



Annual 2015 Report

 **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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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

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 Bank of China

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

SHARE INFORMATION

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





FINANCIAL SUMMARY

RESULTS

	2015	2014	2013	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	728,655	470,236	443,026	381,160	308,976
Operating profit	169,946	106,623	105,480	87,820	65,463
Profit for the year attributable to equity holders of the Company	134,912	83,024	78,015	68,672	50,260
Total assets	739,757	385,979	383,326	383,571	258,872
Total liabilities	247,090	147,627	141,405	162,850	210,026

**Perfect Shape has an
IMPRESSIVE
LONG-TERM
TRACK RECORD**

FINANCIAL HIGHLIGHTS

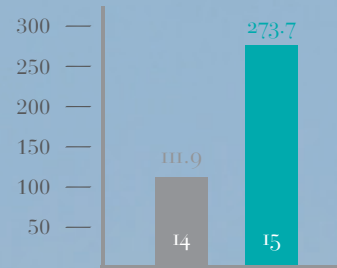
Selected Financial Data	FY2015	FY2014	CHANGE (%)
<u>Financial highlight (HK\$'000)</u>			
Revenue	728,655	470,236	55.0%
Operating profit	169,946	106,623	59.4%
Profit before income tax	176,743	109,795	61.0%
Profit for the year attributable to equity holders of the Company	134,912	83,024	62.5%
Earnings before interest, tax, depreciation and amortisation	215,727	134,757	60.1%
Total equity attributable to equity holders	492,667	238,352	106.7%
<u>Financial information per share (HK cents)</u>			
Earnings	12.1	8.3	
<u>Financial ratio</u>			
Operating profit margin	23.3%	22.7%	
Net profit margin	18.5%	17.7%	
Return on equity	27.4%	34.8%	
Return on total assets	18.2%	21.5%	
Current ratio	2.21 times	2.15 times	



RAPID SUSTAINABLE GROWTH

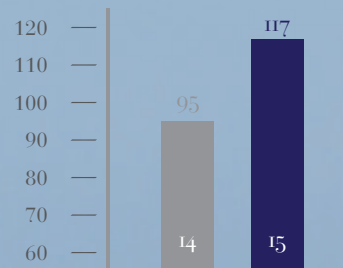
CASH GENERATED FROM OPERATIONS

(HK\$ MILLION)



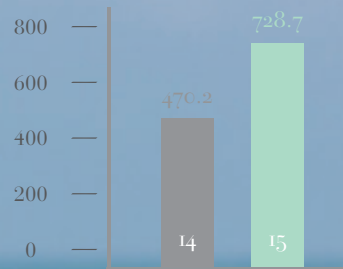
MEMBERS IN PRC

('000)



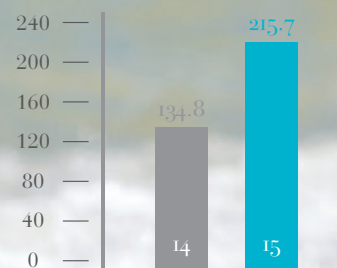
REVENUE

(HK\$ MILLION)



EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION

(HK\$ MILLION)



RELATIONSHIP BETWEEN CUSTOMERS AND PERFECT SHAPE

- 1) Build up customer's loyalty
- 2) Benefit from word-of-mouth referral
- 3) Delivery a standard and high quality services
- 4) Explore instinct need of customers
- 5) Managed by professional team







CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

To our shareholders,

On behalf of the Board of Directors (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 the “Group”) for the year ended 31 March 2015.

PROVIDING CARE THAT EXCEEDS EXPECTATIONS

In line with the Company's ongoing goal of continuously building a strong and lasting bond with its many customers, it has sought to not only meet their needs but exceed their expectations. While slimming service formed the basis of the Company's early development, we have recognised the growing trend towards offering high technology beauty services, which we began focusing on shortly after our listing in 2012. This area of focus has served as a springboard for our development ever since, enabling the Company to achieve three consecutive years of growth after listing. During latest financial year, both revenue and profit rose substantially by 55% and 63% to HK\$729 million and HK\$135 million respectively. Such growth was also driven by the outstanding performance of the Company's operations and our professional staff's ability to deliver our customer-led services.

A PERFECT HOME IN HONG KONG

As aforementioned, the Hong Kong operation performed outstandingly during the latest financial year, with both revenue and profit rising significantly. Between the first and fourth quarter, we saw a rise in prepaid packages, amounting to a jump of 178.3% year-on-year. Such stellar performance can be attributed to our strong capability of responding to customers' needs on physical and psychological level, while also allowing the Company to benefit from higher efficiency and economies of scale. We trust that the Company can capture a greater share of the local market — being already an industry pioneer — and further its objective of becoming a leading high technology beauty services provider in Hong Kong.

CHAIRMAN'S STATEMENT

REPLICATING OUR SUCCESS IN MACAU

Drawing from the success of our Hong Kong operation, we have transplanted the Hong Kong business model to Macau, resulting in similarly encouraging performance. During the financial year under review, our growth of cash receipt surged substantially by 374% as compared to the previous fiscal year. It is worth noting that subsequent to the review year on 8 April 2015, we opened an additional service centre in Macau, which increased our total operating area by 71%. We trust that the new service centre will further bolster our market presence in Macau while allowing us to serve our loyal customers even better.

'MEGA' OPPORTUNITIES IN MAINLAND CHINA

In Mainland China, we have continued to strengthen our presence in such first-tier cities as Beijing, Shanghai, Guangzhou and Shenzhen. Again, drawing from our success in Hong Kong, specifically in operating mega centres, we sought to further penetrate the local market by providing exceptional one-stop services in an all encompassing and relaxing environment that our service centres personify. Apart from offering slimming service, our focus has turned to high technology beauty service as we envisage this area of expertise will become a key growth driver of the Group in the long term.

Despite slower economic growth, Mainland China is expected to provide favourable prospects as the middle-class population continues to grow, and in particular, women have greater disposable income. Given that women of affluence tend to gravitate towards premium brands such as Perfect Shape, the Company will clearly enjoy a competitive advantage. Notwithstanding such an advantage, we will seek to further reach out to our existing customer base while at the same time attract new customers to the fold. As part of this effort, the Company will employ





online-to-offline (O2O) services, which have been increasingly popular among our target customers. The O2O approach also corresponds with our overall belief in offering customers a full breadth of wonderful experiences, which in this instance, is literally at their finger tips. Indicative of the success of our effort, memberships have increased from 95,000 in 2014 to 117,000 as at the end of the latest financial year, and we will be committed to sustaining growth over the long run.

**We remain confident in our
potential in China**

CHAIRMAN'S STATEMENT

MOVING FORWARD WHILE REMAINING TRUE TO OUR VALUES

Regardless of the market in which we operate, the Company is dedicated to maintaining its pioneer status and further distancing itself from its peers. To achieve such objectives calls for a thorough and up-to-the-minute understanding of the industry and consumer trends. Such is the benefit that we enjoy through our business intelligence team, which analyses big data and delivers the latest market reports to the Company. The management is also constantly reviewing the most current trends from around the world, as well as examining customer behaviour by leveraging a membership data base consisting of over 221,000 members. From all the information that is gathered, the Company is able to plot an accurate course for its further development.

Part of the Company's development road map will involve further expansion of its store and business network in Greater China in the coming year. In addition, we will invest still more in our workforce, including enhancing the service quality delivered by our frontline staff through ongoing training and information sharing. In this way, staff members will gain a greater appreciation for their occupation, and the pride that they have in their work will be reflected in better service for our customers. The promotion of harmony and satisfaction among our staff and customers is part of the "triple win" ethos that we have been promoting, the third element of which being





Perfect Shape creates shareholder value by sustaining long-term growth

CHAIRMAN'S STATEMENT

our investors who are the ultimate winners in that they are able to reap the benefits, which include a high dividend payout policy that the Company observes.

APPRECIATION

I would like to take this opportunity to express my gratitude to the management team and every member of the Company for their diligence and contributions over the past year. Furthermore, I wish to offer my appreciation to all of our customers and shareholders for their unflagging support. Everyone at Perfect Shape (PRC) Holdings Limited will remain fully committed to sustaining the Company's growth and delivering still more encouraging results in the coming year.

Dr Au-Yeung Kong

Chairman

Hong Kong, 29 June 2015



MANAGEMENT DISCUSSION AND ANALYSIS



Why is Perfect Shape doing so well?

- strong brand awareness and favorability
- strong customer satisfaction

BUSINESS OVERVIEW

For the year ended 31 March 2015, the Group recorded revenue growth of 55.0% to approximately HK\$729 million. Profit before income tax increased by 60.9% year-on-year from HK\$110 million to HK\$177 million. Operating profit margin and net profit margin remained at remarkable level of around 23.3% and 18.5% respectively. Profit attributable to shareholders of the Group increased by 62.5% to HK\$135 million year-on-year. The significant increase in both revenue and profit was mainly due to the increased average spending per customer and expansion of service centres network which broadened the Group's customer base.

HONG KONG AND MACAU BUSINESS

During the year under review, revenue contributed from the Hong Kong and Macau markets recorded a promising growth of 136.2% to HK\$444 million from HK\$188 million in FY2014. As the Group continues to grow, it has been closely examining the market trends. Apart from the traditional slimming services which the Group has offered since inception, it began to tap the high technology beauty segment in Hong Kong shortly after listing in 2012 and this business has started to bear fruits during the year under review. Such stellar performance can be attributed the Group's strong capability of answering customers' needs on a physical and psychological level, while also allowing the Group to benefit from higher efficiency and economies of scale.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Drawing from the success of our Hong Kong operation, we have transplanted the Hong Kong business model to Macau, resulting in similarly encouraging performance. Compared with last financial year, we recognised a significant growth of cash receipt of 374.7% in Macau.



THE PRC BUSINESS

The Group has a strong network in the PRC. During the year under review, revenue contributed from the PRC market was HK\$285 million (FY2014: HK\$282 million), contributing 39.1% of the Group's total revenue. With the government self-imposed macroeconomic discipline that led to softness in both domestic and external economies, the Group faced challenges in the PRC's retail market. Heedless of this unfavourable environment, the Group has successfully leveraged on its leading market position and board-based clientele. As with previous marketing policy, the Group delegated more resources to further enhance brand awareness with an aim to attract a broader base of clients. The Group launched a client-referral program and this program strategically aims to capture more new customers to expand our member base. With all these efforts, we succeeded in attracting a significant number of new members. During the year under review, the number of the PRC new members increased by 23% to 117,000 members when compared with the same period of last year.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

Moving forward, the management remains optimistic about the Group's prospects in the principal markets of Hong Kong and the PRC, despite modest economic growth anticipated on both sides of the border.

We have captured meaningful trends of high technology beauty services. With the medical background of our top management, selected non-invasive result-driven high-technology beauty treatments have been introduced. During the year under review, the Group dedicated more resources in providing high technology beauty services. The increasing focus on high technology beauty services has not only brought us significant enhancement on profitability but also sustained our growth as well as safeguarded the goodwill of "Perfect Shape".

