity.



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 value 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 864 employees as at 31 March 2012 (2011: 738 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.

Proceeds from Initial Public Offering

The net proceeds from the Company's initial public offering in February 2012 were approximately HK\$183.5 million, after deduction of related listing expenses. During the year ended 31 March 2012, the usage of these proceeds was in accordance with the future plans and prospects set out in the Company's prospectus dated 31 January 2012 and within the limit of the net proceeds.

The below table presents the use of net proceeds from listing:

	Net proceeds (HK\$ million)		
	Available	Utilized	Unutilized
Expansion of service centres network in PRC	128.4	(3.4)	125.0
Brand promotion and marketing	27.5	(7.6)	19.9
Upgrading our management information system and building up an electronic customer relationship management platform	9.2	(0.1)	9.1
General working capital	18.4	—	18.4
	<u>183.5</u>	<u>(11.1)</u>	<u>172.4</u>

The Group held the unutilized net proceeds in short-term deposits or time deposits with reputable banks in Hong Kong as at 31 March 2012.

Biographical Details of Directors



EXECUTIVE DIRECTORS

Dr. Au-Yeung Kong (“Dr. Au-Yeung”), aged 40, was appointed as an executive Director, the chairman and the chief executive officer of the Group on 11 March 2011. He is also members of the remuneration committee and nomination committee of the Company. He is also the director of a number of subsidiaries of the Company. He is principally responsible for the overall management, strategic development and major decision-making. Dr. Au-Yeung founded the Group in 2003 and has accumulated over eight years of management and operation experience in slimming and beauty industry. Dr. Au-Yeung graduated from The Chinese University of Hong Kong with a bachelor degree in medicine and surgery in 1995. He has practiced as a General Practitioner since his graduation. In 1997, Dr. Au-Yeung was appointed the Honorary Clinical Lecturer in General Practice of the University of Hong Kong. From 1998 to 2000, Dr. Au-Yeung was appointed as an Honorary Clinical Assistant Professor in Family Medicine by the Centre for Education and Research in Family Medicine of The University of Hong Kong. From 2001 to 2002, Dr. Au-Yeung was appointed the Medical Consultant of Hong Kong Professional Teachers’ Union. Dr. Au-Yeung is a registered practicing medical practitioner in Hong Kong. Dr. Au-Yeung is the brother of Ms. Au-Yeung Wai and Ms. Au-Yeung Hung.

Ms. Au-Yeung Wai, aged 42, was appointed as an executive Director and the chief operating officer of the Group on 11 March 2011. She is also members of the remuneration committee and nomination committee of the Company. She is also the director of a number of subsidiaries of the Company. She oversees the daily operation of the Company to ensure it is under normal function. Ms. Au-Yeung Wai graduated from City Polytechnic of Hong Kong with a bachelor degree of arts in accountancy in 1991 and obtained a master’s degree in business studies in the Faculty of Social Sciences at The University of Kent at Canterbury in 1995. Since her graduation, she has accumulated many years of experience in the business field. Ms. Au-Yeung Wai is the sister of Dr. Au-Yeung and Ms. Au-Yeung Hung.

Ms. Au-Yeung Hung, aged 47, was appointed as an executive Director on 11 March 2011. She is also the director of a number of subsidiaries of the Company. Ms. Au-Yeung Hung is principally responsible for the operational management of the service centers of the Group. Ms. Au-Yeung Hung graduated from the University of Southern Queensland with a bachelor degree in business administration in 1992. Ms. Au-Yeung Hung joined the Group in 2005 as the sales and marketing manager, and has accumulated over five years of experience in slimming and beauty industry. Ms. Au-Yeung Hung is the sister of Dr. Au-Yeung and Ms. Au-Yeung Wai.



NON-EXECUTIVE DIRECTORS

Ms. Hsu Wai Man, Helen (“Ms. Hsu”), aged 42, was appointed as an independent non-executive Director on 5 December 2011. She is also the chairman of the audit committee, remuneration committee and nomination committee of the Company. Ms. Hsu has over 19 years’ experience in accountancy. Ms. Hsu graduated from The Chinese University of Hong Kong with a bachelor degree in business administration. Ms. Hsu had been working with Ernst & Young for 18 years and was a partner of Ernst & Young before she retired from the firm in February 2011. Ms. Hsu is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. Ms. Hsu is also a member of the advisory board of the School of Accountancy of The Chinese University of Hong Kong. Ms. Hsu is currently an independent non-executive director of China Forestry Holdings Co. Ltd. (stock code: 930) and Branding China Group Limited (stock code: 8219).

Mr. Chi Chi Hung, Kenneth (“Mr. Chi”), aged 43, was appointed as an independent non-executive Director on 5 December 2011. He is also members of the audit committee, remuneration committee and nomination committee of the Company. Mr. Chi has over 20 years of experience in accounting and financial control. He holds a Degree of Bachelor of Accountancy from the Hong Kong Polytechnic University and is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom. He is also an associate member of the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrator in the United Kingdom. Mr. Chi is currently an executive director of Morning Star Resources Limited (stock code: 542), Hua Yi Copper Holdings Limited (stock code: 559), China Grand Forestry Green Resources Group Limited (stock code: 910) and M Dream Inworld Limited (stock code: 8100). He is also an independent non-executive director of ZMAY Holdings Limited (stock code: 8085), Aurum Pacific (China) Group Limited (stock code: 8148), Sam Woo Holdings Limited (stock code: 2322), Interchina Holdings Company Limited (stock code: 202) and China Natural Investment Company Limited (stock code: 8250).

Ms. Pang Siu Yin (“Ms. Pang”), aged 51, was appointed as an independent non-executive Director on 5 December 2011. She is also members of the audit committee, remuneration committee and nomination committee of the Company. Ms. Pang is a practicing solicitor in Hong Kong and a partner of Messers. Cheung Tong & Rosa Solicitors, Hong Kong. She is also a member of the Chartered Institute of Arbitrators of the United Kingdom and the Hong Kong Securities Institute. She obtained a master degree of laws from The Victoria University of Manchester in 1992.

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

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

During the period from the listing date of the Company (i.e. 10 February 2012) (the "Listing Date") to 31 March 2012 (the "Period"), the Company has complied with the CG Code as set out in Appendix 14 to the Listing Rules, except the deviation as disclosed under the section headed "Chairman and Chief Executive Officer".

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the model code for securities transactions by Directors 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 Period under review.

BOARD OF DIRECTORS

Composition of the Board of Directors

As at 31 March 2012, the Board comprises three executive Directors and three independent non-executive Directors. The composition of the Board was as follows:

Executive Directors

Dr. Au-Yeung Kong (*Chairman and Chief Executive Officer*) (appointed on 11 March 2011)

Ms. Au-Yeung Wai (*Chief Operating Officer*) (appointed on 11 March 2011)

Ms. Au-Yeung Hung (appointed on 11 March 2011)

Independent Non-executive Directors

Ms. Hsu Wai Man, Helen (appointed on 5 December 2011)

Mr. Chi Chi Hung, Kenneth (appointed on 5 December 2011)

Ms. Pang Siu Yin (appointed on 5 December 2011)

The biographical details of all Directors are set out on pages 17 and 18 of this annual report. To the best knowledge of the Company, save as disclosed under the section headed "Biographical Details of Directors", there is no financial, business, family or other material or relevant relationships among members of the Board.

Functions of the Board

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



Board Meetings and Board Practices

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

During the year ended 31 March 2012, the Board held 1 meeting. Details of the attendance of Directors are as follows:

	Attendance
Executive Directors	
Dr. Au-Yeung Kong (<i>Chairman and Chief Executive Officer</i>) (appointed on 11 March 2011)	1/1
Ms. Au-Yeung Wai (<i>Chief Operating Officer</i>) (appointed on 11 March 2011)	1/1
Ms. Au-Yeung Hung (appointed on 11 March 2011)	1/1
Independent Non-executive Directors	
Ms. Hsu Wai Man, Helen (appointed on 5 December 2011)	1/1
Mr. Chi Chi Hung, Kenneth (appointed on 5 December 2011)	1/1
Ms. Pang Siu Yin (appointed on 5 December 2011)	1/1

Directors' Appointment, Re-election and Removal

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

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years commencing from the Listing Date until terminated by not less than three months written notice to the other party and subject to the early termination provisions contained therein.

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

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



Independent Non-executive Directors

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

Chairman and Chief Executive Officer

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. During the Period under review, Dr. Au-Yeung Kong is both the chairman of the Board and the chief executive officer of the Company; therefore, the Group does not at present separate the roles of the chairman and the chief executive officer of the Company.

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 chairman and chief executive officer exercised 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 candidate with suitable leadership, knowledge, skills and experience can be identified within or outside the Group, the Company may make necessary arrangements.

Delegation of Powers

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

Directors' and Officers' Liabilities

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



BOARD COMMITTEES

Audit Committee

The audit committee of the Company (the "Audit Committee") was established on 5 December 2011 with written terms of reference which was revised on 20 March 2012 in compliance with the CG Code and is available on the websites of the Stock Exchange and the Company. The primary duties of the Audit Committee are to review the financial information of the Group, oversee the financial reporting process and internal control procedures of the Group, and oversee the relationship with the Company's external auditor.

The Audit Committee comprises three independent non-executive Directors, namely, Ms. Hsu Wai Man, Helen, Mr. Chi Chi Hung, Kenneth and Ms. Pang Siu Yin. 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 internal control and financial reporting matters, including reviewing the financial statements and annual results for the year ended 31 March 2012.

During the year ended 31 March 2012, the Audit Committee held 1 meeting to discuss with the external auditor of the Company about the audit strategies of the Company. Details of the attendance of members of the Audit Committee meeting are as follows:

	Attendance
Ms. Hsu Wai Man, Helen (<i>Chairman</i>) (appointed on 5 December 2011)	1/1
Mr. Chi Chi Hung, Kenneth (appointed on 5 December 2011)	1/1
Ms. Pang Siu Yin (appointed on 5 December 2011)	1/1

Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") was established on 5 December 2011 with written terms of reference which was revised on 20 March 2012 in compliance with the CG Code and is available on the websites of the Stock Exchange and the Company. The primary duties of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration, make recommendations to the Board on the remuneration of non-executive Directors and the remuneration packages of individual executive Directors and senior management.

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

During the year ended 31 March 2012, the Remuneration Committee has not held any meeting.



Remuneration Policy for Directors and Senior Management

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

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

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

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

Nomination Committee

The nomination committee of the Company (the "Nomination Committee") was established on 5 December 2011 with written terms of reference which was revised on 20 March 2012 in compliance with the CG Code and is available on the websites of the Stock Exchange and the Company. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and management of the Board succession.

