



# INTERIM REPORT 2016-17

必瘦站美容科技有限公司

PERFECT SHAPE BEAUTY TECHNOLOGY LIMITED  
(Incorporated in the Cayman Islands with Limited Liability)

Stock Code: 1830



PERFECT  
SHAPE

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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. Cho Yi Ping  
Mr. Chi Chi Hung, Kenneth

## Audit Committee

Ms. Hsu Wai Man, Helen (Chairman)  
Ms. Cho Yi Ping  
Mr. Chi Chi Hung, Kenneth

## Remuneration Committee

Mr. Chi Chi Hung, Kenneth (Chairman)  
Ms. Hsu Wai Man, Helen  
Ms. Cho Yi Ping  
Dr. Au-Yeung Kong  
Ms. Au-Yeung Wai

## Nomination Committee

Ms. Cho Yi Ping (Chairman)  
Ms. Hsu Wai Man, Helen  
Mr. Chi Chi Hung, Kenneth  
Dr. Au-Yeung Kong  
Ms. Au-Yeung Wai

## Company Secretary

Mr. So Hin Lung *CFA*

## 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 01-08, 30th 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 and Commercial Bank of China  
Limited

## 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](http://www.perfectshape.com.hk)



# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW

Perfect Shape Beauty Technology Limited (the “Company”) together with its subsidiaries (collectively, the “Group”) mainly provides premium slimming and high technology beauty services in Hong Kong, Macau and the People’s Republic of China (the “PRC”). The Group’s revenue for the six months ended 30 September 2016 decreased by about 17.7% to approximately HK\$376.4 million (FY2015/16 interim: HK\$457.1 million) and the Group recorded a significant drop in net profit to about HK\$38.1 million (FY2015/16 interim: HK\$75.1 million). Earnings before interest, tax, depreciation and amortisation (“EBITDA”) were HK\$89.7 million (FY2015/16 interim: HK\$123.9 million). Basic earnings per share amounted to HK3.4 cents as compared to HK6.7 cents for the previous period.

The Group managed to maintain a strong cash position and great operating flexibility to address market challenges. The Group is committed to generating sustained returns to our shareholders. The Board resolved to declare an interim dividend of HK3.4 cents (FY2015/16 interim: HK6.7 cents) per share.

### Hong Kong and Macau Operation

During the period under review, revenue contributed from the Hong Kong and Macau markets recorded a decrease of 20.6% to HK\$245.3 million, from HK\$309.0 million in the same period last year.

Local consumption sentiment was weak due to a slowdown in the Hong Kong economy, poor stock market performance and a declining property market. Hence, consumer spending on service packages are more conservative. As revealed by the Census and Statistics Department, the total retail sales value in the first half of 2016 in Hong Kong fell by 10.5% to HK\$219.7 billion compared with that of 2015. Our slimming and high technology service business in Hong Kong was inevitably affected. Nevertheless, leveraging on our excellent service management that facilitate greater quality assurance, our management is confident of the future prospects of our business.

The Group has transplanted the Hong Kong business model to Macau. During the period under review, revenue contributed from the Macau was HK\$11.3 million (FY2015/16 interim: HK\$12.4 million), contributing 3.0% of the Group’s total revenue.

### The PRC Operation

The Group has a strong network in the PRC. During the period under review, revenue contributed from the PRC market was HK\$131.1 million (FY2015/16 interim: HK\$148.1 million), contributing 34.8% of the Group’s total revenue. With the government self-imposed macro-economic 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 which 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. As at 30 September 2016, the number of PRC members increased to 146,000.

The Group will incorporate high technology beauty units in the existing slimming service centres in China and these strategies will add impressive dynamic to our business.