In Hong Kong, the Group will continue with its goal of not only satisfying each customer's needs, but exceeding their expectations. In order to establish an amiable interdependence with our customers, the Group addresses customers' genuine needs with sincerity and offers safe, quality and considerate services to customers. A graceful and comfortable service environment can give assurance that customers enjoy the most fabulous experience in our service centres.

While the Group's development in Hong Kong remains promising, its business prospects in the PRC shows even greater potential. With an increasingly large number of people who are obese, and generally more and more individuals who are overweight, the need for slimming services will continue to rise. And given that there is a growing middle class, particularly women who care about their appearance, the demand for high technology beauty and slimming services will grow further. In view of such trends, the Group will continue to replicate the success of its Hong Kong high technology beauty service business model to the PRC market, and thereby provide one-stop services to local customers. This will allow the Group to further expand its customer base, enhance spending per customer and move it one step closer towards its goal of becoming the largest premium slimming and high technology beauty services provider in Mainland China.



MANAGEMENT DISCUSSION AND ANALYSIS



Part of the Group's development road map will involve further expansion of its store and business network in the Greater China in the coming year. In addition, we will invest still more in our workforce, including enhancing the service quality delivered by our frontline staff through ongoing training and information sharing. In this way, staff members will gain a greater appreciation for their occupation, and the pride that they have in their work will be reflected in better service for our customers. The promotion of harmony and satisfaction among our staff and customers is part of the "triple win" ethos that we have been promoting, the third element of which being our investors who are the ultimate winners in that they are able to reap the benefits, which include high dividend payout policy that the Company observes.

FINANCIAL REVIEW

Financial Performance

For the year ended 31 March 2015, the Group recorded revenue of HK\$728,655,000, representing an increase of 55% from HK\$470,236,000 last year. Earnings before interest, tax, depreciation and amortisation was HK\$215,727,000, representing a rise of 60.1% from HK\$134,757,000 in FY2014. Operating profit reached HK\$169,946,000 (FY2014: HK\$106,623,000), representing a significant increase of 59.4%. Operating profit margin was 23.3% and 22.7% in FY2015 and FY2014 respectively. The profit attributable to equity holders of the Company was HK\$134,912,000, up 62.5% year-on-year (FY2014: HK\$83,024,000). Net profit margin reached at a remarkable level to 18.5%. Basic earnings per share was HK12.1 cents (FY2014: HK8.3 cents).

Key components of the financial results for the year ended 31 March 2015 extracted from the consolidated financial statements as set out on page 47 of this annual report are highlighted as follows:

	% to Revenue	2015 HK\$'000	% to Revenue	2014 HK\$'000
Revenue		728,655		470,236
Employee benefit and manpower services expenses	31.3%	(228,210)	27.8%	(130,838)
Marketing expenses	10.1%	(73,810)	17.5%	(82,496)
Operating lease rentals	11.1%	(80,887)	11.9%	(56,046)
Depreciation	6.3%	(45,781)	6.0%	(28,134)
Other operating expenses	16.0%	(116,683)	15.0%	(70,597)
Income tax expense	5.7%	(41,831)	5.7%	(26,771)
Profit for the year	18.5%	134,912	17.7%	83,024

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

The Group achieved a total revenue of HK\$728,655,000 for the year ended 31 March 2015, representing a growth of 55% as compared to HK\$470,236,000 in FY2014. The increase in revenue of approximately HK\$258,419,000 was largely due to the increased average spending per customer and expansion of service centres network which broadened the Group's customer base.

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

	2015 HK\$'000	2014 HK\$'000
Revenue		
Hong Kong	427,759	182,292
Mainland China	285,099	282,167
Macau	15,797	5,777
Total	728,655	470,236

EMPLOYEE BENEFIT AND MANPOWER SERVICES EXPENSES

Employee benefit and manpower service expenses included employee benefit expenses and manpower service costs. These expenses mainly include wages and salaries, pension costs, staff welfare, directors' remunerations and manpower service fee. For FY2015 and FY2014, the Group's employee benefit and manpower service expenses were HK\$228,210,000 and HK\$130,838,000 respectively. The increase was mainly a result of hiring more staff to support the Group's service centres expansion. Maintaining the quality of service from our well-skilled professionals is crucial in strengthening our competitiveness.

MARKETING EXPENSES

Marketing expenses decreased by HK\$8,686,000, or 10.5%, from HK\$82,496,000 in FY2014 to HK\$73,810,000 in FY2015. Marketing expenses as a percentage of revenue decreased from 17.5% in FY2014 to 10.1% in FY2015. The purpose of spending on marketing was primarily on raising our brand awareness to capture a greater share of the local market. During the year under review, the Group based on existing well-established clientele base through word-of-mouth referrals to launch the "Affiliate program". Therefore, the Group was able to be more effective for controlling the market expenses. In addition, 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.

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\$24,841,000, or 44.3%, from HK\$56,046,000 in FY2014 to HK\$80,887,000 in FY2015. The increase was due to the expansion of the service centre network in Hong Kong. Aiming at enhancing the future growth of the Group, it intends to expand the service area within same service centres instead of increasing the number of centres for more effective market penetration and entrancing better customers' experience.

OTHER OPERATING EXPENSES

Other operating expenses increased by HK\$46,086,000, or 65.3%, from HK\$70,597,000 in FY2014 to HK\$116,683,000 in FY2015. The increase was in line with the sale expansion during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the year and Margin

Profit for the year attributable to shareholders reached HK\$134,912,000, posting a significant increase of 62.5% as compared to HK\$83,024,000 in FY2014. The Group's net profit margin reached at a remarkable level to 18.5%. Basic earnings per share in FY2015 was HK12.1 cents as compared to HK8.3 cents in FY2014.

Dividend

The Board recommended a payment of a final dividend equivalent to HK5.6 cents per share of the Company (the "Share") for the year ended 31 March 2015 to the shareholders of the Company (the "Shareholders") whose names appear on the Register of Shareholders on Tuesday, 25 August 2015, together with interim dividend of HK5.8 cents per share paid, the total dividend for the year ended 31 March 2015 amounted to HK11.4 cents per share.

The proposed final dividend is subject to approval by the Shareholders at the forthcoming annual general meeting of the Company and will be paid on or around Tuesday, 15 September 2015.

Liquidity, Financial Resources and Capital Structure

The total equity of the Group as at 31 March 2015 was HK\$493 million (FY2014: HK\$238 million). The Group generally finances its operation with internally generated cash flows. The Group had bank and cash balance of approximately HK\$400 million as at 31 March 2015 (FY2014: HK\$214 million), with no external bank borrowing. The Group's gearing ratio as at 31 March 2015 was nil (FY2014: 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 2015, the Group had net current assets of approximately HK\$279 million (FY2014: HK\$159 million).

Cash generated from operations in FY2015 was approximately HK\$274 million (FY2014: HK\$112 million). With the healthy bank and cash balances on hand, the Group's liquidity position remains strong and it has sufficient financial resources to fund its future plans but at the same time to meet its working capital requirement.

Capital Expenditure

The total capital expenditure incurred by the Group during the year ended 31 March 2015 amounted to HK\$179 million, which were mainly used in leasehold improvements, equipment and machinery in connection with the expansion of its service network.

Capital Commitments

As at 31 March 2015, the Group had the following capital commitments.

	2015 HK\$'000	2014 HK\$'000
Capital expenditure contracted for but not yet incurred in respect of acquisition of property, plant and equipment	6,254	8,967

Contingent Liabilities

As at 31 March 2015, 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 is no significant exposure to foreign exchange fluctuations.

MANAGEMENT DISCUSSION AND ANALYSIS

Significant Acquisition

There was no significant acquisition by the Group during the year ended 31 March 2015.

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 2015, the Group does not have any financial assets at fair value through profit or loss.

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 equity and 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 values its human resources and recognises the importance of attracting and retaining qualified staff for its continuing success.

The Group employed a total work force of 1,099 employees as at 31 March 2015 (FY2014: 691 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Dr. Au-Yeung Kong (“**Dr. Au-Yeung**”), aged 43, was appointed as an executive director, the chairman and the chief executive officer of the Company 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 11 years of management and operation experience in slimming and high technology beauty industry. Dr. Au-Yeung graduated from The Chinese University of Hong Kong with a bachelor’s degree in medicine and surgery in 1995. 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 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 45, was appointed as an executive director and the chief operating officer of the Company 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. After joining the Group in 2004 as the general manager, Ms. Au-Yeung Wai has accumulated over 10 years of experience in slimming and high technology beauty industry. Ms. Au-Yeung Wai is the sister of Dr. Au-Yeung and Ms. Au-Yeung Hung.

Ms. Au-Yeung Hung, aged 50, was appointed as an executive director of the Company on 11 March 2011. She is also the director of a number of subsidiaries of the Company. Ms. Au-Yeung Hung is principally responsible for the operational management of the service centers of the Group. Ms. Au-Yeung Hung graduated from the University of Southern Queensland with a bachelor degree in business administration in 1992. Shortly after graduation, Ms. Au-Yeung Hung commenced her own business of provision of employment agency services which she ceased prior to joining the Group. Ms. Au-Yeung Hung joined the Group in 2005 as the sales and marketing manager, and has accumulated over 8 years of experience in slimming and high technology beauty industry. Ms. Au-Yeung Hung is the sister of Dr. Au-Yeung and Ms. Au-Yeung Wai.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Hsu Wai Man, Helen (“Ms. Hsu”), aged 45, was appointed as an independent non-executive director of the Company 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 20 years’ experience in accounting. Ms. Hsu graduated from The Chinese University of Hong Kong with a bachelor degree in business administration. Ms. Hsu had been working with Ernst & Young for 18 years and was a partner of Ernst & Young before she retired from the firm in February 2011. Ms. Hsu is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. Ms. Hsu is currently an independent non-executive director of China Forestry Holdings Co. Ltd. (stock code: 930), Branding China Group Limited (stock code: 8219), Fujian Nuoqi Co., Ltd. (stock code: 1353) and Richly Field China Development Limited (stock code: 313). Ms. Hsu is also an independent director of SGOCO Group, Ltd. (stock code: SGOC), the shares of which are listed on the National Association of Securities Dealers Automated Quotations (NASDAQ) Stock Market.

Ms. Pang Siu Yin (“Ms. Pang”), aged 54, was appointed as an independent non-executive director on 5 December 2011. She is also a member 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. 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.

Mr. Chi Chi Hung, Kenneth (“Mr. Chi”), aged 46, was appointed as an independent non-executive director of the Company 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 e-Kong Group Limited (stock code: 524), Ceneric (Holdings) Limited (stock code: 542), Guocang Group Limited (stock code: 559) and a non-executive director of China Sandi Holdings Limited (stock code: 910). He is also an independent non-executive director of L’sea Resources International Holdings Limited (stock code: 195), Noble Century Investment Holdings Limited (stock code: 2322), Hong Kong Life Sciences and Technologies Group Limited (stock code: 8085), Aurum Pacific (China) Group Limited (stock code: 8148) and China Natural Investment Company Limited (stock code: 8250). He was also an independent non-executive director of EverChina Int’l Holdings Company Limited (formerly known as “Interchina Holdings Company Limited”) (stock code: 202) during the period from 4 October 2011 to 15 August 2012 and executive director of GET Holdings Limited (formerly known as M Dream Inworld Limited) (stock code: 8100) from 8 July 2010 to 4 June 2014.