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

During the year ended 31 March 2012, the Nomination Committee has not held any meeting.



ACCOUNTABILITY AND AUDIT

Directors' and Auditor's Responsibilities for the Financial Statements

The Board acknowledges its responsibility to prepare the Group's financial statements for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 March 2012, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

A statement by the auditor of the Company regarding their reporting responsibilities is set out on pages 33 and 34 of this annual report.

Auditor's Remuneration

During the year ended 31 March 2012, the remuneration paid or payable to the Company's auditor, PricewaterhouseCoopers, in respect of their audit and non-audit services are as follows:

	HK\$'000
Audit services	1,680
Non-audit services	2,880
Total	4,560

INTERNAL CONTROL

During the Period under review, the Board, through the Audit Committee, conducted a review of the effectiveness of the internal control system of the Group, including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

The Board is responsible for maintaining an adequate internal control system to safeguard shareholder's investments and Group's assets and reviewing the effectiveness of such on an annual basis through the Audit Committee.

The Audit Committee oversees the internal control system of the Group, reports to the Board on any material issues and makes recommendations.

The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks, and to safeguard assets of the Group.



INVESTORS AND SHAREHOLDERS RELATIONS

The Board recognizes the importance of maintaining clear, timely and effective communication with Shareholders and investors. The Board also recognizes that effective communication with investors is the key to establish investor confidence and to attract new investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure that the investors and the Shareholders receive accurate, clear, comprehensive and timely information of the Group by the publication of annual reports, interim reports, announcements and circulars.

The annual general meeting is the principal forum for formal dialogue with shareholders, the Directors and the committee members of the Company are available to answer questions at annual general meetings of the Company. Separate resolutions would be proposed at general meetings of the Company on each substantially separate issue.

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



Directors' Report

The Directors submit herewith their annual report together with the audited financial statements for the year ended 31 March 2012.

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The Company is a limited liability company incorporated in the Cayman Islands and its principal place of business in Hong Kong is Suite 02-06, 42nd Floor, Langham Place Office Tower, 8 Argyle Street, Mong Kok, Kowloon, Hong Kong.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are the provision of slimming and beauty services and the sales of slimming and beauty products. Other particulars of the subsidiaries of the Company are set out in note 41 to the consolidated financial statements.

THE ISSUE AND LISTING OF SHARES

The Company listed its shares on the Main Board of Hong Kong Stock Exchange Limited on 10 February 2012 and offered and issued 250,000,000 shares by way of public offer in Hong Kong and international placing at an issue price of HK\$0.88 per share.

RESULTS AND APPROPRIATIONS

The profit of the Group for the year ended 31 March 2012 and the financial position of the Company and of the Group as at that date are set out in the consolidated financial statements on pages 35 to 92.

The Directors recommended a payment of a final dividend equivalent to HK2.5 cents per Share for the year ended 31 March 2012 to the Shareholders whose names appear on the register of Shareholders on Thursday, 23 August 2012. Such proposed final dividend is pending approval by the Shareholders at the forthcoming annual general meeting of the Company and will be paid on or around Tuesday, 18 September 2012.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 10 August 2012 to Wednesday, 15 August 2012 (both dates inclusive) during which period no transfer of Shares will be registered. In order to attend and vote at the AGM, 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 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Thursday, 9 August 2012.

The register of members of the Company will be closed from Tuesday, 21 August 2012 to Thursday, 23 August 2012 (both dates inclusive), during which period no transfer of Shares will be registered. In order to qualify for the 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 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 20 August 2012.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's top five customers accounted for approximately 1.4% of the total sales. The top five suppliers accounted for approximately 57.3% of the total purchases for the year. In addition, the Group's largest customer accounted for approximately 0.5% of the total sales and the Group's largest supplier accounted for approximately 24.5% of the total purchases for the year.



During the year ended 31 March 2012, none of the Directors, or any of their associates or any shareholder of the Company (which to the knowledge of the directors own more than 5% of the Company's share capital) had beneficial interests in the Group's top five customers and suppliers.

CONNECTED TRANSACTIONS

Significant related party transactions entered into by the Group during the year ended 31 March 2012, which do not constitute connected transactions under the Listing Rules are set out in note 39 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 March 2012, the Company's reserves available for distribution represent the share premium and retained earnings amounting to approximately HK\$109,934,000.

The Directors recommend a payment of a final dividend equivalent to HK2.5 cents per Share for the year ended 31 March 2012.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 March 2012 are set out in note 31 to the consolidated financial statements.

CHARITABLE DONATIONS

During the year ended 31 March 2012, the Group made charitable donation amount to HK\$1,000,000.

DIRECTORS

The Directors during the Period under review and up to the date of this report were:

Executive Directors

Dr. Au-Yeung Kong (*Chairman and Chief Executive Officer*) (appointed on 11 March 2011)

Ms. Au-Yeung Wai (*Chief Operating Officer*) (appointed on 11 March 2011)

Ms. Au-Yeung Hung (appointed on 11 March 2011)

Independent Non-executive Directors

Ms. Hsu Wai Man, Helen (appointed on 5 December 2011)

Mr. Chi Chi Hung, Kenneth (appointed on 5 December 2011)

Ms. Pang Siu Yin (appointed on 5 December 2011)

By virtue of article 83(3) of the articles of association of the Company, all of the Directors, namely Dr. Au-Yeung Kong, Ms. Au-Yeung Wai, Ms. Au-Yeung Hung, Ms. Hsu Wai Man, Helen, Mr. Chi Chi Hung, Kenneth and Ms. Pang Siu Yin shall retire and be eligible to offer themselves for re-election at the forthcoming annual general meeting of the Company.



DIRECTORS' SERVICE AGREEMENT

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

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years commencing from the Listing Date until terminated by not less than three months written notice to the other party and subject to the early termination provisions contained therein.

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

SHARE OPTION SCHEME

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

(a) Purpose of the Share Option Scheme

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

(b) Participants of the Share Option Scheme

The Board may, at its absolute discretion grant all directors (including executive, non-executive or independent non-executive directors), any employee (full-time or part-time), any consultant or adviser of or to the Company or the Group (on an employment or contractual or honorary basis and paid or unpaid), who, in the absolute opinion of the Board, have contributed to the Company or the Group, options to subscribe at a price calculated in accordance with the paragraph below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

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

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

As at the date of this annual report, the outstanding number of options available for issue under the Share Option Scheme is 100,000,000 Shares, representing 10% of the issued share capital of the Company.



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

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

(e) Timing for exercising option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(f) Payment of acceptance of option

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

(g) Period of acceptance of option

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

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

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

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day;
- (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five consecutive business days immediately preceding the date of grant of the option; and
- (iii) the nominal value of the Share.

(i) Duration of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing from the Adoption Date.

There is no option outstanding, granted, exercised, cancelled and lapsed during the year ended 31 March 2012.



DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 March 2012, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required to be recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Directors	Nature of Interest	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Dr. Au-Yeung Kong (Note 1)	Interest of Controlled Corporation	382,500,000 (L)	38.25%
Ms. Au-Yeung Hung (Note 2)	Interest of Controlled Corporation	187,500,000 (L)	18.75%
Ms. Au-Yeung Wai (Note 3)	Interest of Controlled Corporation	180,000,000 (L)	18.00%

(L): Long position

Notes:

- (1) The 382,500,000 shares are held by Sure Sino Investments Limited, and Dr. Au-Yeung Kong beneficially owns the entire issued share capital of Sure Sino Investments Limited. By virtue of the SFO, Dr. Au-Yeung Kong is deemed to be interested in the 382,500,000 shares held by Sure Sino Investments Limited.
- (2) The 187,500,000 shares are held by Market Event Holdings Limited, and Ms. Au-Yeung Hung beneficially owns the entire issued share capital of Market Event Holdings Limited. By virtue of the SFO, Ms. Au-Yeung Hung is deemed to be interested in the 187,500,000 shares held by Market Event Holdings Limited.
- (3) The 180,000,000 shares are held by Earls Holdings Limited, and Ms. Au-Yeung Wai beneficially owns the entire issued share capital of Earls Holdings Limited. By virtue of the SFO, Ms. Au-Yeung Wai is deemed to be interested in the 180,000,000 shares held by Earls Holdings Limited.

Save as disclosed above, as at 31 March 2012, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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



SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 March 2012, other than the interests of certain directors and chief executive of the Company as disclosed under the section headed "Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above, the interests or short positions of person in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholders	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Sure Sino Investments Limited	Beneficial Owner	382,500,000 (L)	38.25%
Market Event Holdings Limited	Beneficial Owner	187,500,000 (L)	18.75%
Earlson Holdings Limited	Beneficial Owner	180,000,000 (L)	18.00%

(L): Long position

Save as disclosed above, as at 31 March 2012, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of the Directors, during the Period under review, the Company has maintained the public float required by the Listing Rules.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company, its holding companies, or any of its subsidiaries was a party, and in which a Director had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 March 2012.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 March 2012.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 March 2012, none of the Directors or their respective associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.



RETIREMENT BENEFITS SCHEMES

Particulars of retirement benefits schemes of the Group are set out in note 15 to the consolidated financial statements.

CONFIRMATION OF INDEPENDENCE

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 March 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

FOUR-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past four financial periods is set out in the financial highlights section on page 4 of this annual report.

AUDITOR

PricewaterhouseCoopers will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as the auditor of the Company is to be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

Dr. Au-Yeung Kong

Chairman

Hong Kong, 28 June 2012

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

TO THE SHAREHOLDERS OF PERFECT SHAPE (PRC) HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Perfect Shape (PRC) Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 35 to 92, which comprise the consolidated and company balance sheets as at 31 March 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

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INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 28 June 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2012



	Note	2012 HK\$'000	2011 HK\$'000
Revenue	6	381,160	308,976
Other income	7	2,284	384
Other gains — net	8	1,320	1,580
Cost of inventories and consumables		(8,658)	(7,450)
Employee benefit expenses	15	(95,599)	(85,648)
Marketing expenses		(61,901)	(56,420)
Depreciation		(18,126)	(16,494)
Operating lease rentals		(40,105)	(29,875)
Other operating expenses	9	(72,555)	(49,590)
Operating profit		87,820	65,463
Finance income		2,510	238
Finance cost		(43)	—
Finance income — net	10	2,467	238
Profit before income tax		90,287	65,701
Income tax expense	11	(21,615)	(15,441)
Profit for the year attributable to equity holders of the Company		68,672	50,260
Other comprehensive income/(loss):			
Net fair value losses on available-for-sale financial assets		—	(15)
Disposal of available-for-sale financial assets		15	—
Currency translation differences		397	465
Total other comprehensive income for the year		412	450
Total comprehensive income for the year attributable to equity holders of the Company		69,084	50,710
Earnings per share attributable to equity holders of the Company during the year			
— basic	14	HK8.7 cents	HK6.7 cents
— diluted		HK8.7 cents	HK6.7 cents

The notes on pages 41 to 92 are an integral part of these consolidated financial statements.