# FINANCIAL PERFORMANCE

## Revenue

The Group's revenue decreased by 17.7% to HK\$376.4 million for the six months ended 30 September 2016, compared to HK\$457.1 million for the same period last year. During the period under review, the performance in many retail sectors across the region deteriorated due to less spending from customers. In particular, the sales momentum in Hong Kong has been weakening, possibly attributable to the slowdown in Mainland China's economic growth and dampening of spending sentiment arising from volatile financial and property markets. The Hong Kong operation was the largest geographical operating segment of the Group in the period under review, which accounted for about 62.2% of the Group's turnover (FY2015/16 interim: 64.9%). Sales from Hong Kong region dropped by 21.1% to approximately HK\$234.0 million during the six months ended 30 September 2016 (FY2015/16 interim: HK\$296.6 million).

## Marketing Expenses

Marketing expenses decreased by 40.0% from HK\$60.8 million to HK\$36.5 million for the six months ended 30 September 2016. The purpose of spending on marketing was primarily on raising our brand awareness and capture a greater share of the local market. During the period 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 marketing expenses.

## Operating Lease Rentals

Operating lease rentals mainly related to the leased properties in the PRC, Hong Kong and Macau and are primarily incurred for the operations of service centres and office premises. Such service centres are located in prime commercial districts for effective market penetration. Operating lease rentals increased by HK\$9.2 million, or 18.7%, from HK\$49.1 million for the six months ended 30





September 2015 to HK\$58.3 million for the same period in 2016. 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 for more effective market penetration and entrancing better customers' experience.

#### **Profit and Margin**

Net profit decreased by 49.3% from HK\$75.1 million to HK\$38.1 million for the six months ended 30 September 2015 and 2016 respectively. Net profit margin around 10.1% (FY2015/16 interim: 16.4%). Basic earnings per share were HK3.4 cents (FY2015/16 interim: HK6.7 cents).

#### **Liquidity, Financial Resources and Capital Structure**

The total equity of the Group as at 30 September 2016 was HK\$459 million (as at 31 March 2016: HK\$467 million). The Group generally finances its operation with internally generated cash flows. The Group had

bank and cash balance of approximately HK\$347 million (as at 31 March 2016: HK\$287 million), after payment of a final dividend of HK\$55 million for the year ended 31 March 2016. The Group had no external bank borrowings as at 30 September 2016 (as at 31 March 2016: Nil). As at 30 September 2016, the Group had net current assets of approximately HK\$224 million (as at 31 March 2016: HK\$179 million).

Cash generated from operations in the six months ended 30 September 2016 was approximately HK\$98.8 million (FY2015/16 interim: HK\$116.2 million). With bank and cash balances presently on hand, the Group's liquidity position remains strong and has sufficient financial resources to finance its commitments and to meet its working capital requirements.

### **Capital Commitments**

Please refer to note 19 to the financial statements for details of capital commitments.

### **Contingent Liabilities**

As at 30 September 2016, 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.

### **Significant Acquisition**

During the six months ended 30 September 2016, there was no significant acquisition by the Group.

### **Treasury Policy**

The Group adopts a prudent approach in treasury and investment activities. The Group's surplus funds are mainly held under fixed and saving deposits in renowned banks, principal protected investments as well as listed investment stocks to enhance returns on the surplus funds. As at 30 September 2016, there was no available-for-sale financial asset of the Group (FY2015/16 interim: HK\$27.1 million).

### **Charges on the Group's Assets**

As at 30 September 2016, some of the Group's banking facilities in respect of credit card and instalment sales arrangement was secured pledged bank deposits, a property owned by a Director and personal guarantee provided by a Director as set out in Notes 15 and 20(a) respectively.

### **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 our employees and recognises the importance of retaining qualified staff to achieve continuous success. The Group had 1,276 employees as at 30 September 2016. During the period under review, total staff cost accounted for approximately 34.6% of the Group's revenue. Based on the performance and experiences of each employee, the Group's remuneration policy is in line with the prevailing market practices. We will constantly review staff remuneration package to maintain its competitiveness in the labour market.





## PROSPECTS

The outlook for the retail market in Hong Kong and Mainland China remains challenging and difficult given the lingering global economic uncertainties. The recoveries of developed economies will be slow and patchy, with downward pressures on emerging market economies still prominent.