SENIOR MANAGEMENT

Mr. So Hin Lung (“Mr. So”), aged 38, is the chief financial officer and company secretary of the Company and is responsible for overseeing the finance and accounting, internal control, corporate governance and regulatory compliance of the Company. Mr. So joined the Group in March 2011. Mr. So is a member of the Hong Kong Institute of Certified Public Accountants. He has over 10 years of experience in auditing and accounting.

CORPORATE GOVERNANCE REPORT

The directors of the Company (the “Directors”) consider that incorporating the elements of good corporate governance in the management structures and internal control procedures of the Company and its subsidiaries (the “Group”) could balance the interests of Shareholders, customers and employees. The Board has adopted the principles and the code provisions of the Corporate Governance Code and Corporate Governance Report (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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, Perfect Shape (PRC) Holdings Limited (the “Company”) has established an audit committee, a remuneration committee and a nomination committee with specific written terms of reference.

During the year ended 31 March 2015, 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 of the Company as set out in Appendix 10 to the Listing Rules (the “Model Code”). Specific enquiry has been made to each of the Directors and all Directors have confirmed that they have complied with the Model Code during the year ended 31 March 2015.

On 19 November 2014, Dr. Au-Yeung Kong, the executive Director of the Company, purchased 1,000,000 Shares on the Stock Exchange. Save as disclosed above, no Director has dealt in the Shares during the year ended 31 March 2015.

BOARD OF DIRECTORS

Composition of the Board of Directors

As at 31 March 2015, the Board comprises three executive Directors and three independent non-executive Directors. The composition of the Board was as follows:

Executive Directors

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

Independent Non-executive Directors

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

The biographical details of all Directors are set out on pages 24 and 25 of this annual report. To the best knowledge of the Company, save as disclosed under the section headed “Biographical Details of Directors and Senior Management”, there is no financial, business, family or other material or relevant relationships among members of the Board.

CORPORATE GOVERNANCE REPORT

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 2015, the Board held 6 meetings and 1 general meeting. Details of the attendance of Directors are as follows:

	Attendance/ Number of General Meeting entitled to attend	Attendance/ Number of Board Meetings entitled to attend
Executive Directors		
Dr. Au-Yeung Kong (<i>Chairman and Chief Executive Officer</i>)	1/1	6/6
Ms. Au-Yeung Wai (<i>Chief Operating Officer</i>)	1/1	6/6
Ms. Au-Yeung Hung	1/1	6/6
Independent Non-executive Directors		
Ms. Hsu Wai Man, Helen	1/1	6/6
Ms. Pang Siu Yin	1/1	6/6
Mr. Chi Chi Hung, Kenneth	0/1	4/6

During the year, the management provided all members of the Board with monthly updates in accordance with the code provision C.1.2 of the CG Code.

Directors' Appointment, Re-election and Removal

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from 10 February 2015, 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 10 February 2015 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.

CORPORATE GOVERNANCE REPORT

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

Independent Non-executive Directors

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

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

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 year ended 31 March 2015, Dr. Au-Yeung 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 considers that Dr. Au-Yeung 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 of the Company exercised by the same individual, Dr. Au-Yeung, is beneficial to the business prospects and management of the Group. Notwithstanding the above, the Board will review the current structure from time to time. If any candidate with suitable leadership, knowledge, skills and experience can be identified within or outside the Group, the Company may consider to make necessary arrangements.

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.

CORPORATE GOVERNANCE REPORT

Continuing Professional Development

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

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

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

Note:

- (a) Corporate governance
- (b) Regulatory
- (c) Management
- (d) Finance

Remuneration Paid to Members of Key Management

Details of remuneration paid to members of key management (including all Directors and senior management as disclosed in section headed "Biographical Details of Directors and Senior Management" of this report) for the year ended 31 March 2015 fell within the following bands:

	No. of members of key management
Nil-HKD1,000,000	3
HKD1,000,001-HKD5,000,000	4

CORPORATE GOVERNANCE REPORT

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, Ms. Pang and Mr. Chi. Ms. Hsu 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 2015.

During the year ended 31 March 2015, the Audit Committee has reviewed the audited consolidated financial statements for the year ended 31 March 2014, the unaudited consolidated financial statements for the six months ended 30 September 2014 and the internal control and corporate governance issues related to financial reporting of the Company. The Audit Committee held 2 meetings with the external auditor of the Company during the year ended 31 March 2015. Details of the attendance of members of the Audit Committee meetings are as follows:

	Attendance
Ms. Hsu Wai Man, Helen (<i>Chairman</i>)	2/2
Ms. Pang Siu Yin	2/2
Mr. Chi Chi Hung, Kenneth	2/2

Remuneration Committee

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

CORPORATE GOVERNANCE REPORT

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

During the year ended 31 March 2015, the Remuneration Committee held 1 meeting to review the remuneration packages of all the Directors. Details of the attendance of members of the Remuneration Committee meeting are as follows:

	Attendance
Ms. Hsu Wai Man, Helen (<i>Chairman</i>)	1/1
Ms. Pang Siu Yin	1/1
Mr. Chi Chi Hung, Kenneth	1/1
Dr. Au-Yeung Kong	1/1
Ms. Au-Yeung Wai	1/1

Remuneration Policy for Directors and Senior Management

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

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

The Share Option Scheme was adopted by the Shareholders by way of written resolution 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 and 25 June 2013 respectively in compliance with the CG Code and is available on the websites of the Stock Exchange and the Company. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and management of the Board succession, assess the independence of independent non-executive Directors and review the board diversity policy of the Company (the "Board Diversity Policy").

CORPORATE GOVERNANCE REPORT

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

During the year ended 31 March 2015, the Nomination Committee held 1 meeting to review the structure, size and composition of the Board, assess the independence of independent non-executive Directors and renew and discuss the Board Diversity Policy and the revised terms of reference of the Nomination Committee. Details of the attendance of the meeting of the Nomination Committee are as follows:

	Attendance
Ms. Hsu Wai Man, Helen (<i>Chairman</i>)	1/1
Ms. Pang Siu Yin	1/1
Mr. Chi Chi Hung, Kenneth	1/1
Dr. Au-Yeung Kong	1/1
Ms. Au-Yeung Wai	1/1

BOARD DIVERSITY POLICY

During the year ended 31 March 2015, the Nomination Committee formulated the Board Diversity Policy. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance.

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

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

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

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

ACCOUNTABILITY AND AUDIT

Directors' and Auditor's Responsibilities for the Financial Statements

The Board acknowledges its responsibility to prepare the Group's financial statements for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 March 2015, 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.

CORPORATE GOVERNANCE REPORT

A statement by the auditor of the Company regarding their reporting responsibilities is set out on pages 45 and 46 of this annual report.

Auditor's Remuneration

During the year ended 31 March 2015, there is no remuneration paid or payable to the Company's auditor, PricewaterhouseCoopers in respect of non-audit services. The remuneration paid or payable to the Company's auditor in respect of the audit services is as follow:

	HK\$'000
Audit services	1,980

CORPORATE GOVERNANCE FUNCTIONS

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

- to develop and review the Company's policies and practices on corporate governance and make recommendations on changes and updating;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;
- to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and
- Such other corporate governance duties and functions set out in the CG Code (as amended from time to time) for which the Board are responsible.

During the year ended 31 March 2015, the Board held 1 meeting to review the policies and practices of the Company relating to the CG Code. Details of the attendance of the related meeting of the Board are as follows:

	Attendance
Executive Directors	
Dr. Au-Yeung Kong	1/1
Ms. Au-Yeung Wai	1/1
Ms. Au-Yeung Hung	1/1
Independent Non-executive Directors	
Ms. Hsu Wai Man, Helen	1/1
Ms. Pang Siu Yin	1/1
Mr. Chi Chi Hung, Kenneth	1/1

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL

During the year ended 31 March 2015, 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 Company values communication with the Shareholders and investors. The Company uses two-way communication channels to account to Shareholders and investors for the performance of the Company. Enquiries and suggestions from Shareholders or investors are welcomed, and enquires from Shareholders may be put to the Board through the following channels to the company secretary of the Company:

1. By mail to the Company's principal place of business at Suite 02-06, 42nd Floor, Langham Place Office Tower, 8 Argyle Street, Mong Kok, Kowloon, Hong Kong; or
2. By email at ir@perfectshape.com.hk

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

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

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

CORPORATE GOVERNANCE REPORT

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

If a Shareholder wishes to propose a person (the “Candidate”) for election as a Director at a general meeting, he/she shall deposit a written notice (the “Notice”) at the Company’s head office in Hong Kong at Suite 02-06, 42nd Floor, Langham Place Office Tower, 8 Argyle Street, Mong Kok, Kowloon, Hong Kong. The Notice (i) must include the personal information of the Candidate as required by Rule 13.51(2) of the Listing Rules and his/her contact details; and (ii) must be signed by the Shareholder concerned including the information/documents to verify the identity of the Shareholder and signed by the Candidate indicating his/her willingness to be elected and consent of publication of his/her personal data. The period for lodgment of the Notice shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such meeting. In order to ensure the Shareholders have sufficient time to receive and consider the proposal of election of the Candidate as a Director without adjourning the general meeting, Shareholders are urged to submit and lodge the Notice as soon as practicable, say at least 15 business days prior to the date of the general meeting appointed for such election.

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

In order to promote effective communication, the Company also maintains website (www.perfectshape.com.hk) which include 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 2015.

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 37 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The profit of the Group for the year ended 31 March 2015 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 47 to 50.

The Directors recommended a payment of a final dividend equivalent to HK5.6 cents per share for the year ended 31 March 2015 to the Shareholders whose names appear on the register of Shareholders on Tuesday, 25 August 2015, together with interim dividend of HK5.8 cents per share paid, the total dividend for the year ended 31 March 2015 amounted to HK11.4 cents per share.

The 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, 15 September 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 12 August 2015 to Friday, 14 August 2015 (both dates inclusive) during which period no transfer of Shares will be registered. In order to attend and vote at the annual general meeting of the Company, all transfers of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 11 August 2015.

The register of members of the Company will be closed from Friday, 21 August 2015 to Tuesday, 25 August 2015 (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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 20 August 2015.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

The Group's top five customers accounted for approximately 1.9% of the total sales. The top five suppliers accounted for approximately 41.3% of the total purchases for the year. In addition, the Group's largest customer accounted for approximately 0.8% of the total sales and the Group's largest supplier accounted for approximately 11% of the total purchases for the year.