Details of dividend payable to equity holders of the Company are set out in Note 13.



CONSOLIDATED BALANCE SHEET

As at 31 March 2012

	Note	2012 HK\$'000	2011 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	39,568	32,403
Available-for-sale financial assets	19	—	9,943
Deposits and prepayments	24	18,303	15,109
Deferred income tax assets	33	9,843	12,897
		67,714	70,352
Current assets			
Inventories	22	571	1,068
Trade receivables	23	9,133	8,103
Other receivables, deposits and prepayments	24	18,648	20,825
Amounts due from related companies	25	329	290
Amounts due from directors	26	—	37,268
Financial assets at fair value through profit or loss	20	6,391	46,760
Term deposits with initial terms of over three months	28	38,901	—
Pledged bank deposits	29	36,200	—
Cash and cash equivalents	30	205,684	74,206
		315,857	188,520
Total assets		383,571	258,872
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	31	100,000	—
Share premium	31	91,748	—
Other reserves	32	3,287	2,121
Retained earnings	32	25,686	46,725
Total equity		220,721	48,846
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	33	3,716	2,622
Provision for reinstatement costs	34	1,808	1,292
		5,524	3,914

The notes on pages 41 to 92 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 March 2012



	Note	2012 HK\$'000	2011 HK\$'000
Current liabilities			
Provision for reinstatement costs	34	972	424
Trade payables	35	898	1,503
Accruals and other payables	36	27,223	22,264
Deferred revenue	37	119,400	148,672
Tax payable		8,197	14,781
Amounts due to directors	26	636	15,791
Amount due to a shareholder	27	—	2,677
		157,326	206,112
Total liabilities		162,850	210,026
Total equity and liabilities		383,571	258,872
Net current assets/(liabilities)		158,531	(17,592)
Total assets less current liabilities		226,245	52,760

Au-Yeung Kong
Director

Au-Yeung Wai
Director

The notes on pages 41 to 92 are an integral part of these consolidated financial statements.



BALANCE SHEET

As at 31 March 2012

	Note	2012 HK\$'000
ASSETS		
Non-current assets		
Interests in subsidiaries	18	22,035
Amounts due from subsidiaries	18	201,019
		223,054
Current assets		
Cash and cash equivalents	30	11,286
Total assets		234,340
EQUITY		
Share capital	31	100,000
Share premium	31	91,748
Reserves	32	40,133
Total equity		231,881
LIABILITIES		
Current liabilities		
Accruals and other payables	36	2,459
Total liabilities		2,459
Total equity and liabilities		234,340
Net current assets		8,827
Total assets less current liabilities		231,881

Au-Yeung Kong

Director

Au-Yeung Wai

Director

The notes on pages 41 to 92 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2012



	Equity attributable to equity holders of the Company							Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Available-for-sale financial asset revaluation reserve HK\$'000	Statutory reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	
For the year ended 31 March 2012								
At 1 April 2011	—	—	457	(15)	1,214	465	46,725	48,846
Comprehensive income								
Profit for the year	—	—	—	—	—	—	68,672	68,672
Other comprehensive income								
Disposal of available-for-sale financial assets	—	—	—	15	—	—	—	15
Currency translation differences	—	—	—	—	—	397	—	397
Total other comprehensive income	—	—	—	15	—	397	—	412
Total comprehensive income	—	—	—	15	—	397	68,672	69,084
Capitalisation issue (Note 31(c))	75,000	(75,000)	—	—	—	—	—	—
Gross proceeds from public offering of shares	25,000	195,000	—	—	—	—	—	220,000
Share issuance costs	—	(28,252)	—	—	—	—	—	(28,252)
Dividends (Note 13)	—	—	—	—	—	—	(88,500)	(88,500)
Appropriation (Note 32(b))	—	—	—	—	1,211	—	(1,211)	—
Distribution to shareholders upon Reorganisation (Note 32(c))	—	—	(457)	—	—	—	—	(457)
	100,000	91,748	(457)	—	1,211	—	(89,711)	102,791
At 31 March 2012	100,000	91,748	—	—	2,425	862	25,686	220,721
For the year ended 31 March 2011								
At 1 April 2010	—	—	457	—	49	—	36,999	37,505
Comprehensive income								
Profit for the year	—	—	—	—	—	—	50,260	50,260
Other comprehensive (loss)/income								
Net fair value losses on available-for-sale financial assets	—	—	—	(15)	—	—	—	(15)
Currency translation differences	—	—	—	—	—	465	—	465
Total other comprehensive (loss)/income	—	—	—	(15)	—	465	—	450
Total comprehensive income	—	—	—	(15)	—	465	50,260	50,710
Dividends (Note 13)	—	—	—	—	—	—	(39,369)	(39,369)
Appropriation (Note 32(b))	—	—	—	—	1,165	—	(1,165)	—
	—	—	—	—	1,165	—	(40,534)	(39,369)
At 31 March 2011	—	—	457	(15)	1,214	465	46,725	48,846

The notes on pages 41 to 92 are an integral part of these consolidated financial statements.



CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March

	Note	2012 HK\$'000	2011 HK\$'000
Cash flows from operating activities			
Cash generated from operations	40	80,004	105,650
Interest received		2,510	238
Income tax paid		(25,726)	(12,341)
Net cash generated from operating activities		56,788	93,547
Cash flows from investing activities			
Purchase of property, plant and equipment		(23,328)	(24,390)
Sales proceeds from disposal of property, plant and equipment		1,145	38
Reinstatement costs paid for shop and office premises		(250)	(528)
Purchase of available-for-sale financial assets		—	(14,912)
Purchase of financial assets at fair value through profit or loss		(73,073)	(172,976)
Sales proceeds from disposal of available-for-sale financial assets		10,142	5,093
Sales proceeds from disposal of financial assets at fair value through profit or loss		115,119	138,412
Dividend income received from available-for-sale financial assets		43	203
Increase in term deposits with initial terms of over three months		(38,901)	—
Increase in pledged bank deposits		(36,200)	—
Net cash used in investing activities		(45,303)	(69,060)
Cash flows from financing activities			
Net proceeds from the issuance of shares		191,748	—
Dividend paid		(73,425)	—
Interest expense paid		(43)	—
Proceeds from bank borrowing		50,000	—
Repayment of bank borrowing		(50,000)	—
Net cash generated from financing activities		118,280	—
Net increase in cash and cash equivalents		129,765	24,487
Cash and cash equivalents at 1 April		74,206	48,183
Effect of foreign exchange rate changes		1,713	1,536
Cash and cash equivalents at 31 March		205,684	74,206

The notes on pages 41 to 92 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2012



1 General information

Perfect Shape (PRC) Holdings 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.

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

The Company’s shares were listed on the Main Board of the Stock Exchange on 10 February 2012.

These consolidated financial statements are presented in Hong Kong dollars (“HK\$”), unless otherwise stated, and have been approved for issue by the Board of Directors on 28 June 2012.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and available-for-sale financial assets 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. The areas involving a higher degree of judgment or, complexity or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

Prior to and following the Reorganisation, the Company and its subsidiaries were and are directly or indirectly controlled by the same shareholders. Accordingly, the Reorganisation has been accounted for as a reorganisation of businesses under common control in a manner similar to a uniting of interests. The consolidated financial statements of the Group for the year ended 31 March 2012 including the comparative figures have been prepared on the merger basis as if the Company has been the holding company of these companies comprising the Group since 1 April 2010, or since the dates of their incorporation or establishment.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2012

2 Summary of significant accounting policies — continued

2.1 Basis of preparation — continued

(a) Effect of adopting amendments to standards and interpretations

The following amendments to standards and interpretations are mandatory for accounting periods beginning on or after 1 April 2011. The adoption of these amendments to standards and interpretations does not have any significant impact to the results and financial position of the Group.

HKFRSs (amendment)	Improvements to HKFRSs 2010
HKFRS 1 (amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters
HKAS 24 (revised)	Related party disclosures
HK(IFRIC) Int 14 (amendment)	Prepayments of a minimum funding requirement
HK(IFRIC) Int 19	Extinguishing financial liabilities with equity instruments

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

The following new standards, amendments to standards and interpretation have been issued but are not effective in the current period and have not been early adopted:

HKFRS 1 (amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters ⁽¹⁾
HKFRS 1 (amendment)	First-time adoption of Hong Kong Financial Standards — government loans ⁽²⁾
HKFRS 7 (amendment)	Disclosures — transfers of financial assets ⁽¹⁾
HKFRS 7 (amendment)	Disclosures — offsetting financial assets and financial liabilities ⁽²⁾
HKFRS 7 (amendment)	Mandatory effective date of HKFRS 9 and transition disclosures ⁽⁴⁾
HKFRS 9	Financial instruments ⁽⁴⁾
Additions to HKFRS 9	Financial instruments — financial liabilities ⁽⁴⁾
HKFRS 10	Consolidated financial statements ⁽²⁾
HKFRS 11	Joint arrangements ⁽²⁾
HKFRS 12	Disclosure of interests in other entities ⁽²⁾
HKFRS 13	Fair value measurements ⁽²⁾
HKAS 1 (amendment)	Presentation of financial statements ⁽²⁾
HKAS 12 (amendment)	Deferred tax: recovery of underlying assets ⁽¹⁾
HKAS 19 (2011)	Employee benefits ⁽²⁾
HKAS 27 (2011)	Separate financial statements ⁽²⁾
HKAS 28 (2011)	Investments in associates and joint ventures ⁽²⁾
HKAS 32 (amendment)	Offsetting financial assets and financial liabilities ⁽³⁾
HK(IFRIC) Int 20	Stripping costs in the production phase of a surface mine ⁽²⁾

⁽¹⁾ Effective for the Group for annual period beginning on 1 April 2012.

⁽²⁾ Effective for the Group for annual period beginning on 1 April 2013.

⁽³⁾ Effective for the Group for annual period beginning on 1 April 2014.

⁽⁴⁾ Effective for the Group for annual period beginning on 1 April 2015.

The directors anticipate that the adoption of these new standards, amendments to standards and interpretation will not result in a significant impact on the results and financial position of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2012



2 Summary of significant accounting policies — continued

2.2 Consolidation

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

Subsidiaries are all entities, including special purpose entities, over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Acquisitions of entities under common control have been combined using the uniting of interest method. For other acquisitions of subsidiary, the Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

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

The Group did not have any non-controlling interest.