During the year ended 31 March 2015, none of the Directors, or any of their associates or any Shareholder (which to the knowledge of the directors own more than 5% of the Company's share capital) had beneficial interests in the Group's top five customers and suppliers.

DISTRIBUTABLE RESERVES

As at 31 March 2015, the Company's reserves available for distribution represent the share premium and retained earnings amounting to approximately HK\$317,631,000.

The Directors recommend a payment of a final dividend equivalent to HK5.6 cents per share for the year ended 31 March 2015.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

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

DIRECTORS

The Directors during the year ended 31 March 2015 and up to the date of this report were:

Executive Directors

Dr. Au-Yeung Kong (*Chairman and Chief Executive Officer*)

Ms. Au-Yeung Wai (*Chief Operating Officer*)

Ms. Au-Yeung Hung

Independent Non-executive Directors

Ms. Hsu Wai Man, Helen

Ms. Pang Siu Yin

Mr. Chi Chi Hung, Kenneth

By virtue of article 84 of the articles of association of the Company at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation, and every Director shall be subject to retirement by rotation at annual general meeting at least once every three years. Accordingly, Ms. Hsu and Ms. Pang shall retire from office by rotation. Ms. Pang has notified the Board that she will not be standing for re-election as an independent non-executive Director of the Company at the forthcoming annual general meeting of the Company and will retire by

DIRECTORS' REPORT

rotation pursuant to article 84(2) of the memorandum and articles of association of the Company at the conclusion of the forthcoming annual general meeting of the Company. Only Ms. Hsu, being eligible, will offer herself for re-election at the forthcoming annual general meeting of the Company.

Subject to the approval by the Shareholders, the Board proposed to appoint Ms. Cho Yi Ping to fill the vacancy created by the retirement of Ms. Pang as an independent non-executive Director, with effect from the date of the annual general meeting of the Company. Biographical details of Ms. Cho Yi Ping is contained in the circular to shareholders and notice of annual general meeting dated 16 July 2015 despatched to shareholders of the Company together with this report.

Biographical details of the Directors are set out in pages 24 to 25 of this annual report.

DIRECTORS' SERVICE AGREEMENT

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from 10 February 2015 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 10 February 2015 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.

DIRECTORS' REPORT

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

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

As at the date of this annual report, the outstanding number of options available for issue under the Share Option Scheme is 91,300,000 Shares, representing 8.10% 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 ten years commencing from the Adoption Date.

DIRECTORS' REPORT

There is no option outstanding, granted, exercised, cancelled and lapsed during the year ended 31 March 2015.

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 2015, 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	Beneficial Owner	4,000,000 (L)	0.35%
Dr. Au-Yeung Kong	Interest of Controlled Corporation (Note)	700,000,000 (L)	62.11%
Ms. Au-Yeung Wai	Interest of Controlled Corporation (Note)	700,000,000 (L)	62.11%
Ms. Au-Yeung Hung	Interest of Controlled Corporation (Note)	700,000,000 (L)	62.11%

(L): Long position

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

Save as disclosed above, as at 31 March 2015, 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' REPORT

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 March 2015 was the Company, or any of its holding companies, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company (including their spouses and children under 18 years of age) to hold any interest or short positions in the shares, or underlying shares, or debentures, of the Company or its associated corporations (within the meaning of Part XV of the SFO).

COMPETING INTEREST

During the year ended 31 March 2015, none of the Directors, management shareholders and substantial shareholders of the Company, or their respective associate (as defined in the Listing Rules) had any interest in any business which compete or may cooperate with the business of the Group. Confirmations were provided by or obtained from the Directors and the Controlling Shareholders to ensure that none of them was engaged in the competing business. The Directors and the Controlling Shareholders had participated in training or reading materials to understand their obligation with respect to the competing business. The independent non-executive Directors also reviewed the Controlling Shareholders' compliance with the non-competition undertakings.

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

As at 31 March 2015, 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)	33.94%
Sure Sino Investments Limited	Interest of Controlled corporation (Note)	317,500,000 (L)	28.17%
Earlson Holdings Limited	Beneficial Owner	180,000,000 (L)	15.97%
Market Event Holdings Limited	Beneficial Owner	137,500,000 (L)	12.20%
Value Partners Hong Kong Limited	Investment Manager	66,236,000 (L)	5.89%

(L): Long position

Note:

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

DIRECTORS' REPORT

Save as disclosed above, as at 31 March 2015, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) who had an interest or short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of the Directors, during the year ended 31 March 2015, 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 2015.

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 2015.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 March 2015, 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 considered all the independent non-executive Directors to be independent.

PRE-EMPTIVE RIGHTS

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

DIRECTORS' REPORT

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

On 28 April 2014 and 10 June 2014, 75,000,000 new shares and 58,000,000 new shares have been successfully placed to Fidelity Investment Trust: Fidelity China Region Fund and Value Partners Hong Kong Limited respectively.

In addition, the Company repurchased a total of 6,460,000 ordinary shares of HK\$0.1 each of the Company on the Stock Exchange. 6,028,000 shares were cancelled during the year and the remaining 432,000 repurchased shares were pending for cancellation by the Company until 13 April 2015. The number of issued shares of the Company as of 31 March 2015 including the uncanceled repurchased shares was 1,126,972,000. Particulars of the shares repurchased are as follows:

Month of repurchase	Number of ordinary shares repurchased	Purchase price paid per share		Aggregate consideration paid* HK\$
		Highest HK\$	Lowest HK\$	
July 2014	2,236,000	1.90	1.78	4,111,280
August 2014	348,000	1.75	1.72	606,800
September 2014	416,000	1.74	1.64	689,960
October 2014	348,000	1.60	1.51	545,680
February 2015	1,600,000	1.74	1.73	2,783,000
March 2015	1,512,000	1.67	1.59	2,464,200

* Excluding brokerage and cancellation fees

Save as disclosed above, during the year ended 31 March 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company maintains a high standard of corporate governance practices. Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 26 to 35. The Directors believe the long term financial performance as opposed to short term rewards is a corporate governance objective. The Board would not take undue risks to make short term gains at the expense of the long term objectives.

FIVE-YEAR FINANCIAL SUMMARY

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

DIRECTORS' REPORT

EVENTS AFTER THE BALANCE SHEET DATE

On 27 April 2015, the Company granted to certain directors of the Group a total of 8,700,000 share options to subscribe for 8,700,000 new ordinary shares of HK\$0.1 each at exercise price of HK\$1.72 per share with the exercise period from 27 April 2018 to 26 April 2025. Details are set out in the Company's announcement dated 27 April 2015.

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, 29 June 2015

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) Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages 47 to 98, which comprise the consolidated and company balance sheets as at 31 March 2015, 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 predecessor Hong Kong Companies Ordinance (Cap.32), 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 2015, 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 predecessor Hong Kong Companies Ordinance (Cap.32).

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 June 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2015

	Note	2015 HK\$'000	2014 HK\$'000
Revenue	6	728,655	470,236
Other income	7	2,819	7,882
Other (losses)/gains — net	8	(1,101)	7,186
Cost of inventories and consumables		(15,056)	(10,570)
Employee benefit and manpower service expenses	15	(228,210)	(130,838)
Marketing expenses		(73,810)	(82,496)
Depreciation	17	(45,781)	(28,134)
Operating lease rentals		(80,887)	(56,046)
Other operating expenses	9	(116,683)	(70,597)
Operating profit		169,946	106,623
Finance income	10	6,797	3,172
Profit before income tax		176,743	109,795
Income tax expense	11	(41,831)	(26,771)
Profit for the year attributable to equity holders of the Company		134,912	83,024
Other comprehensive (loss)/income:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Currency translation differences		(1,844)	407
Total other comprehensive (loss)/income for the year		(1,844)	407
Total comprehensive income for the year attributable to equity holders of the Company		133,068	83,431
Earnings per share attributable to equity holders of the Company for the year			
— basic	14	HK12.1 cents	HK8.3 cents
— diluted		HK12.1 cents	HK8.3 cents

The notes on pages 53 to 98 are an integral part of these consolidated financial statements.

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

CONSOLIDATED BALANCE SHEET

As at 31 March 2015

	Note	2015 HK\$'000	2014 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	198,532	62,620
Deposits and prepayments	23	23,692	19,685
Deferred income tax assets	29	7,056	6,900
		229,280	89,205
Current assets			
Inventories	21	1,718	3,044
Trade receivables	22	61,056	35,986
Other receivables, deposits and prepayments	23	47,978	43,838
Term deposits with initial terms of over three months	24	202	22,826
Pledged bank deposits	25	12,270	12,178
Cash and cash equivalents	26	387,253	178,902
		510,477	296,774
Total assets		739,757	385,979
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	27	112,697	100,000
Share premium		308,185	91,748
Other reserves	28	7,687	7,910
Retained earnings	28	64,098	38,694
Total equity		492,667	238,352

CONSOLIDATED BALANCE SHEET

As at 31 March 2015

	Note	2015 HK\$'000	2014 HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	29	13,398	8,586
Provision for reinstatement costs	30	2,522	1,081
		15,920	9,667
Current liabilities			
Provision for reinstatement costs	30	2,582	486
Trade payables	31	1,282	1,379
Accruals and other payables	32	57,608	41,093
Deferred revenue	33	149,378	78,876
Tax payables		20,320	16,126
		231,170	137,960
Total liabilities		247,090	147,627
Total equity and liabilities		739,757	385,979
Net current assets		279,307	158,814
Total assets less current liabilities		508,587	248,019

Au-Yeung Kong
Director

Au-Yeung Wai
Director

The notes on pages 53 to 98 are an integral part of these consolidated financial statements.