Investments in subsidiaries are accounted for at cost less impairment, if any. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2012

2 Summary of significant accounting policies — continued

2.3 Segment reporting

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

2.4 Foreign currency translation

(i) *Functional and presentation currency*

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

(ii) *Transactions and balances*

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

Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

(iii) *Group companies*

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

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (b) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (c) all resulting exchange differences are recognised in other comprehensive income.



2 Summary of significant accounting policies — continued

2.4 Foreign currency translation — continued

(iii) Group companies — continued

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

2.5 Property, plant and equipment

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

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

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

Machinery and equipment	30%
Leasehold improvements	Over the unexpired period of lease
Furniture and fixtures	20% to 30%
Office equipment	30%
Motor vehicles	20%

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

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

2.6 Impairment of non-financial assets

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2012

2 Summary of significant accounting policies — continued

2.7 Financial assets

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

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled with 12 months; otherwise, they are classified as non-current.

(b) *Loans and receivables*

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

(c) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

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

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

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.



2 Summary of significant accounting policies — continued

2.7 Financial assets — continued

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in profit or loss.

Interest on available-for-sale securities calculated using the effective interest method is recognised in profit or loss as part of other income. Dividends on available-for-sale equity instruments are recognised in profit or loss as part of other income when the Group's right to receive payments is established.

2.8 Impairment of financial assets

(a) *Assets carried at amortised cost*

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

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

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2012

2 Summary of significant accounting policies — continued

2.8 Impairment of financial assets — continued

(b) *Assets classified as available-for-sale*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria refer to (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

2.9 Inventories

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

2.10 Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited to profit or loss.

2.11 Cash and cash equivalents

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



2 Summary of significant accounting policies — continued

2.12 Financial liabilities and equity instruments

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

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

2.13 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are charged to profit or loss in the period in which they are incurred.

2.14 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2012

2 Summary of significant accounting policies — continued

2.14 Current and deferred income tax — continued

(b) *Deferred income tax — continued*

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

(c) *Offsetting*

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

2.15 Employee benefits

(a) *Pension obligations*

The Group participates in various defined contribution retirement benefit plans which are available to all relevant employees. These plans are generally funded through payments to schemes established by government or trustee-administered funds. A defined contribution plan is a pension plan under which the Group pays contributions on a mandatory, contractual or voluntary basis into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefit relating to employee service in the current and prior periods.

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

(b) *Bonus plan*

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



2 Summary of significant accounting policies — continued

2.16 Provisions

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

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

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

2.17 Revenue and income recognition

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

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

(a) Sales of services

Revenue from the provision of slimming and beauty services are recognised when the services has been rendered to clients. Receipts in respect of treatment packages for which the relevant services have not been rendered are deferred and recognised as deferred revenue in the balance sheet.

The Group implements a contractual one-year service expiry policy under which any unutilised treatments at the end of the service period are fully recognised in profit or loss. The Group allows its clients to upgrade their existing slimming and beauty packages to new premium slimming and beauty packages before the expiry of the existing packages. The clients are required to pay the difference between the new premium package and the unutilised existing package value. The existing package contract is terminated and a new contract with a validity period of one year is signed for the new premium package. The deferred revenue of the unutilised existing package together with the additional receipt is recognised as deferred revenue, and is recognised as revenue when the services has been rendered to the clients. Any unutilised treatments at the end of the service period of the new premium package are fully recognised in profit or loss.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2012

2 Summary of significant accounting policies — continued

2.17 Revenue and income recognition — continued

(a) Sales of services — continued

During the year ended 31 March 2010, the Group operated a specific refundable slimming programme under which customers entered into slimming treatments for prescribed periods with a designated weight reduction target as contractually laid down in the respective sales contracts prior to the commencement of slimming treatments. Customers who had fulfilled their reduction target at the end of treatment periods were eligible for a 12-month refund period during which they were required to maintain and update their weight records at any of the Group's shop outlets on a monthly basis. A refund equivalent to the original gross sales contract amount divided by the number of months of refund period would be made if the designated weight reduction was maintained in each month during the refund period. Any particular unsuccessful records during the refund period would not preclude the rights of refund in subsequent months.

Revenue under this programme was recognised at the time when the Group's refund obligation no longer exist, the timing of which was dependent on whether the customers could fulfill their weight reduction target at the end of the treatment period as follows:

- If the weight reduction target was not achieved, the customers were not eligible to a 12-month refund period. Revenue was recognised at the time when all treatment services had been rendered.
- If the weight reduction target was achieved, revenue was recognised over the entire refund period depending on whether the customers could maintain their weight records in each month during the 12-month refund period.

During the year ended 31 March 2011, no treatment contracts in respect of this programme were entered into between the Group and any of its customers, and the 12-month refund period for all eligible customers in respect of treatment contracts entered into in the previous financial year lapsed gradually. The amounts of refunds being made are set out in Note 37.

During the year ended 31 March 2012, the Group does not operate this programme.

(b) Sales of products

Revenue from the sales of slimming and beauty products is recognised on the transfer of risks and rewards of the related products, which generally coincides with the time when the products are delivered to clients.

(c) Interest income

Interest income is recognised using the effective interest method.

2.18 Leases

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2012



2 Summary of significant accounting policies — continued

2.19 Government subsidies

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

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

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

2.20 Dividend distributions

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

3 Financial risk management

3.1 Financial risk factors

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

(a) Foreign exchange risk

The Group operates in Hong Kong, Macau and the PRC with most of the transactions denominated and settled in HK\$, Macao Patacas ("MOP") and RMB respectively, management are of the opinion that the Group's exposures to changes in exchange rates of foreign currencies is insignificant.

The Company does not use any derivative financial instruments to hedge its exposure to foreign exchange risk.

(b) Price risk

The Group is exposed to securities price risk as investments held by the Group are classified as financial assets at fair value through profit or loss in the balance sheet as at 31 March 2012. The Group is not exposed to commodity price risk.

As at 31 March 2012, if the quoted price of the financial assets at fair value through profit or loss had appreciated/depreciated by 10% with all other variables held constant, the Group's post-tax profit would have been approximately HK\$479,000 (2011: HK\$3,602,000) higher/lower as a result of gains/losses arising from change in value of these financial assets.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2012

3 Financial risk management — continued

3.1 Financial risk factors — continued

(c) Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of cash at banks, term deposits, financial assets at fair value through profit or loss, available-for-sale financial assets, trade receivables, deposits and other receivables and amounts due from related companies and directors included in the balance sheets represent the Group's maximum exposure to credit risk in relation to its financial assets.

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

The table below shows the details of bank deposits balance maintained at different banks as at 31 March 2012 and 2011:

	Ratings	2012 HK\$'000	2011 HK\$'000
Ratings provided by Standard and Poor's (Note i)			
Bank of China	A-1	77,001	5,055
Bank of East Asia	A-1	13,967	2,466
Citibank	A-1	264	873
Construction Bank of China	A-2	341	253
HSBC	A-1+	40,089	4,511
Hang Seng Bank	A-1+	10,054	—
DBS Bank	A-1+	19,957	—
Industrial and Commercial Bank of China	A-1	20,951	24,480
Standard Chartered Bank	A-1	—	1
China Merchants' Bank	A-2	2,655	2,417
		185,279	40,056
Ratings provided by Moody's (Note ii)			
Wing Hang Bank	A2	768	1,230
Ratings provided by Dagong			
Global Credit Ratings (Note iii)			
Industrial Bank Co., Ltd.	AAA	76,133	22,221
China Minsheng Banking Corporation Limited	AAA	16,630	9,661
		92,763	31,882
Others		1,700	796
Total bank balances and term deposits		280,510	73,964

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2012



3 Financial risk management — continued

3.1 Financial risk factors — continued

(c) Credit risk — continued

Note i: The rating represents short-term credit rating provided by Standard and Poor's, an internationally recognised credit rating agency. A rating within the "A" category is related to banks with strong capacity to meet financial commitments but somewhat susceptible to adverse economic conditions and changes in circumstances as defined under the rating regime of Standard and Poor's.

Note ii: The rating is provided by Moody's, an internationally recognised credit rating agency. A rating within the "A" category is related to banks which are upper-medium graded and subject to low credit risk under the rating regime of Moody's.

Note iii: The rating is provided by Dagong Global Credit Ratings, a major credit rating agency in the PRC. A rating within the "AA" category denotes expectations of very low default risk.

As at 31 March 2012 and 2011, trade receivables of the Group represent amounts due from various financial institutions as a result of credit cards and instalment payment arrangement. Taking into account the high credit rating of these counterparties, who also has no recent history of default and that the Group is not contractually exposed to the risk of default by the ultimate clients arising from these payment arrangements, management consider that no provision on these receivable balances is required.

As at 31 March 2012 and 2011, the financial assets at fair value through profit or loss and available-for-sale financial assets are placed in financial institutions which are independently rated at high credit ratings. Management does not expect any losses from non-performance by these financial institutions.

The table below shows the details of financial assets through profit or loss and available-for-sale financial assets maintained at banks at 31 March 2012 and 2011:

	Ratings	2012 HK\$'000	2011 HK\$'000
Financial assets at fair value through profit or loss			
Rating provided by Standard & Poor's (Note i)			
Bank of East Asia	A-2	—	11,134
Rating provided by Dagong Global Credit Ratings (Note ii)			
China Minsheng Banking Corporation Limited	AAA	—	11,875
Industrial Bank Co., Ltd.	AAA	6,391	23,751
		6,391	35,626
		6,391	46,760
Available-for-sale financial assets			
Rating provided by Standard & Poor's (Note i)			
HSBC	A-1+	—	9,943



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3 Financial risk management — continued

3.1 Financial risk factors — continued

(c) Credit risk — continued

Note i: The rating represents short-term credit rating provided by Standard and Poor's, an internationally recognised credit rating agency. A rating within the "A" category is related to banks with strong capacity to meet financial commitments but somewhat susceptible to adverse economic conditions and changes in circumstances as defined under the rating regime of Standard and Poor's.

Note ii: The rating is provided by Dagong Global Credit Ratings, a major credit rating agency in the PRC. A rating within the "AA" category denotes expectations of very low default risk.

(d) Liquidity risk

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

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

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

During the year ended 31 March 2012, the credit terms with various financial institutions on instalment and credit sales arrangement generally ranged from 3 days to 90 days.

As at 31 March 2012 and 2011, the contractual undiscounted cash flows of the Group's current financial liabilities approximate their respective carrying amounts due to their short maturities.