BALANCE SHEET

As at 31 March 2015

	Note	2015 HK\$'000	2014 HK\$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	18	22,035	22,035
Amounts due from subsidiaries	18	420,165	218,814
		442,200	240,849
Current assets			
Prepayments and other receivables		—	5
Cash and cash equivalents	26	12,793	68
		12,793	73
Total assets		454,993	240,922
EQUITY			
Share capital	27	112,697	100,000
Share premium		308,185	91,748
Reserves	28	34,100	49,109
Total equity		454,982	240,857
LIABILITIES			
Current liabilities			
Accruals and other payables	32	11	65
Total liabilities		11	65
Total equity and liabilities		454,993	240,922
Net current assets		12,782	8
Total assets less current liabilities		454,982	240,857

Au-Yeung Kong
Director

Au-Yeung Wai
Director

The notes on pages 53 to 98 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2015

	Equity attributable to equity holders of the Company						
	Share capital HK\$'000	Share premium HK\$'000	Statutory reserve HK\$'000	Capital redemption reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
For the year ended 31 March 2015							
At 1 April 2014	100,000	91,748	5,456	—	2,454	38,694	238,352
Comprehensive income							
Profit for the year	—	—	—	—	—	134,912	134,912
Other comprehensive income							
Currency translation differences	—	—	—	—	(1,844)	—	(1,844)
Total comprehensive income	—	—	—	—	(1,844)	134,912	133,068
Total transactions with owners, recognised directly in equity							
Placement of ordinary shares (Notes 27(a) & (b))	13,300	227,638	—	—	—	—	240,938
Repurchase and cancellation of ordinary shares (Note 27(c))	(603)	(11,201)	—	603	—	—	(11,201)
Dividends (Note 13)	—	—	—	—	—	(108,490)	(108,490)
Appropriation (Note 28(b))	—	—	1,018	—	—	(1,018)	—
	12,697	216,437	1,018	603	—	(109,508)	121,247
At 31 March 2015	112,697	308,185	6,474	603	610	64,098	492,667
For the year ended 31 March 2014							
At 1 April 2013	100,000	91,748	3,208	—	2,047	44,918	241,921
Comprehensive income							
Profit for the year	—	—	—	—	—	83,024	83,024
Other comprehensive income							
Currency translation differences	—	—	—	—	407	—	407
Total comprehensive income	—	—	—	—	407	83,024	83,431
Total transactions with owners, recognised directly in equity							
Dividends (Note 13)	—	—	—	—	—	(87,000)	(87,000)
Appropriation (Note 28(b))	—	—	2,248	—	—	(2,248)	—
	—	—	2,248	—	—	(89,248)	(87,000)
At 31 March 2014	100,000	91,748	5,456	—	2,454	38,694	238,352

The notes on pages 53 to 98 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2015

	Note	2015 HK\$'000	2014 HK\$'000
Cash flows from operating activities			
Cash generated from operations	36	273,687	111,892
Interest received		6,495	763
Income tax paid		(32,912)	(21,656)
Net cash generated from operating activities		247,270	90,999
Cash flows from investing activities			
Purchase of property, plant and equipment		(180,562)	(36,401)
Sales proceeds from disposal of property, plant and equipment		—	2,912
Reinstatement costs paid for leased premises		(425)	(24)
Purchase of financial assets at fair value through profit or loss		—	(25,240)
Sales proceeds from disposal of financial assets at fair value through profit or loss		—	44,904
Decrease in term deposits with initial terms of over three months		22,700	35,928
(Increase)/decrease in pledged bank deposits		(92)	43,370
Net cash (used in)/generated from investing activities		(158,379)	65,449
Cash flows from financing activities			
Dividends paid		(108,490)	(87,000)
Proceeds from placement of ordinary shares		240,938	—
Repurchase and cancellation of ordinary shares		(11,201)	—
Net cash generated from/(used in) financing activities		121,247	(87,000)
Net increase in cash and cash equivalents		210,138	69,448
Cash and cash equivalents at 1 April		178,902	109,472
Effect of foreign exchange rate changes		(1,787)	(18)
Cash and cash equivalents at 31 March		387,253	178,902

The notes on pages 53 to 98 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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. The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 10 February 2012.

These consolidated financial statements are presented in Hong Kong dollars (“HK\$”), unless otherwise stated, and have been approved for issue by the Board of Directors on 29 June 2015.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) under the historical cost convention as modified by the revaluation of financial assets at fair value through profit or loss which are carried at fair value.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

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 judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

(a) Amendments to existing standards and interpretation adopted by the Group

HKAS 32 (Amendment)	Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendment)	Impairment of Assets
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement — Novation of Derivatives
HKFRS 10, HKFRS 12 and HKAS 27 (Amendment)	Investment Entities
HK(IFRIC) — Int 21	Levies

The adoption of the above amendments and interpretation has no significant impact to the Group’s financial position and operating results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

2.1 Basis of preparation — continued

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

		Effective for accounting periods beginning on or after
Annual Improvements Project	Annual Improvements 2010–2012 Cycle	1 July 2014
Annual Improvements Project	Annual Improvements 2011–2013 Cycle	1 July 2014
Annual Improvements Project	Annual Improvements 2012–2014 Cycle	1 January 2016
HKAS 1 (Amendment)	Disclosure Initiative	1 January 2016
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 16 and HKAS 41 (Amendment)	Agriculture: Bearer Plants	1 January 2016
HKAS 19 (2011) Amendment	Defined Benefit Plans: Employee Contributions	1 July 2014
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements	1 January 2016
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment Entities: Apply the Consolidation Exception	1 January 2016
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2017

The directors are in the process of assessing the financial impact of the adoption of the above new standards and amendments to standards and are not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

In addition, the disclosure requirements of the new Hong Kong Companies Ordinance (Cap. 622) will become effective for the Company's financial year ending 31 March 2016. The Group is in the process of making an assessment of expected impact of the changes. So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2015.

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

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

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

Acquisition-related costs are expensed as incurred.

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

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

The Group did not have any non-controlling interest.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

2.2 Consolidation — continued

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

2.3 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"). As the Company is listed on the Stock Exchange, its consolidated financial statements are presented in HK\$, which is the presentation currency of the Group and the Company.

(ii) *Transactions and balances*

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

(iii) *Group companies*

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

2.4 Foreign currency translation — continued

(iii) Group companies — continued

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

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

2.5 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 (if any) over their estimated useful lives, as follows:

Machinery and equipment	20% to 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

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 and loans and receivables. 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, cash and cash equivalents, term deposits and pledged deposits.

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. 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/(losses) — 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

2.8 Impairment of financial assets carried at amortised cost

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

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

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

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

2.9 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

2.10 Receivables

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

2.11 Cash and cash equivalents

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

2.12 Financial liabilities and equity instruments

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

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

2.13 Current and deferred income tax

The income tax 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

2.13 Current and deferred income tax — continued

(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.

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.

2.14 Employee benefits

(a) *Pension obligations*

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

2.14 Employee benefits — continued

(b) Bonus plan

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

2.15 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.

2.16 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

2.16 Revenue and income recognition — continued

(a) *Sales of services*

Revenue from the provision of slimming and beauty services are recognised when the services have 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 six-month expiry policy for all service contracts, under which any unutilised treatments at the end of the relevant 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 six months is entered into 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 have 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.

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

(b) *Sales of products*

Revenue from the sales of slimming and beauty products or redemption of such products by way of utilising an equivalent value of unexpired service treatments 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 the clients.

(c) *Sales of equipment*

Income from the sales of equipment is recognised on the transfer of risks and rewards of the related equipment, which generally coincides with the time when the equipment is delivered to the customers.

(d) *Interest income*

Interest income is recognised using the effective interest method.

2.17 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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

2.18 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.

2.19 Dividend distributions

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk, 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\$, Macau 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT — CONTINUED

3.1 Financial risk factors — continued

(b) Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of cash at banks, term deposits, pledged bank deposits, trade receivables, deposits and other receivables included in the 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, term deposits and pledged bank 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.

As at 31 March 2015 and 2014, 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 2015 and 2014, the majority of the Group's deposits are placed with various landlords in Hong Kong, Macau and the PRC, and are due to refund upon the expiry of the tenancy agreements and handover of the leased premises. The Group did not experience any defaults by the landlords.

(c) Liquidity risk

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

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

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 2015, the credit terms with financial institutions on instalment and credit card sales arrangement generally ranged from 3 days to 180 days. Generally, a relatively low proportion of the Group's total sales contracts was entered into through instalment sales arrangement with credit terms exceeding 90 days.

As at 31 March 2015 and 2014, the contractual undiscounted cash flows of the Group's current financial liabilities approximate their respective carrying amounts due to their short maturities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT — CONTINUED

3.1 Financial risk factors — continued

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

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

3.2 Fair value estimation

As at 31 March 2015 and 31 March 2014, the Group did not have any financial assets or financial liabilities that were measured at fair value.

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

3.3 Capital risk management

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

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

The Group also monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the 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\$387,253,000 as at 31 March 2015 (2014: HK\$178,902,000), and has no outstanding bank loans, overdrafts or other borrowings at 31 March 2015 (2014: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

(a) Provision for refund policy

Except for the specific refundable service programmes as described in Note 2.16, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS — CONTINUED

(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.

5 SEGMENT INFORMATION

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

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

	2015 HK\$'000	2014 HK\$'000
Hong Kong	427,759	182,292
The PRC	285,099	282,167
Macau	15,797	5,777
	728,655	470,236

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION — CONTINUED

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

	2015 HK\$'000	2014 HK\$'000
Hong Kong	80,682	28,484
The PRC	85,061	78,205
Macau	11,000	3,106
	176,743	109,795

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

	2015 HK\$'000	2014 HK\$'000
Hong Kong	188,006	49,965
The PRC	31,602	32,326
Macau	2,616	14
	222,224	82,305

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

	2015 HK\$'000	2014 HK\$'000
Hong Kong	163,670	28,291
The PRC	13,290	10,168
Macau	2,129	—
	179,089	38,459

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 REVENUE

	2015 HK\$'000	2014 HK\$'000
Turnover		
Revenue from treatment service contracts (Note 33(b))	722,520	468,694
Revenue from sales of slimming and beauty products (Note 33(c))	6,135	1,542
	728,655	470,236

7 OTHER INCOME

	2015 HK\$'000	2014 HK\$'000
Government subsidies	2,069	5,216
Income from sales of slimming and beauty related equipment	—	1,894
Others	750	772
	2,819	7,882

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

8 OTHER (LOSSES)/GAINS — NET

	2015 HK\$'000	2014 HK\$'000
(Losses)/gains on disposal of property, plant and equipment	(999)	2,338
Net exchange (losses)/gains	(102)	2,750
Remeasurement of provision for reinstatement costs (Note 30)	—	1,364
Gains on disposal of financial assets at fair value through profit or loss	—	734
Other (losses)/gains — net	(1,101)	7,186

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 OTHER OPERATING EXPENSES

Included in other operating expenses are the following:

	2015 HK\$'000	2014 HK\$'000
Doctor consultation fee	3,867	495
Building management fee	14,989	12,287
Auditor's remuneration	1,980	1,700
Credit card and instalment arrangement commissions	37,390	14,218
Business tax (Note)	13,710	13,460
Printing, stationeries and general office expenses	8,350	5,224
Utility charges	4,067	3,390
Courier, postages and delivery charges	3,181	3,435
Travelling expenses	1,315	1,394
Other expenses	27,834	14,994
	116,683	70,597

Note: Business tax is levied on the revenue from treatment service contracts in the PRC at the rate of 5% (2014: 5%).

10 FINANCE INCOME

	2015 HK\$'000	2014 HK\$'000
Interest income on bank deposits	6,797	3,172

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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% (2014: 16.5%) for the year on the estimated assessable profits arising in or derived from Hong Kong. Companies established and operating in the PRC are subject to PRC corporate income tax at the rate of 25% (2014: 25%). Companies established and operating in Macau are subject to Macau complementary tax, under which taxable income of up to MOP600,000 is exempted from taxation with amounts beyond this amount to be taxed at a fixed rate of 12% for the year ended 31 March 2015 (2014: 9% on taxable income above MOP200,000 but below MOP300,000, and thereafter at a fixed rate at 12%).