(e) Cash-flow and fair value interest-rate risk

The Group does not have any significant interest bearing financial assets or liabilities except for term deposits and cash at banks, details of which are disclosed in Notes 28, 29 and 30 to the financial statements. Management considers that interest-rate risk exposure of the Group is insignificant and no sensitivity analysis is presented thereon.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2012



3 Financial risk management — continued

3.2 Fair value estimation

The fair value measurements of financial instruments of the Group are disclosed by level of the following measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table represents the Group's financial assets that are measured at fair value at 31 March 2012 and 2011.

	2012		2011	
	Level 1 HK\$'000	Level 2 HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000
Financial assets at fair value through profit or loss				
— Quoted investment funds	—	—	11,134	—
— Entrusted investment funds	—	6,391	—	35,626
Available-for-sale financial assets				
— Quoted investment funds	—	—	9,943	—
	—	6,391	21,077	35,626

At 31 March 2012 and 2011, the Group did not have any financial liabilities that were measured at fair value.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 represent quoted investment funds comprising equity and debt securities classified as financial assets through profit or loss and available-for-sale financial assets.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2012

3 Financial risk management — continued

3.2 Fair value estimation — continued

Instruments included in level 2 represent entrusted investment funds comprising equity and debt securities classified as financial assets through profit or loss.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The carrying amounts of the Group's current financial assets, including cash at banks and term deposits, trade receivables, deposits and other receivables, and amounts due from directors and related companies, and the Group's current financial liabilities including trade payables, accruals and other payables, and amounts due to directors, approximate their fair values due to their short maturities.

3.3 Capital risk management

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

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

The Group also monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (include current and non-current borrowings as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as "equity", as shown in the consolidated balance sheet, plus net debt.

The Group's strategy was to maintain a minimal gearing ratio. Management consider that the Group's capital risk is minimal as the Group has cash and cash equivalents of approximately HK\$205,684,000 as at 31 March 2012 (2011: HK\$74,206,000), and had no outstanding bank loans, overdrafts or other borrowings at 31 March 2012 (2011: Nil).

4 Critical accounting estimates and judgements

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4 Critical accounting estimates and judgements — continued

(a) Provision for refund policy

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

(b) Impairment of non-financial assets

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

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

(c) Impairment of receivables

The Group's management determines the provision for impairment of trade and other receivables based on an assessment of the recoverability of the receivables. The assessment is based on the credit history of its clients and other debtors and the current market condition, and requires the use of judgements and estimates. Management reassesses the provision at each balance sheet date.

(d) Current and deferred income tax

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2012

4 Critical accounting estimates and judgements — continued

(e) Provision for reinstatement costs

Provision for reinstatement costs is estimated and reassessed at each balance sheet date with reference to the recent actual reinstatement cost incurred for offices and shops of similar attributes and latest available quotation from independent contractors. Estimation based on current market information may vary over time and could differ from the actual reinstatement cost upon closures or relocation of existing office and shop premises.

5 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. As the Group is principally engaged in the provision of beauty and slimming treatments 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 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.

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

	2012 HK\$'000	2011 HK\$'000
Hong Kong	75,215	131,947
The PRC	291,745	162,851
Macau	14,200	14,178
	381,160	308,976

The consolidated profit before income tax of the Group, excluding the listing expenses, is attributable to the (loss)/profit of following regions:

	2012 HK\$'000	2011 HK\$'000
Hong Kong	(381)	14,758
The PRC	87,921	40,582
Macau	8,964	10,361
	96,504	65,701

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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5 Segment information — continued

The Group's total non-current assets other than deferred income tax assets (there are no employment benefit assets and rights arising under insurance contracts) are located in the following regions:

	2012 HK\$'000	2011 HK\$'000
Hong Kong	13,260	22,989
The PRC	44,325	34,235
Macau	286	231
	57,871	57,455

The Group's capital expenditures are incurred in the following regions:

	2012 HK\$'000	2011 HK\$'000
Hong Kong	4,427	3,872
The PRC	19,158	17,467
Macau	—	11
	23,585	21,350

Capital expenditures are allocated based on where the assets are located.

6 Revenue

	2012 HK\$'000	2011 HK\$'000
Turnover		
Revenue from provision of treatment services (Note 37)	199,034	202,957
Revenue recognised upon expiry of prepaid treatment packages (Note 37)	98,561	73,250
Revenue from sales and redemptions of slimming and beauty products (Note 37)	83,565	32,769
	381,160	308,976



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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7 Other income

	2012 HK\$'000	2011 HK\$'000
Government subsidies	1,827	—
Dividend income	43	203
Others	414	181
	2,284	384

8 Other gains — net

	2012 HK\$'000	2011 HK\$'000
Gains on disposal of property, plant and equipment	578	18
Net exchange losses	(144)	—
Fair value gains on financial assets at fair value through profit or loss (Note 20)	237	1,042
Gains on disposal of financial assets at fair value through profit or loss	465	381
Gains on disposal of available-for-sale financial assets	184	139
Other gains — net	1,320	1,580

9 Other operating expenses

Included in other operating expenses are the following:

	2012 HK\$'000	2011 HK\$'000
Doctor consultation fee	1,280	1,381
Building management fee	9,312	6,233
Auditor's remuneration	1,698	2,000
Credit card and instalment arrangement commissions	12,425	11,780
Business tax	12,525	7,581
Printing, stationeries and general office expenses	4,422	3,912
Utility charges	3,111	1,950
Courier, postages and delivery charges	3,770	1,885
Travelling expenses	2,196	1,964
Other expenses	21,816	10,904
	72,555	49,590

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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10 Finance income — net

	2012 HK\$'000	2011 HK\$'000
Interest income on bank deposits	2,510	238
Interest expense on short-term bank borrowings	(43)	—
	2,467	238

11 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% (2011: 16.5%) for the year on the estimated assessable profits arising in or derived from Hong Kong. Companies established and operated in the PRC are subject to PRC corporate income tax at the rate of 25% (2011: 25%). Companies established and operated in Macao is subject to Macao complementary tax, which is 9% on taxable income above MOP200,000 but below MOP300,000, and thereafter at a fixed rate at 12% for the years ended 31 March 2012 and 2011.

	2012 HK\$'000	2011 HK\$'000
Current income taxation		
— Hong Kong profits tax	6,409	8,312
— PRC corporate income tax	12,756	12,339
— Macao complementary tax	60	1,217
	19,225	21,868
Over-provision in prior years		
— Hong Kong profits tax	(222)	—
— PRC corporate income tax	(4,017)	—
	(4,239)	—
Total current income taxation	14,986	21,868
Deferred taxation (Note 33)	6,629	(6,427)
	21,615	15,441



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11 Income tax expense — continued

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

	2012 HK\$'000	2011 HK\$'000
Profit before income tax	90,287	65,701
Tax calculated at the applicable domestic tax rates	20,439	12,265
Income not subject to tax	(22)	(34)
Expenses not deductible	1,001	1,579
Tax effect of unrecognised tax losses	752	93
Utilisation of deductible temporary differences previously not recognised	(266)	(627)
Effect of PRC withholding taxes	5,660	2,181
Tax credit (note)	(1,487)	—
Over-provision in prior years	(4,239)	—
Others	(223)	(16)
Tax charge	21,615	15,441

The weighted average applicable tax rate for the year ended 31 March 2012 is 22.6% (2011: 18.7%). The fluctuation in the weighted average applicable tax rate arose mainly because of the change in the relative profitability of the companies within the Group.

Note:

Pursuant to the Arrangement between the Mainland and Hong Kong for the Avoidance of Double Taxation on Income, the Group is entitled to a tax credit for the withholding income tax paid in relation to the royalty income from its PRC companies that is also subject to Hong Kong profits tax.

12 Profit attributable to equity holders

The profit attributable to equity holders for the year ended 31 March 2012 is dealt with in the financial statements of the Company to the extent of approximately HK\$18,186,000.

13 Dividends

	2012 HK\$'000	2011 HK\$'000
Interim, paid (note i)	—	39,369
Special, paid (note ii)	88,500	—
Final, proposed, of HK2.5 cents per ordinary share (note iii)	25,000	—
	113,500	39,369

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13 Dividends — continued

Notes:

- (i) Pursuant to the respective resolutions passed on 15 February 2011, certain subsidiaries comprising the Group declared interim dividends relating to the year ended 31 March 2011 amounting to HK\$39,369,000, the amount of which were paid on 15 February 2011.
- (ii) Pursuant to respective resolutions on 3 November 2011, certain subsidiaries comprising the Group declared a special dividend relating to the year ended 31 March 2012 amounting to HK\$88,500,000 prior to the Company's public offering of shares, the amount of which was paid in January 2012.
- (iii) At a meeting held on 28 June 2012, the directors recommended the payment of a final dividend for the year ended 31 March 2012 of HK2.5 cents per ordinary share, totaling HK\$25,000,000. This proposed dividend is not reflected as dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2013.

14 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.

	2012 HK\$'000	2011 HK\$'000
Profit attributable to equity holders of the Company	68,672	50,260
Weighted average number of ordinary shares for the purposes of basic earnings per share (thousand of share)	784,932	750,000
Basic earnings per share (HK cents per share)	8.7	6.7

The weighted average number of ordinary shares used for the purposes of calculating the basic earnings per share for the years ended 31 March 2012 and 2011 have been retrospectively adjusted for the effects of the capitalisation issue of the ordinary shares which took place on 9 February 2012 as set out in Note 31(c).

Diluted

Diluted earnings per share is of the same amount as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the year.



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15 Employee benefit expenses (including directors' remunerations)

	2012 HK\$'000	2011 HK\$'000
Wages and salaries	85,354	80,012
Pension costs — defined contribution plans (note)	8,712	3,430
Other staff welfares	1,533	2,206
	95,599	85,648

Note:

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 monthly contributions made by the Group and the employee are subject to a cap of HK\$1,000 and contributions thereafter are 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% of their basic salaries, while the subsidiaries contribute approximately 11% to 39% 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.

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16 Directors' and senior management's remunerations

(a) Directors' remunerations

	Fees HK\$'000	Salary and other benefits HK\$'000	Discretionary bonuses HK\$'000	Employer's contribution to pension scheme HK\$'000	Total HK\$'000
Year ended 31 March 2012					
Executive directors					
Dr. Au-Yeung Kong	1,800	—	—	—	1,800
Ms. Au-Yeung Hung	900	—	—	—	900
Ms. Au-Yeung Wai	900	—	—	—	900
Independent non-executive directors					
Ms. Hsu Wai Man, Helen	32	—	—	—	32
Mr. Chi Chi Hung, Kenneth	32	—	—	—	32
Ms. Pang Siu Yin	32	—	—	—	32
	3,696	—	—	—	3,696
Year ended 31 March 2011					
Executive directors					
Dr. Au-Yeung Kong	6,000	—	—	—	6,000
Ms. Au-Yeung Hung	3,000	—	—	—	3,000
Ms. Au-Yeung Wai	3,000	—	—	—	3,000
	12,000	—	—	—	12,000

No directors waived or agreed to waive any emoluments during years ended 31 March 2012 and 2011.

No emoluments were paid to independent non-executive directors for the year ended 31 March 2011.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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16 Directors' and senior management's remunerations — continued

(b) Five highest paid individuals

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

	Number of individuals	
	2012	2011
Directors	3	3
Employees	2	2
	5	5

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

	2012	2011
	HK\$'000	HK\$'000
Basic salaries	1,343	2,027
Pension costs — defined contribution plan	24	24
	1,367	2,051

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

	Number of non-directors	
	2012	2011
Emolument Bands		
Nil to HK\$1,000,000	2	1
HK\$1,000,001 to HK\$1,500,000	—	1
	2	2

During the year, no emoluments have been paid to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2011: Nil).

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17 Property, plant and equipment

	Leasehold improve- ments HK\$'000	Machinery and equipment HK\$'000	Office equipment, furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At 1 April 2010					
Cost	32,902	26,810	4,837	6,762	71,311
Accumulated depreciation	(19,246)	(20,576)	(2,771)	(2,225)	(44,818)
Net book amount	13,656	6,234	2,066	4,537	26,493
Year ended 31 March 2011					
Opening net book amount	13,656	6,234	2,066	4,537	26,493
Exchange differences	622	119	47	—	788
Additions	15,995	3,269	2,372	—	21,636
Disposals	(1)	(2)	(17)	—	(20)
Depreciation	(9,372)	(4,479)	(1,291)	(1,352)	(16,494)
Closing net book amount	20,900	5,141	3,177	3,185	32,403
At 31 March 2011					
Cost	48,980	30,206	7,240	6,762	93,188
Accumulated depreciation	(28,080)	(25,065)	(4,063)	(3,577)	(60,785)
Net book amount	20,900	5,141	3,177	3,185	32,403
Year ended 31 March 2012					
Opening net book amount	20,900	5,141	3,177	3,185	32,403
Exchange differences	698	84	144	—	926
Additions	15,721	3,201	2,987	3,023	24,932
Disposals	(7)	—	(150)	(410)	(567)
Depreciation	(12,386)	(2,690)	(1,630)	(1,420)	(18,126)
Closing net book amount	24,926	5,736	4,528	4,378	39,568
At 31 March 2012					
Cost	60,754	33,527	9,971	7,441	111,693
Accumulated depreciation	(35,828)	(27,791)	(5,443)	(3,063)	(72,125)
Net book amount	24,926	5,736	4,528	4,378	39,568

Additions of property, plant and equipment during the year included the estimated cost of reinstatement obligation upon the closure and relocation of shop or office premises.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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18 Interests in subsidiaries — Company

	2012 HK\$'000
Unlisted equity investments, at cost	22,035
Amounts due from subsidiaries (note (a))	201,019

Notes:

- (a) The amounts due from subsidiaries are unsecured and non-interest bearing. These amounts have no fixed terms of repayment and are regarded as capital contributions to the subsidiaries.
- (b) Particulars of the principal subsidiaries of the Company are set out in Note 41.

19 Available-for-sale financial assets

	2012 HK\$'000	2011 HK\$'000
At 1 April	9,943	—
Additions	—	14,912
Disposals	(9,943)	(4,954)
Net losses transferred to equity	—	(15)
At 31 March	—	9,943

The available-for-sale financial assets held by the Group during the year ended 31 March 2012 and as at 31 March 2011 represented quoted investment funds relating to equity and debt securities. The underlying assets includes equity securities of entities principally engaged in gold-mining, fixed and floating rate debt securities, and debt obligations of government and government-related issuers worldwide.

The carrying amounts of available-for-sale financial assets are denominated in the following currencies:

	2012 HK\$'000	2011 HK\$'000
United States dollars	—	4,791
Hong Kong dollars	—	5,152
	—	9,943

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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19 Available-for-sale financial assets — continued

The maximum exposure to credit risk as at 31 March 2011 was the carrying amount of the investment funds classified as available-for-sale financial assets.

As at 31 March 2011, none of these financial assets was past due or impaired.

As at 31 March 2011, together with certain charge of assets and personal guarantee provided by certain directors of the Company as set out in Note 39(a), the entire balance of available-for-sale financial assets were pledged to a financial institution based in Hong Kong to secure certain banking facilities in respect of credit card and instalment sales arrangement.

20 Financial assets at fair value through profit or loss

	2012 HK\$'000	2011 HK\$'000
At 1 April	46,760	10,093
Additions	73,073	172,976
Disposals	(114,654)	(138,031)
Net fair value gains (Note 8)	237	1,042
Exchange differences	975	680
At 31 March	6,391	46,760

The financial assets at fair value through profit or loss as at 31 March 2012 and 2011 represent the following:

	2012 HK\$'000	2011 HK\$'000
Quoted investment funds invested in debt and equity securities (note i)	—	11,134
Entrusted investment funds invested in debt and equity securities (note ii)	6,391	35,626
	6,391	46,760

Notes:

- (i) The underlying assets of the investment funds included stocks of certain entities listed in the PRC, Hong Kong, the United States and other countries and entities in the metal, gold or mining industries, and government bonds.
- (ii) The entrusted investment funds are issued by financial institutions in the PRC whose investments includes short term bank deposits, government bonds, corporate treasury bills, equity investments in entities specialising in real estate and other industries, and other financial products issued by various PRC financial institutions.



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20 Financial assets at fair value through profit or loss — continued

The carrying amounts of financial assets at fair value through profit or loss are denominated in the following currencies:

	2012 HK\$'000	2011 HK\$'000
United States dollars	—	11,134
Chinese Renminbi	6,391	35,626
	6,391	46,760

As at 31 March 2012 and 2011, the maximum exposure to credit risk is the carrying amount of financial assets at fair value through profit or loss.

As at 31 March 2012 and 2011, none of these financial assets is past due or impaired.

21 Financial instruments by category

Group

	Financial assets at fair value		
	Loans and receivables HK\$'000	through profit or loss HK\$'000	Available-for-sale financial assets HK\$'000
Assets included in the consolidated balance sheet			
At 31 March 2012			
Trade receivables	9,133	—	—
Other receivables and deposits	18,418	—	—
Amounts due from related companies	329	—	—
Financial assets at fair value through profit or loss	—	6,391	—
Term deposits with initial terms of over three months	38,901	—	—
Pledged bank deposits	36,200	—	—
Cash and cash equivalents	205,684	—	—
	308,665	6,391	—
At 31 March 2011			
Trade receivables	8,103	—	—
Other receivables and deposits	14,580	—	—
Amounts due from related companies	290	—	—
Amounts due from directors	37,268	—	—
Available-for-sale financial assets	—	—	9,943
Financial assets at fair value through profit or loss	—	46,760	—
Cash and cash equivalents	74,206	—	—
	134,447	46,760	9,943

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21 Financial instruments by category — continued

	Financial liabilities at amortised costs	
	2012 HK\$'000	2011 HK\$'000
Liabilities included in the consolidated balance sheet		
Trade payables	898	1,503
Accruals and other payables	24,222	22,264
Amounts due to directors	636	15,791
Amount due to a shareholder	—	2,677
	25,756	42,235

Company

	Loans and receivables 2012 HK\$'000
Assets included in the balance sheet	
Cash and cash equivalents	11,286

	Financial liabilities at amortised cost 2012 HK\$'000
Liabilities included in the balance sheet	
Accruals and other payables	2,459



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22 Inventories

	2012 HK\$'000	2011 HK\$'000
Trading merchandises	571	1,068

23 Trade receivables

	2012 HK\$'000	2011 HK\$'000
Trade receivables	9,133	8,103

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2012 HK\$'000	2011 HK\$'000
Hong Kong dollars	6,654	5,792
Chinese Renminbi	1,089	1,764
Macau Patacas	1,390	547
	9,133	8,103

The carrying amounts of trade receivables approximate their fair values. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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23 Trade receivables — continued

The credit terms of the Group's trade receivables generally range from 3 days to 90 days. The ageing analysis of trade receivables by the dates on which the relevant invoices are issued is as follows:

	2012 HK\$'000	2011 HK\$'000
Less than 60 days	7,974	6,224
60 days to 90 days	283	761
91 days to 120 days	223	192
Over 120 days	653	926
	9,133	8,103

At 31 March 2012, trade receivables of approximately HK\$460,000 (2011: HK\$291,000) were past due but not considered to be impaired because these mainly relate 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:

	2012 HK\$'000	2011 HK\$'000
Less than 60 days	129	—
Over 120 days	331	291
	460	291

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 2012 and 2011, no collateral has been received from these counterparties.

As at 31 March 2012 and 2011 and during the years then ended, no trade receivables were impaired.



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24 Other receivables, deposits and prepayments

	2012 HK\$'000	2011 HK\$'000
Current		
Prepayments	13,945	16,451
Deposits	3,900	2,732
Other receivables	803	1,642
	18,648	20,825
Non-current		
Prepayments for the acquisition of property, plant and equipment	4,588	4,903
Rental and utility deposits	11,894	9,793
Other deposits	1,821	413
	18,303	15,109
Total	36,951	35,934

The carrying amounts of other receivables and deposits are denominated in the following currencies:

	2012 HK\$'000	2011 HK\$'000
Hong Kong dollars	4,296	4,072
Chinese Renminbi	13,770	10,356
Macau Patacas	352	152
	18,418	14,580

As at 31 March 2012 and 2011, the carrying amounts of other receivables and deposits approximate their fair values.

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25 Balances with related companies

	Balance as at 31 March 2012 HK\$'000	Maximum outstanding balance for the year ended 31 March 2012 HK\$'000
Amounts due from related companies		
The SPA House Limited	237	237
Excellent Professional Holdings Limited	22	22
Right Time Management Limited	32	32
Sure Sino Investments Limited	6	6
Market Event Holdings Limited	6	6
Earlson Holdings Limited	6	6
Solution King Limited	7	7
Greater China Investments Company Limited	8	8
Golden Bees International Inc.	5	7
	329	
	Balance as at 31 March 2011 HK\$'000	Maximum outstanding balance for the year ended 31 March 2011 HK\$'000
Amounts due from related companies		
The SPA House Limited	236	236
Excellent Professional Holdings Limited	22	22
Right Time Management Limited	32	32
	290	

As at 31 March 2012 and 2011, the balances with related companies are unsecured, interest free, repayable on demand, and denominated in Hong Kong dollars. The directors of the Company individually or in aggregate own 100% equity interest in each of the above related companies.