	2015 HK\$'000	2014 HK\$'000
Current income taxation		
— Hong Kong profits tax	11,165	2,973
— PRC corporate income tax	21,168	16,349
— Macau income tax	1,320	408
	33,653	19,730
(Over)/under-provision in prior years		
— Hong Kong profits tax	(538)	568
Total current income taxation	33,115	20,298
Deferred taxation (Note 29)	8,716	6,473
	41,831	26,771

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

	2015 HK\$'000	2014 HK\$'000
Profit before income tax	176,743	109,795
Tax calculated at the applicable domestic tax rates (Note (a))	35,518	23,644
Income not subject to tax	(607)	(1,186)
Expenses not deductible	789	354
Tax effect of unrecognised tax losses	2,749	1,051
Utilisation of tax losses and other temporary differences previously not recognised	(73)	(797)
Effect of PRC withholding taxes	5,903	4,531
Tax credit (Note (b))	(1,358)	(1,397)
(Over)/under-provision in prior years	(538)	568
Others	(552)	3
Tax charge	41,831	26,771

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 INCOME TAX EXPENSE — CONTINUED

Notes:

- (a) The weighted average applicable tax rate for the year ended 31 March 2015 was 20.1% (2014: 21.5%). 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.
- (b) Pursuant to the arrangement between Mainland China and Hong Kong tax authorities on the Avoidance of Double Taxation on Income, the Group is entitled to a 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 2015 was dealt with in the financial statements of the Company to the extent of approximately HK\$93,357,000 (2014: HK\$79,321,000).

13 DIVIDENDS

	2015 HK\$'000	2014 HK\$'000
Interim, paid, of HK5.8 cents (2014: HK4.3 cents) per ordinary share (Notes (i) and (ii))	65,521	43,000
Final, proposed, of HK5.6 cents (2014: HK3.8 cents) per ordinary share (Notes (iii) and (iv))	63,086	42,969
	128,607	85,969

Notes:

- (i) At a board meeting held on 28 November 2013, the directors declared an interim dividend for the year ended 31 March 2014 of HK4.3 cents per ordinary share, totalling HK\$43,000,000, which was paid on 13 January 2014 and was reflected as an appropriation of retained earnings for the year ended 31 March 2014.
- (ii) At a board meeting held on 18 November 2014, the directors declared an interim dividend for the year ended 31 March 2015 of HK5.8 cents per ordinary share, totalling HK\$65,521,000, which was paid on 2 January 2015 and was reflected as an appropriation of retained earnings for the year ended 31 March 2015.
- (iii) At a board meeting held on 30 June 2014, the directors recommended the payment of a final dividend of HK3.8 cents per ordinary share, totalling HK\$42,969,000, for the year ended 31 March 2014. The amount was paid on 18 September 2014 and was reflected as an appropriation of retained earnings for the year ended 31 March 2015.
- (iv) At a board meeting held on 29 June 2015, the directors recommended the payment of a final dividend of HK5.6 cents per ordinary share, totalling HK\$63,086,000. The dividend was not reflected as dividend payable in these consolidated financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2016 after receiving the shareholders' approval at the forthcoming annual general meeting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

	2015 HK\$'000	2014 HK\$'000
Profit attributable to equity holders of the Company	134,912	83,024
Weighted average number of ordinary shares for the purposes of basic earnings per share (thousands of share)	1,117,835	1,000,000
Basic earnings per share (HK cents per share)	12.1	8.3

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.

15 EMPLOYEE BENEFIT AND MANPOWER SERVICE EXPENSES

	2015 HK\$'000	2014 HK\$'000
Wages and salaries	192,674	91,475
Pension costs — defined contribution plans (Note (a))	11,661	3,549
Other staff welfares	7,075	4,183
Total employee benefit expenses (including directors' remunerations)	211,410	99,207
Manpower service costs (Note (b))	16,800	31,631
	228,210	130,838

Notes:

(a) Hong Kong

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), which is a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Hong Kong subsidiaries of the Group and its Hong Kong employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The respective monthly contributions made by the Group and the employee are subject to a cap of HK\$1,250 prior to 1 June 2014 and HK\$1,500 thereafter, with contributions beyond these amounts being voluntary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 EMPLOYEE BENEFIT AND MANPOWER SERVICE EXPENSES — CONTINUED

Notes: — continued

(a) 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 12% (2014: 0% to 12%) of their basic salaries, while the subsidiaries contribute approximately 11% to 35% (2014: 11% to 35%) of the basic salaries of its employees and have no further obligations for the actual payment of pensions or post-retirement benefits beyond the contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to the retired employees.

(b) During the years ended 31 March 2015 and 2014, the Group entered into certain manpower service arrangements with several external manpower service organisations in the PRC. Under these arrangements, certain of the Group's manpower requirements were fulfilled by these organisations at agreed service fees whereas the human resources provided were directly employed by the relevant service organisations. The individuals providing services to the Group do not have any employment relationship with the Group.

(c) The Company has a share option scheme, under which it may grant options to directors (including executive, non-executive or independent non-executive directors), any employee (full-time or part-time), any consultant or adviser of the Company or the Group (on an employment or contractual or honorary basis and paid or unpaid) to subscribe for the shares of the Company, subject to a maximum of 10% of number of shares in issue as at the listing date or such maximum number as approved by the shareholders. The exercise price shall be at least the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the options, 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 options; and (iii) the nominal value of the shares.

No share options were granted or exercised during the year ended 31 March 2015 (2014: Nil) and no share options were outstanding as at 31 March 2015 (2014: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATIONS

(a) Remunerations of directors and chief executive

	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 2015					
Executive directors					
Dr. Au-Yeung Kong (Chief executive)	4,800	—	—	—	4,800
Ms. Au-Yeung Wai	2,400	—	—	—	2,400
Ms. Au-Yeung Hung	2,400	—	—	—	2,400
Independent non-executive directors					
Ms. Hsu Wai Man, Helen	100	—	—	—	100
Ms. Pang Siu Yin	100	—	—	—	100
Mr. Chi Chi Hung, Kenneth	100	—	—	—	100
	9,900	—	—	—	9,900
Year ended 31 March 2014					
Executive directors					
Dr. Au-Yeung Kong (Chief executive)	4,800	—	—	—	4,800
Ms. Au-Yeung Wai	2,400	—	—	—	2,400
Ms. Au-Yeung Hung	2,400	—	—	—	2,400
Independent non-executive directors					
Ms. Hsu Wai Man, Helen	100	—	—	—	100
Ms. Pang Siu Yin	100	—	—	—	100
Mr. Chi Chi Hung, Kenneth	100	—	—	—	100
	9,900	—	—	—	9,900

No directors waived or agreed to waive any emoluments during years ended 31 March 2015 and 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	
	2015	2014
Directors	2	3
Employees	3	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:

	2015 HK\$'000	2014 HK\$'000
Basic salaries	10,192	2,593
Pension costs — defined contribution plan	54	29
	10,246	2,622

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

	Number of non-directors	
	2015	2014
HK\$1,000,001 to HK\$1,500,000	—	2
HK\$2,500,001 to HK\$3,000,000	1	—
HK\$3,000,001 to HK\$3,500,000	1	—
HK\$4,000,001 to HK\$4,500,000	1	—

During the year, no emoluments had been paid to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2014: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2013					
Cost	67,027	57,532	12,763	7,422	144,744
Accumulated depreciation	(48,332)	(32,458)	(7,646)	(3,859)	(92,295)
Net book amount	18,695	25,074	5,117	3,563	52,449
Year ended 31 March 2014					
Opening net book amount	18,695	25,074	5,117	3,563	52,449
Exchange differences	175	86	26	—	287
Additions	9,154	25,619	3,819	—	38,592
Disposals	(417)	(30)	(105)	(22)	(574)
Depreciation	(13,603)	(10,346)	(2,722)	(1,463)	(28,134)
Closing net book amount	14,004	40,403	6,135	2,078	62,620
At 31 March 2014					
Cost	73,181	83,096	16,205	3,739	176,221
Accumulated depreciation	(59,177)	(42,693)	(10,070)	(1,661)	(113,601)
Net book amount	14,004	40,403	6,135	2,078	62,620
Year ended 31 March 2015					
Opening net book amount	14,004	40,403	6,135	2,078	62,620
Exchange differences	(39)	(68)	(15)	—	(122)
Additions	47,174	124,937	10,703	—	182,814
Disposals	(841)	(47)	(111)	—	(999)
Depreciation	(17,613)	(23,209)	(4,211)	(748)	(45,781)
Closing net book amount	42,685	142,016	12,501	1,330	198,532
At 31 March 2015					
Cost	110,731	207,463	26,353	3,739	348,286
Accumulated depreciation	(68,046)	(65,447)	(13,852)	(2,409)	(149,754)
Net book amount	42,685	142,016	12,501	1,330	198,532

Additions of leasehold improvements 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

18 INTERESTS IN SUBSIDIARIES — COMPANY

	2015 HK\$'000	2014 HK\$'000
Unlisted equity investments, at cost	22,035	22,035
Amounts due from subsidiaries (Note (a))	420,165	218,814

Notes:

- (a) The amounts due from subsidiaries were unsecured and non-interest bearing. These amounts had no fixed terms of repayment and were regarded as capital contributions to the subsidiaries.
- (b) Particulars of the principal subsidiaries of the Company are set out in Note 37.

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 HK\$'000	2014 HK\$'000
At 1 April	—	18,684
Additions	—	25,240
Disposals	—	(44,170)
Exchange differences	—	246
At 31 March	—	—

As at 31 March 2015 and 2014, the Group has no financial assets at fair value through profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 FINANCIAL INSTRUMENTS BY CATEGORY

Group

	Loans and receivables	
	HK\$'000	
Assets included in the consolidated balance sheet		
At 31 March 2015		
Trade receivables		61,056
Other receivables and deposits		42,003
Term deposits with initial terms of over three months		202
Pledged bank deposits		12,270
Cash and cash equivalents		387,253
		502,784
At 31 March 2014		
Trade receivables		35,986
Other receivables and deposits		30,483
Term deposits with initial terms of over three months		22,826
Pledged bank deposits		12,178
Cash and cash equivalents		178,902
		280,375
	Financial liabilities at amortised cost	
	2015	2014
	HK\$'000	HK\$'000
Liabilities included in the consolidated balance sheet		
Trade payables	1,282	1,379
Accruals and other payables	37,059	37,217
	38,341	38,596

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 FINANCIAL INSTRUMENTS BY CATEGORY — CONTINUED

Company

	Loans and receivables	
	2015 HK\$'000	2014 HK\$'000
Assets included in the balance sheet		
Cash and cash equivalents	12,793	68
	Financial liabilities at amortised cost	
	2015 HK\$'000	2014 HK\$'000
Liabilities included in the balance sheet		
Accruals and other payables	11	65

21 INVENTORIES

	2015 HK\$'000	2014 HK\$'000
Trading merchandises and consumables	1,718	3,044

22 TRADE RECEIVABLES

	2015 HK\$'000	2014 HK\$'000
Trade receivables	61,056	35,986

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

	2015 HK\$'000	2014 HK\$'000
Hong Kong dollars	56,216	31,567
Chinese Renminbi	1,608	4,165
Macau Patacas	3,232	254
	61,056	35,986

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 TRADE RECEIVABLES — CONTINUED

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

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

	2015 HK\$'000	2014 HK\$'000
Less than 60 days	57,369	31,899
60 days to 90 days	3,416	1,350
91 days to 120 days	271	800
Over 120 days	—	1,937
	61,056	35,986

At 31 March 2015, trade receivables of approximately HK\$5,173,000 (2014: HK\$2,456,000) were past due but not considered to be impaired because they were mainly related to a number of financial institutions of high individual credit ratings with no recent history of default. The ageing analysis of these trade receivables by the days of overdue repayment is as follows:

	2015 HK\$'000	2014 HK\$'000
Less than 60 days	4,429	2,416
60 days to 120 days	744	24
Over 120 days	—	16
	5,173	2,456

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 2015 and 2014, no collateral was received from these counterparties.