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26 Amounts due (to)/from directors

	2012 HK\$'000	2011 HK\$'000
Name of directors		
Ms. Au-Yeung Wai	(168)	18,307
Ms. Au-Yeung Hung	(157)	18,961
Dr. Au-Yeung Kong	(311)	(15,791)
	(636)	21,477
Represented by:		
Amounts due from directors	—	37,268
Amounts due to directors	(636)	(15,791)
Maximum amounts due from directors during the year		
Ms. Au-Yeung Wai	—	35,783
Ms. Au-Yeung Hung	—	18,961
Dr. Au-Yeung Kong	—	13,004

As at 31 March 2012 and 2011, the balances with directors are unsecured, interest free, repayable on demand, and denominated in Hong Kong dollars.

27 Amount due to a shareholder

As at 31 March 2011, the amount due to a shareholder was unsecured, interest free, repayable on demand, and denominated in Hong Kong dollars.

28 Term deposits with initial terms of over three months

As at 31 March 2012, the weighted average effective interest rate of the Group's term deposits with initial terms of over three months was 1.65%.

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

	2012 HK\$'000	2011 HK\$'000
Hong Kong dollars	30,000	—
Chinese Renminbi	8,901	—
	38,901	—

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31 March 2012



29 Pledged bank deposits

As at 31 March 2012, certain of the Group's bank deposits were pledged to a financial institution based in Hong Kong to secure certain banking facilities in respect of credit card and instalment sale arrangement. As at 31 March 2012, the balance is denominated in HK\$ and its weighted average effective interest rate is 0.01%.

30 Cash and cash equivalents

	Group		Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Cash at banks	61,744	73,964	11,286	—
Cash on hand	275	242	—	—
Term deposits with initial terms of less than three months	143,665	—	—	—
	205,684	74,206	11,286	—

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Hong Kong dollars	83,539	11,725	11,286	—
Chinese Renminbi	119,979	60,626	—	—
Macau Patacas	2,166	1,855	—	—
	205,684	74,206	11,286	—

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 the PRC. The conversion of these RMB-denominated balances into foreign currencies and the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the Government of the People's Republic of China.



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31 Share capital and premium — Group and Company

	Number of shares	Ordinary shares HK\$'000	Share premium HK\$'000	Total HK\$'000
At 1 April 2010	—	—	—	—
Issuance of ordinary shares at the date of incorporation (note (a))	100	—	—	—
At 31 March 2011 and 1 April 2011	100	—	—	—
Issuance of ordinary shares (note (b))	200	—	—	—
Capitalisation issue of shares (note (c))	749,999,700	75,000	(75,000)	—
Shares issued pursuant to the Global Offering (note (d))	250,000,000	25,000	195,000	220,000
Share issuance costs	—	—	(28,252)	(28,252)
At 31 March 2012	1,000,000,000	100,000	91,748	191,748

Notes:

The following changes in the Company's authorised and issued share capital took place during the years ended 31 March 2012 and 2011:

- (a) On 11 March 2011, the Company was incorporated with an authorised share capital of HK\$1,000,000,000 divided into 10,000,000,000 shares of par value of HK\$0.10 each. On the same day, 1 share was issued to the Company's initial subscriber. The subscriber share was subsequently transferred to Dr. Au-Yeung Kong ("Dr. Au-Yeung"). On the same day, the Company allotted and issued 50 shares to Dr. Au-Yeung, 25 shares to Ms. Au-Yeung Hung and 24 shares to Ms. Au-Yeung Wai at par value.
- (b) As part of the Group's Reorganisation, on 30 November 2011, the Company, Dr. Au-Yeung, Ms. Au-Yeung Hung, Ms. Au-Yeung Wai and Perfect Shape Holdings (HK) Limited entered into a share swap agreement (the "First Share Swap Agreement") pursuant to which Dr. Au-Yeung, Ms. Au-Yeung Hung and Ms. Au-Yeung Wai transferred their entire equity interests in Perfect Shape Holdings (HK) Limited to the Company, and the considerations are satisfied by the Company issuing and allotting 51, 25 and 24 shares with a total par value of HK\$10, all credited as fully paid, to Sure Sino Investments Limited, Market Event Holdings Limited and Earlsion Holdings Limited respectively, companies owned and controlled by Dr. Au-Yeung, Ms. Au-Yeung Hung and Ms. Au-Yeung Wai respectively.
- On the same day, the Company, Dr. Au-Yeung, Ms. Au-Yeung Hung, Ms. Au-Yeung Wai and Perfect Shape Holdings (China) Limited entered into a share swap agreement (the "Second Share Swap Agreement") pursuant to which Dr. Au-Yeung, Ms. Au-Yeung Hung and Ms. Au-Yeung Wai transferred their entire equity interests in Perfect Shape Holdings (China) Limited to the Company, and the considerations are satisfied by the Company issuing and allotting 51, 25 and 24 shares with a total par value of HK\$10, all credited as fully paid, to Sure Sino Investments Limited, Market Event Holdings Limited and Earlsion Holdings Limited respectively.
- (c) Pursuant to a resolution passed on 6 January 2012, the directors have been authorised to allot and issue a total of 749,999,700 shares of HK\$0.10 each of the Company to the holders of shares on the register of members of the Company at the close of business on 6 January 2012 in proportion to their respective shareholdings by way of capitalisation of the sum of HK\$74,999,970 standing to the credit of the share premium account of the Company, which was effected on 9 February 2012.
- (d) On 9 February 2012, the Company completed its public offering of shares ("Global Offering") by issuing 250,000,000 shares of HK\$0.1 each at a price of HK\$0.88 per share. The Company's shares were then listed on the Main Board of The Stock Exchange of Hong Kong Limited.

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32 Reserves

Group

- (a) Movements in the reserves of the Group are set out in the consolidated statement of changes in equity.
- (b) The Macao Commercial Code number 377 requires that companies incorporated in Macau should set aside a minimum of 25% of their respective profit after income tax to the legal reserve until the balance of the reserve reaches a level equivalent to 50% of their capital.

The PRC laws and regulations require companies registered in the PRC to provide for certain statutory reserves, which are to be appropriated from the profit after income tax (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holders. All statutory reserves are created for specific purposes. A PRC company is required to appropriate 10% of statutory profits after income tax to statutory surplus reserves, upon distribution of its post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the company, to expand the company's operations, or to increase the capital of the company. In addition, a company may make further contribution to the discretionary surplus reserve using its post-tax profits in accordance with resolutions of the board of directors.

- (c) The amount represents the aggregate consideration paid by the Group for the entire equity interests of the Group's subsidiaries to their then shareholders amounting to HK\$457,000 which is equivalent to the aggregate nominal amounts of issued share capital of the respective subsidiaries.

Company

	Retained earnings HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Total HK\$'000
At 11 March 2011 (date of incorporation), 31 March 2011 and 1 April 2011	—	—	—	—
Profit for the year	18,186	—	—	18,186
Effect of reorganisation (note)	—	22,015	—	22,015
Currency translation differences	—	—	(68)	(68)
At 31 March 2012	18,186	22,015	(68)	40,133

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



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33 Deferred taxation

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

	2012 HK\$'000	2011 HK\$'000
Deferred income tax assets	9,843	12,897
Deferred income tax liabilities	(3,716)	(2,622)
Net deferred income tax assets	6,127	10,275

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

	2012 HK\$'000	2011 HK\$'000
At 1 April	10,275	3,615
(Charged)/credited to profit or loss (Note 11)	(6,629)	6,427
Payment during the year	2,182	—
Exchange differences	299	233
At 31 March	6,127	10,275

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33 Deferred taxation — continued

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

Deferred tax assets

	Tax losses		Decelerated tax depreciation		PRC advertising expenses		PRC accrued expenses		Total	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
At 1 April	1,790	188	2,244	1,914	2,710	1,724	6,153	422	12,897	4,248
Credited/(charged) to profit or loss	844	1,593	(859)	330	(502)	890	(2,836)	5,603	(3,353)	8,416
Exchange differences	13	9	—	—	93	96	193	128	299	233
At 31 March	2,647	1,790	1,385	2,244	2,301	2,710	3,510	6,153	9,843	12,897

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. As at 31 March 2012, the Group did not recognise certain deferred income tax assets of approximately HK\$391,000 (2011: HK\$302,000) in respect of accumulated tax losses amounting to approximately HK\$2,372,000 (2011: HK\$1,678,000) that can be carried forward indefinitely against future taxable income.

Deferred tax liabilities

	Accelerated tax depreciation		PRC withholding taxes		Total	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
At 1 April	(441)	(633)	(2,181)	—	(2,622)	(633)
Credited/(charged) to profit or loss	159	192	(3,435)	(2,181)	(3,276)	(1,989)
Payment during the year	—	—	2,182	—	2,182	—
At 31 March	(282)	(441)	(3,434)	(2,181)	(3,716)	(2,622)

As at 31 March 2012, unremitted earnings of PRC subsidiaries totalled HK\$54,332,000 (2011: HK\$21,746,000).



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34 Provision for reinstatement costs

The movement of provision for reinstatement costs is as follows:

	2012 HK\$'000	2011 HK\$'000
At 1 April	1,716	2,126
Additional provision during the year	1,347	286
Actual costs paid	(250)	(528)
Over-provision	(57)	(184)
Exchange difference	24	16
At 31 March	2,780	1,716
Represented by:		
— Non-current	1,808	1,292
— Current	972	424
	2,780	1,716

35 Trade payables

Payment terms with majority of the suppliers are on open account. Certain suppliers grant credit period ranging from 30 to 60 days.

An ageing analysis of trade payables as at the balance sheet date is as follows:

	2012 HK\$'000	2011 HK\$'000
Less than 60 days	265	616
60 days to 120 days	46	323
Over 120 days	587	564
	898	1,503

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35 Trade payables — continued

The carrying amounts of trade payables are denominated in the following currencies:

	2012 HK\$'000	2011 HK\$'000
Hong Kong dollars	497	480
Chinese Renminbi	401	1,018
Macau Patacas	—	5
	898	1,503

The carrying amounts of trade payables approximate their fair values.

36 Accruals and other payables

	Group		Company
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000
Accrued operating expenses	19,315	17,371	2,459
Other payables	7,908	4,893	—
	27,223	22,264	2,459

The carrying amounts of accruals and other payables are denominated in the following currencies:

	Group		Company
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000
Hong Kong dollars	9,675	8,913	2,459
Chinese Renminbi	17,391	13,244	—
Macau Patacas	157	107	—
	27,223	22,264	2,459

The carrying amounts of accruals and other payables approximate their fair values.