As at 31 March 2015 and 2014 and during the years then ended, no trade receivables were impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2015 HK\$'000	2014 HK\$'000
Current		
Prepayments	21,980	27,422
Deposits	22,266	12,320
Other receivables	3,732	4,096
	47,978	43,838
Non-current		
Prepayments for the acquisition of property, plant and equipment	7,687	5,618
Rental and utility deposits	15,761	13,910
Other deposits	244	157
	23,692	19,685
Total	71,670	63,523

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

	2015 HK\$'000	2014 HK\$'000
Hong Kong dollars	22,115	13,290
Chinese Renminbi	19,564	16,977
Macau Patacas	324	216
	42,003	30,483

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 TERM DEPOSITS WITH INITIAL TERMS OF OVER THREE MONTHS

As at 31 March 2015, the weighted average effective interest rate of the Group's term deposits with initial terms of over three months was 1.10% (2014: 2.72%).

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

	2015 HK\$'000	2014 HK\$'000
Chinese Renminbi	—	22,626
Macau Patacas	202	200
	202	22,826

25 PLEDGED BANK DEPOSITS

As at 31 March 2015, certain of the Group's bank deposits were pledged to certain financial institutions based in Hong Kong to secure banking facilities in respect of credit card and instalment sales arrangement. As at 31 March 2015, the weighted average effective interest rate of these deposits is 0.93% (2014: 0.92%).

The Group's pledged bank deposits were denominated in the following currencies:

	2015 HK\$'000	2014 HK\$'000
Hong Kong dollars	8,336	8,323
Chinese Renminbi	3,934	3,855
	12,270	12,178

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 CASH AND CASH EQUIVALENTS

	Group		Company	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Cash at banks	112,896	90,937	12,793	68
Cash on hand	351	443	—	—
Term deposits with initial terms of less than three months	274,006	87,522	—	—
	387,253	178,902	12,793	68

Cash and cash equivalents were denominated in the following currencies:

	Group		Company	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Hong Kong dollars	161,347	19,200	12,793	68
Chinese Renminbi (“RMB”)	220,300	156,933	—	—
Macau Patacas	4,461	2,068	—	—
United States dollars	1,145	701	—	—
	387,253	178,902	12,793	68

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 SHARE CAPITAL — GROUP AND COMPANY

	2015		2014	
	Number of shares '000	Nominal value HK\$'000	Number of shares '000	Nominal value HK\$'000
Authorised:				
Ordinary shares of HK\$0.10 each	10,000,000	1,000,000	10,000,000	1,000,000
Issued and fully paid:				
Ordinary shares of HK\$0.10 each			Number of shares '000	Nominal value HK\$'000
At 31 March and 1 April 2013, and 31 March and 1 April 2014			1,000,000	100,000
Placement of shares (Notes (a) & (b))			133,000	13,300
Cancellation of shares (Note (c))			(6,028)	(603)
At 31 March 2015			1,126,972	112,697

- (a) Pursuant to a placing and subscription agreement dated 18 April 2014 entered into amongst the Company, Sure Sino Investments Limited (“Sure Sino”), a company wholly owned by Dr. Au Yeung Kong, and Fidelity Investment Trust: Fidelity China Region Fund (“Fidelity”), 75,000,000 ordinary shares of the Company were allotted and issued to Sure Sino at a subscription price of HK\$1.75 per share, totaling HK\$131,250,000, on 28 April 2014; and 75,000,000 ordinary shares of the Company were sold by Sure Sino to Fidelity at a price of HK\$1.75 per share, totaling HK\$131,250,000, on 25 April 2014.

Accordingly, an amount of HK\$7,500,000 was credited to the share capital account, and an amount of approximately HK\$123,475,000 (being the remaining of gross proceeds net of professional fees of approximately HK\$275,000) was credited to the share premium account.

All the new shares allotted and issued rank pari passu in all respects with the existing issued ordinary shares.

- (b) Pursuant to a placing and subscription agreement dated 30 May 2014 entered into amongst the Company, Sure Sino, and Value Partners Hong Kong Limited (“Valuer Partners”), 58,000,000 ordinary shares of the Company were allotted and issued to Sure Sino at a subscription price of HK\$1.90 per share, totaling HK\$110,200,000, on 10 June 2014; and 58,000,000 ordinary shares of the Company were sold by Sure Sino to Value Partners at a price of HK\$1.90 per share, totaling HK\$110,200,000, on 6 June 2014.

Accordingly, an amount of HK\$5,800,000 was credited to the share capital account, and an amount of approximately HK\$104,163,000 (being the remaining of gross proceeds net of professional fees of approximately HK\$237,000) was credited to the share premium account.

All the new shares allotted and issued rank pari passu in all respects with the existing issued ordinary shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 SHARE CAPITAL — GROUP AND COMPANY — CONTINUED

- (c) During the year ended 31 March 2015, the Company repurchased 6,460,000 of its own shares. The total amount paid to repurchase the shares was HK\$11,201,000 and was charged to capital redemption reserve within shareholders' equity. 6,028,000 shares were cancelled during the year and the remaining 432,000 repurchased shares were cancelled on 13 April 2015.

28 RESERVES

Group

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

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

Company

	Retained earnings HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Exchange reserve HK\$'000	Total HK\$'000
At 1 April 2013	32,258	22,015	—	661	54,934
Profit for the year	79,321	—	—	—	79,321
Dividends	(87,000)	—	—	—	(87,000)
Currency translation differences	—	—	—	1,854	1,854
At 31 March 2014 and 1 April 2014	24,579	22,015	—	2,515	49,109
Profit for the year	93,357	—	—	—	93,357
Dividends (Note 13)	(108,490)	—	—	—	(108,490)
Repurchase and cancellation of ordinary shares (Note 27(c))	—	—	603	—	603
Currency translation differences	—	—	—	(479)	(479)
At 31 March 2015	9,446	22,015	603	2,036	34,100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 RESERVES — CONTINUED

Company — continued

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

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

29 DEFERRED TAXATION

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

	2015 HK\$’000	2014 HK\$’000
Deferred income tax assets		
Deferred tax assets to be recovered after more than 12 months	7,056	6,900
Deferred income tax liabilities		
Deferred tax liabilities to be settled after more than 12 months	(4,894)	(1,889)
Deferred tax liabilities to be settled within 12 months	(8,504)	(6,697)
	(13,398)	(8,586)
Deferred tax liabilities — net	(6,342)	(1,686)

The movement on net deferred income tax assets/(liabilities) account is as follows:

	2015 HK\$’000	2014 HK\$’000
At 1 April	(1,686)	3,292
Charged to profit or loss (Note 11)	(8,716)	(6,473)
Payment during the year	4,096	1,437
Exchange differences	(36)	58
At 31 March	(6,342)	(1,686)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 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	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
At 1 April	2,126	3,314	1,382	1,261	548	821	4,844	5,075	8,900	10,471
Credited/(charged) to profit or loss	7,826	(1,189)	25	120	(543)	(282)	835	(278)	8,143	(1,629)
Exchange differences	—	1	—	1	2	9	(38)	47	(36)	58
At 31 March	9,952	2,126	1,407	1,382	7	548	5,641	4,844	17,007	8,900

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 2015, the Group did not recognise certain deferred income tax assets of approximately HK\$4,477,000 (2014: HK\$1,801,000) in respect of accumulated tax losses amounting to approximately HK\$19,974,000 (2014: HK\$8,036,000) that can be carried forward indefinitely against future taxable income.

Deferred tax liabilities

	Accelerated tax depreciation		PRC withholding taxes		Total	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
At 1 April	(3,889)	(2,249)	(6,697)	(4,930)	(10,586)	(7,179)
Charged to profit or loss	(10,956)	(1,640)	(5,903)	(3,204)	(16,859)	(4,844)
Payment during the year	—	—	4,096	1,437	4,096	1,437
At 31 March	(14,845)	(3,889)	(8,504)	(6,697)	(23,349)	(10,586)

As at 31 March 2015, unremitted earnings of PRC subsidiaries totalled HK\$134,970,000 (2014: HK\$104,241,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 PROVISION FOR REINSTATEMENT COSTS

The movement of provision for reinstatement costs is as follows:

	2015 HK\$'000	2014 HK\$'000
At 1 April	1,567	2,836
Provision during the year	3,725	134
Actual costs paid	(425)	(24)
Remeasurement (Note 8)	—	(1,364)
Under/(over)-provision	253	(24)
Exchange differences	(16)	9
At 31 March	5,104	1,567
Represented by:		
— Non-current	2,522	1,081
— Current	2,582	486
	5,104	1,567

31 TRADE PAYABLES

Payment terms with majority of the suppliers are on open account. Certain suppliers grant credit period ranging from 30 to 180 days (2014: 30 to 180 days).

At 31 March 2015, the ageing analysis of trade payables based on invoice date is as follows:

	2015 HK\$'000	2014 HK\$'000
Less than 60 days	531	207
60 days to 120 days	113	12
Over 120 days	638	1,160
	1,282	1,379

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 TRADE PAYABLES — CONTINUED

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

	2015 HK\$'000	2014 HK\$'000
Hong Kong dollars	590	482
Chinese Renminbi	692	897
	1,282	1,379

32 ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Accrued operating expenses	51,247	35,776	11	65
Other payables	6,361	5,317	—	—
	57,608	41,093	11	65

Accruals and other payables were denominated in the following currencies:

	Group		Company	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Hong Kong dollars	34,423	13,718	11	65
Chinese Renminbi	22,800	27,143	—	—
Macau Patacas	385	232	—	—
	57,608	41,093	11	65

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 DEFERRED REVENUE

	2015 HK\$'000	2014 HK\$'000
Deferred revenue on prepaid treatment packages	149,378	78,876

The movement of deferred revenue is as follows:

	2015 HK\$'000	2014 HK\$'000
Beginning of the year	78,876	79,168
Sales contracts entered into during the year (Note (a))	803,867	472,601
Revenue from treatment service contracts (Note (b))	(722,520)	(468,694)
Revenue recognised for the sales of slimming and beauty products (Note (c))	(6,135)	(1,542)
Refunds of treatment packages (Note (d))	(4,571)	(3,100)
Exchange differences	(139)	443
At the end of the year	149,378	78,876

Notes:

- (a) The amounts represent the receipts from sales of slimming and beauty services and products to clients during the year which were to be settled via credit cards, Electronic Payment System ("EPS"), cheques, instalment payment arrangement or cash.
- (b) The amount represents revenue from treatment service contracts, of which an amount of HK\$559.0 million (2014: HK\$346.6 million) is recognised during the year upon the provision of services, whereas the remaining amount represents revenue recognised for services not utilised by customers during the contractual service period.
- (c) The amounts represent the revenue recognised in profit or loss for the sales of products.
- (d) The amounts represent refunds of treatment packages as a result of certain 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.