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37 Deferred revenue

	2012 HK\$'000	2011 HK\$'000
Deferred revenue		
— Prepaid treatment packages	118,247	147,682
— Product sales	1,153	990
	119,400	148,672

The movement of deferred revenue is as follows:

	2012 HK\$'000	2011 HK\$'000
Beginning of the year	148,672	121,044
Sales contracts entered into during the year (Note a)	354,299	339,894
Revenue recognised upon the provision of services (Note b)	(199,034)	(202,957)
Revenue recognised upon expiry of prepaid treatment packages (Note c)	(98,561)	(73,250)
Revenue recognised for the sales and redemptions of slimming and beauty products (Note d)	(83,565)	(32,769)
Refunds of treatment packages (Note e)	(5,820)	(2,386)
Refunds to clients under a refundable slimming programme (Note f)	—	(3,554)
Exchange differences	3,409	2,650
At the end of the year	119,400	148,672

Note a: The amounts represent the receipts from sales of slimming and beauty services and products to clients which were settled via credit cards, Electronic Payment System ("EPS"), cheques, cash and instalment payment arrangement during the year.

Note b: The amounts represent the revenue recognised in profit or loss as a result of slimming and beauty services rendered to clients during the year.

Note c: The amounts represent the revenue recognised in profit or loss for expired prepaid service packages aged over one year from the date of sales of the treatment packages.

Note d: The amounts represent the revenue recognised in profit or loss for the sales and redemptions of products.

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

Note f: The amounts represented refunds to clients as a result of a refundable slimming programme in operation during the year ended 31 March 2011. Details of the arrangement are described in Note 2.17.

As at 31 March 2012 and 2011, the deferred revenue is aged within one year from the date when the respective sales contracts were entered into.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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38 Commitments

(a) Operating lease commitments

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

	2012 HK\$'000	2011 HK\$'000
Not later than one year	45,430	35,691
Later than one year and not later than five years	77,624	80,356
Later than five years	—	384
	123,054	116,431

(b) Capital commitments

	2012 HK\$'000	2011 HK\$'000
Capital expenditure contracted for but not yet incurred in respect of acquisition of property, plant and equipment	1,059	5,752

39 Related party transactions

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

- (a) During the year ended 31 March 2011, certain of the Group's banking facilities in respect of credit card and instalment sales arrangement were secured by personal guarantee provided by a director, pledges of real estate properties owned by certain directors and pledge of the Group's available-for-sale financial assets set out in Note 19.

During the year ended 31 March 2012, certain of the Group's banking facilities in respect of credit card and instalment sales arrangement are secured by personal guarantee provided by a director and pledged bank deposits set out in Note 29.

- (b) Details of balance with related companies, directors and a shareholder are disclosed in Notes 25, 26 and 27 respectively.
- (c) Details of key management compensations are disclosed in Note 16 to the financial statements.



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40 Cash generated from operations

	2012 HK\$'000	2011 HK\$'000
Profit before income tax	90,287	65,701
Adjustments for:		
— Depreciation	18,126	16,494
— Gains on disposal of property, plant and equipment	(578)	(18)
— Gains on disposal of financial assets at fair value through profit or loss	(465)	(381)
— Gains on disposal of available-for-sale financial assets	(184)	(139)
— Fair value gains on financial assets at fair value through profit or loss	(237)	(1,042)
— Over-provision for reinstatement costs	(57)	(184)
— Dividend income from available-for-sale financial assets	(43)	(203)
— Interest income	(2,510)	(238)
— Interest expense	43	—
	104,382	79,990
Changes in working capital:		
— Inventories	514	(41)
— Trade receivables	(971)	3,774
— Other receivables, deposits and prepayments	(388)	(16,491)
— Balances with directors, a shareholder and related companies	5,398	9,115
— Trade payables, accruals and other payables	3,750	5,714
— Deferred revenue	(32,681)	23,589
Cash generated from operations	80,004	105,650

Major non-cash transactions:

During the year ended 31 March 2012, dividends amounting to HK\$15,075,000 are settled through the current accounts with directors.

During the year ended 31 March 2011, dividends amounting to HK\$39,369,000 were settled through the current accounts with directors and shareholders.

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41 Particulars of principal subsidiaries

As 31 March 2012, the Company had the following principal subsidiaries:

Name of subsidiary	Place of incorporation	Principal activities	Registered/ issued and fully paid up capital	Effective interest held by the Group
Direct interests:				
Perfect Shape Advertising Company Limited	Hong Kong	Provision of advertising services to the Group	10,000 shares of HK\$1 each	100%
Perfect Shape Holdings (China) Limited	The British Virgin Islands	Investment holding	100 shares of US\$1 each	100%
Perfect Shape Holdings (HK) Limited	The British Virgin Islands	Investment holding	100 shares of US\$1 each	100%
Perfect Shape & Skin Management Co. Limited	Hong Kong	Holding of trademarks	10,000 shares of HK\$1 each	100%
Indirect interests:				
Dr. Face Limited	Hong Kong	Provision of slimming and beauty services and sales of slimming and beauty products	10,000 shares of HK\$1 each	100%
Perfect Shape & Skin Limited	Hong Kong	Rental of equipment to group companies	20,000 shares of HK\$1 each	100%
Perfect Shape & Skin (CNT) Limited	Hong Kong	Provision of slimming and beauty services and sales of slimming and beauty products	10,000 shares of HK\$1 each	100%
Perfect Shape & Skin (SS) Limited	Hong Kong	Inactive	10,000 shares of HK\$1 each	100%
Perfect Shape & Skin (TKO) Limited	Hong Kong	Inactive	10,000 shares of HK\$1 each	100%
Perfect Shape & Skin (TM) Limited	Hong Kong	Provision of slimming and beauty services and sales of slimming and beauty products	10,000 shares of HK\$1 each	100%
Perfect Shape & Skin (TW) Limited	Hong Kong	Inactive	20,000 shares of HK\$1 each	100%



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31 March 2012

41 Particulars of principal subsidiaries — continued

Name of subsidiary	Place of incorporation	Principal activities	Registered/ issued and fully paid up capital	Effective interest held by the Group
Indirect interests: (continued)				
Perfect Shape & Skin (YL) Limited	Hong Kong	Provision of slimming and beauty service and sales of slimming and beauty products	10,000 shares of HK\$1 each	100%
Perfect Shape & Spa Limited	Hong Kong	Provision of slimming and beauty services and sales of slimming and beauty products	10,000 shares of HK\$1 each	100%
Perfect Shape & Spa (CWB) Limited	Hong Kong	Provision of slimming and beauty services and sales of slimming and beauty products	10,000 shares of HK\$1 each	100%
Perfect Shape & Spa (KT) Limited	Hong Kong	Provision of slimming and beauty services and sales of slimming and beauty products	10,000 shares of HK\$1 each	100%
Perfect Shape & Skin (Macau) Limited	Macau	Provision of slimming and beauty services and sales of slimming and beauty products	MOP100,000	100%
Perfect Shape & Spa (MK) Limited	Hong Kong	Provision of slimming and beauty services and sales of slimming and beauty products	10,000 shares of HK\$1 each	100%
Paris Medical Beauty Limited	Hong Kong	Provision of slimming and beauty services and sales of slimming and beauty products	10,000 shares of HK\$1 each	100%
Perfect Shape & Spa (NP) Limited	Hong Kong	Provision of slimming and beauty services and sales of slimming and beauty products	10,000 shares of HK\$1 each	100%
Perfect Shape & Spa (TP) Limited	Hong Kong	Provision of slimming and beauty services and sales of slimming and beauty products	10,000 shares of HK\$1 each	100%
Perfect Shape & Spa (TST) Limited	Hong Kong	Provision of slimming and beauty services and sales of slimming and beauty products	10,000 shares of HK\$1 each	100%
Perfect Shape (Holdings) Limited	Hong Kong	Provision of management services to the Group	10,000 shares of HK\$1 each	100%

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41 Particulars of principal subsidiaries — continued

Name of subsidiary	Place of incorporation/ establishment	Principal activities	Registered/ issued and fully paid up capital	Effective interest held by the Group
Indirect interests: (continued)				
Slim Model Beauty Limited	Hong Kong	Provision of slimming and beauty services and sales of slimming and beauty products	10,000 shares of HK\$1 each	100%
Slimming Medical Beauty Centre Limited	Hong Kong	Inactive	10,000 shares of HK\$1 each	100%
Perfect Shape & Spa (TW) Limited	Hong Kong	Provision of slimming and beauty services and sales of slimming and beauty products	10,000 shares of HK\$1 each	100%
Perfect Shape Investment (Shanghai) Limited	Hong Kong	Investment holding	10,000 shares of HK\$1 each	100%
Perfect Skin Medical Limited	Hong Kong	Provision of slimming and beauty services and sales of slimming and beauty products	10,000 shares of HK\$1 each	100%
廣州必瘦站纖體美容有限公司 (Guangzhou Perfect Shape Limited) [®]	The PRC	Provision of beauty services and sales of cosmetic products	RMB1,000,000	100%
必瘦站企業管理諮詢(深圳)有限公司 (Perfect Shape Consultancy Shenzhen Limited) [#]	The PRC	Investment holding	RMB1,000,000	100%
廣州瘦必站纖體美容有限公司 (Guangzhou Shape Perfect Limited) [®]	The PRC	Provision of slimming and beauty services and sales of cosmetic products	RMB1,000,000	100%
北京雪肌美容美體有限公司 (Beijing Snow Skin Limited) [®]	The PRC	Provision of slimming and beauty services and sales of cosmetic products	RMB1,000,000	100%



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41 Particulars of principal subsidiaries — continued

Name of subsidiary	Place of establishment	Principal activities	Registered/ issued and fully paid up capital	Effective interest held by the Group
Indirect interests: (continued)				
深圳瘦必站美容 纖體有限公司 (Shenzhen Shape Perfect Limited) [®]	The PRC	Provision of beauty services and sales of cosmetic products	RMB1,000,000	100%
上海慕詩企業管理 諮詢有限公司 (Shanghai Mushi Consultancy Limited) [®]	The PRC	Provision of corporate management services, slimming services, and wholesale of cosmetic products	RMB1,000,000	100%
廣州愛瑪企業管理 諮詢有限公司 (Guangzhou Emma Consultancy Limited) [®]	The PRC	Provision of corporate management services, beauty and slimming services, and wholesale of cosmetic products	RMB500,000	100%
上海必瘦站企業管理 諮詢有限公司 (Shanghai Perfect Shape Consultancy Limited) [®]	The PRC	Provision of beauty services and sales of beauty products	RMB1,000,000	100%
上海愛瑪企業管理 諮詢有限公司 (Shanghai Emma Consultancy Limited) [®]	The PRC	Provision of corporate management services, beauty and slimming services, and wholesale of cosmetic products	RMB1,000,000	100%

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

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

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