As at 31 March 2015 and 2014, the entire balance of deferred revenue was aged within one year from the date when the respective sales contracts were entered into.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 COMMITMENTS

(a) Operating lease commitments

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

	2015 HK\$'000	2014 HK\$'000
Not later than one year	100,217	57,626
Later than one year and not later than five years	184,403	72,837
	284,620	130,463

(b) Capital commitments

	2015 HK\$'000	2014 HK\$'000
Capital expenditure contracted for but not yet incurred in respect of acquisition of property, plant and equipment	6,254	8,967

35 RELATED PARTY TRANSACTIONS

Related parties are individuals and entities, including subsidiaries, fellow subsidiaries, joint ventures, associates and key management personnel, where the individual or entity has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and operating decisions. A close family member of any such individual is also considered to be a related party. Entities are also considered to be related if they are subject to common control.

- (a) During the year ended 31 March 2015 and 31 March 2014, certain of the Group's banking facilities in respect of credit card and instalment sales arrangement were secured by (i) personal guarantee provided by a director; (ii) a property owned by a director; and (iii) the pledged bank deposits as at 31 March 2015 and 31 March 2014 as set out in Note 25.
- (b) Details of key management compensations are disclosed in Note 16 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 CASH GENERATED FROM OPERATIONS

	2015 HK\$'000	2014 HK\$'000
Profit before income tax	176,743	109,795
Adjustments for:		
— Depreciation	45,781	28,134
— Losses/(gains) on disposal of property, plant and equipment	999	(2,338)
— Gains on disposal of financial assets at fair value through profit or loss	—	(734)
— Under/(over)-provision for reinstatement costs	253	(24)
— Remeasurement of provision for reinstatement costs	—	(1,364)
— Interest income	(6,797)	(3,172)
	216,979	130,297
Changes in working capital:		
— Inventories	1,319	(441)
— Trade receivables	(25,072)	(16,599)
— Other receivables, deposits and prepayments	(6,902)	(4,831)
— Trade payables, accruals and other payables	16,722	4,201
— Deferred revenue	70,641	(735)
Cash generated from operations	273,687	111,892

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 PARTICULARS OF PRINCIPAL SUBSIDIARIES

As 31 March 2015, the Company had the following principal subsidiaries:

Name of subsidiary	Place of incorporation/ establishment	Principal activities and place of operation	Registered/ issued and fully paid up capital	Effective interest held by the Group
Direct interests:				
Perfect Shape Advertising Company Limited	Hong Kong	Provision of advertising services to group companies in Hong Kong	HK\$10,000	100%
Perfect Shape Holdings (China) Limited	The British Virgin Islands	Investment holding in the PRC	100 shares of US\$1 each	100%
Success Honour Holdings Limited	The British Virgin Islands	Investment holding in Hong Kong	100 shares of US\$1 each	100%
Perfect Shape & Skin Management Co. Limited	Hong Kong	Holding of trademarks in Hong Kong and the PRC	HK\$10,000	100%
Indirect interests:				
BK Medical Group Limited	Hong Kong	Provision of slimming and beauty services and sales of slimming and beauty products in Hong Kong	HK\$10,000	100%
Perfect Shape & Skin Limited	Hong Kong	Rental of equipment to group companies in Hong Kong	HK\$20,000	100%
I-Medi Asia Limited	Hong Kong	Rental of equipment to group companies in Hong Kong	HK\$10,000	100%
Perfect Medical Group Limited (formerly known as "Perfect Shape & Skin (TM) Limited")	Hong Kong	Provision of slimming and beauty services and sales of slimming and beauty products in Hong Kong	HK\$10,000	100%
Perfect Health Group Limited (formerly known as "Perfect Shape & Skin (YL) Limited")	Hong Kong	Provision of slimming and beauty services and sales of slimming and beauty products in Hong Kong	HK\$10,000	100%
Perfect Shape & Spa Limited	Hong Kong	Provision of slimming and beauty services and sales of slimming and beauty products in Hong Kong	HK\$10,000	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 PARTICULARS OF PRINCIPAL SUBSIDIARIES — CONTINUED

Name of subsidiary	Place of incorporation/ establishment	Principal activities and place of operation	Registered/ issued and fully paid up capital	Effective interest held by the Group
Indirect interests: — continued				
New Beauty Management Limited (formerly known as “Perfect Shape & Spa (CWB) Limited”)	Hong Kong	Provision of slimming and beauty services and sales of slimming and beauty products in Hong Kong	HK\$10,000	100%
Dr. Wu Dermatology and Laser Centre Limited (formerly known as “Perfect Shape & Spa (KT) Limited”)	Hong Kong	Provision of slimming and beauty services and sales of slimming and beauty products in Hong Kong	HK\$10,000	100%
Perfect Shape & Skin (Macau) Limited	Macau	Provision of slimming and beauty services and sales of slimming and beauty products in Macau	MOP100,000	100%
Perfect Medical Beauty Group Limited (formerly know as “Perfect Shape & Spa (MK) Limited”)	Hong Kong	Provision of slimming and beauty services and sales of slimming and beauty products in Hong Kong	HK\$10,000	100%
Paris Medical Beauty Limited	Hong Kong	Provision of slimming and beauty services and sales of slimming and beauty products in Hong Kong	HK\$10,000	100%
Perfect Shape & Spa (TP) Limited	Hong Kong	Provision of slimming and beauty services and sales of slimming and beauty products in Hong Kong	HK\$10,000	100%
Perfect Shape Medical Limited (formerly known as “Perfect Shape & Spa (TST) Limited”)	Hong Kong	Provision of slimming and beauty services and sales of slimming and beauty products in Hong Kong	HK\$10,000	100%
Perfect Shape (Holdings) Limited	Hong Kong	Provision of management services to group companies in Hong Kong	HK\$10,000	100%
Slim Model Beauty Limited	Hong Kong	Provision of slimming and beauty services and sales of slimming and beauty products in Hong Kong	HK\$10,000	100%
My Beauty Spa Group Limited (formerly known as “Perfect Shape & Spa (TW) Limited”)	Hong Kong	Provision of slimming and beauty services and sales of slimming and beauty products in Hong Kong	HK\$10,000	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 PARTICULARS OF PRINCIPAL SUBSIDIARIES — CONTINUED

Name of subsidiary	Place of incorporation/ establishment	Principal activities and place of operation	Registered/ issued and fully paid up capital	Effective interest held by the Group
Indirect interests: — continued				
Perfect Shape Investment (Shanghai) Limited	Hong Kong	Investment holding in the PRC	HK\$10,000	100%
Perfect Skin Medical Limited	Hong Kong	Provision of slimming and beauty services and sales of slimming and beauty products in Hong Kong	HK\$10,000	100%
Perfect Shape & Spa (NP) Limited	Hong Kong	Provision of slimming and beauty services and sales of slimming and beauty products in Hong Kong	HK\$10,000	100%
Perfect Marketing Global Limited (formerly known as “Perfect Shape & Skin (SS) Limited”)	Hong Kong	Provision of slimming and beauty services and sales of slimming and beauty products in Hong Kong	HK\$10,000	100%
Slimming Medical Beauty Centre Limited (formerly known as “Perfect Shape and Spa (Mongkok) Limited”)	Hong Kong	Provision of slimming and beauty services and sales of slimming and beauty products in Hong Kong	HK\$10,000	100%
Perfect Beauty World Limited (formerly known as “Perfect Shape and Skin (TKO) Limited”)	Hong Kong	Provision of slimming and beauty services and sales of slimming and beauty products in Hong Kong	HK\$10,000	100%
廣州必瘦站纖體美容有限公司 (Guangzhou Perfect Shape Limited)®	The PRC	Provision of slimming and beauty services and sales of slimming and beauty products in the PRC	RMB1,000,000	100%
必瘦站企業管理諮詢(深圳)有限公司 (Perfect Shape Consultancy Shenzhen Limited) #	The PRC	Investment holding in the PRC	RMB1,000,000	100%
廣州瘦必站纖體美容有限公司 (Guangzhou Shape Perfect Limited)®	The PRC	Provision of slimming and beauty services and sales of slimming and beauty products in the PRC	RMB1,000,000	100%
北京纖麗佳企業管理諮詢有限公司 (Beijing Slimming Beauty Limited)®	The PRC	Provision of slimming and beauty services and sales of slimming and beauty products in the PRC	RMB1,000,000	100%
深圳瘦必站美容纖體有限公司 (Shenzhen Shape Perfect Limited)®	The PRC	Provision of slimming and beauty services and sales of slimming and beauty products in the PRC	RMB1,000,000	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 PARTICULARS OF PRINCIPAL SUBSIDIARIES — CONTINUED

Name of subsidiary	Place of incorporation/ establishment	Principal activities and place of operation	Registered/ issued and fully paid up capital	Effective interest held by the Group
Indirect interests: — continued				
上海慕詩企業管理諮詢有限公司 (Shanghai Mushi Consultancy Limited)®	The PRC	Provision of corporate management services and slimming and beauty services in the PRC	RMB10,000,000	100%
上海必瘦站企業管理諮詢有限公司 (Shanghai Perfect Shape Consultancy Limited)®	The PRC	Provision of slimming and beauty services and sales of slimming and beauty products in the PRC	RMB1,000,000	100%
上海愛瑪企業管理諮詢有限公司 (Shanghai Emma Consultancy Limited)®	The PRC	Provision of corporate management services and slimming and beauty services in the PRC	RMB1,000,000	100%
必瘦站投資管理諮詢(上海)有限公司 (Shanghai Perfect Shape Investment Management Limited) #	The PRC	Investment holding in the PRC	RMB1,000,000	100%
上海必瘦站美容服務有限公司 (Shanghai Perfect Shape Cosmetic Limited)®	The PRC	Provision of slimming and beauty services and sales of slimming and beauty products in the PRC	RMB10,000,000	100%

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

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

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

38 EVENTS AFTER THE BALANCE SHEET DATE

On 27 April 2015, the Group granted 2,900,000 share options to each of the Company's three executive directors. Each share option entitles the holder to subscribe for one ordinary share of the Company at an exercise price of HK\$1.72 per share subject to a vesting period of 3 years from 27 April 2015 to 26 April 2018, and an exercisable period from 27 April 2018 to 26 April 2025.