Whilst economic growth in Mainland China has moderated in recent years, the country, as the world's second largest economy, is expected to remain the key growth driver for the world economy. The ongoing economic reforms and expansion of middle and upper classes in Mainland China will drive sustainable growth in consumption on healthcare and beauty. As a reputable service provider, Perfect Shape is well positioned to benefit from the growth opportunities in the healthcare and beauty services.

In respect of Hong Kong, the Group will continue with its goal of not only satisfying customers' needs, but exceeding their expectations. Our business intelligence team will continue with its analysis of big data to identify customers' intrinsic needs. 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.

As for the operations in Mainland China, the Group will continue to provide top-notch customers' experience, as well as high-quality service to cater for the needs of the more sophisticated and quality conscious customers. With an increasingly large number of people who are obese, and generally more and more individuals who are overweight, the need for slimming and high technology beauty services will continue to rise. In addition, given that there is a growing middle class, particularly women who care about their appearance, the demand for slimming and high technology beauty services will grow further. In view of such trends, the Group will continue to replicate 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.

Looking into 2017, we expect the downward correcting trend of the economy in both Mainland China and Hong Kong is likely to continue. Notwithstanding the expected headwinds, our resourceful management team has a proven track record of mastering changes and creating shareholder value during challenging times and the Group will stay focused on consolidating its business strengths and leading market position through a variety of strategies and measures.



## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2016

		<b>Six months ended</b>	
		<b>30 September</b>	
	Note	<b>2016</b>	2015
		<b>HK\$'000</b>	HK\$'000
		<b>(Unaudited)</b>	(Unaudited)
Revenue	4	<b>376,387</b>	457,129
Other income	5	<b>1,681</b>	1,118
Other losses — net	6	<b>(2,831)</b>	(2,619)
Cost of inventories and consumables		<b>(7,083)</b>	(9,190)
Employee benefit and manpower service expenses		<b>(130,240)</b>	(146,184)
Marketing expenses		<b>(36,506)</b>	(60,755)
Depreciation		<b>(43,176)</b>	(35,381)
Operating lease rentals		<b>(58,283)</b>	(49,135)
Other operating expenses		<b>(53,472)</b>	(66,445)
<b>Operating profit</b>		<b>46,477</b>	88,538
Finance income	7	<b>2,214</b>	4,077
<b>Profit before income tax</b>		<b>48,691</b>	92,615
Income tax expense	8	<b>(10,619)</b>	(17,527)
<b>Profit for the period attributable to equity holders of the Company</b>		<b>38,072</b>	75,088
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Change in fair value of available-for-sale financial asset		—	(9,305)
Fair value gain upon disposal of available-for-sale financial assets		<b>7,805</b>	—
Currency translation differences		<b>(1,609)</b>	(2,279)



		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2016</b>	2015
	Note	<b>HK\$'000</b>	HK\$'000
		<b>(Unaudited)</b>	(Unaudited)
<hr/>			
<b>Total comprehensive income for the period attributable to equity holders of the Company</b>		<b>44,268</b>	63,504
<hr/>			
<b>Earnings per share attributable to equity holders of the Company during the period</b>			
	9		
— basic		<b>HK3.4 cents</b>	HK6.7 cents
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— diluted		<b>HK3.4 cents</b>	HK6.7 cents
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The notes on pages 15 to 27 are an integral part of these condensed consolidated interim financial information.

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



## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2016

		30 September 2016	31 March 2016
	Note	HK\$'000 (Unaudited)	HK\$'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	214,123	229,161
Available-for-sale financial assets	12	—	37,934
Deposits and prepayments		30,978	33,637
Deferred income tax assets		9,846	7,854
		<b>254,947</b>	308,586
<b>Current assets</b>			
Inventories		4,844	4,507
Trade receivables	13	47,916	57,183
Other receivables, deposits and prepayments		48,073	48,874
Term deposits with initial terms of over three months	14	36,977	26,829
Pledged bank deposits	15	25,118	24,881
Cash and cash equivalents	16	284,680	234,926
		<b>447,608</b>	397,200
<b>Total assets</b>		<b>702,555</b>	705,786
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	17	112,200	112,200
Share premium	17	302,016	302,016
Other reserves		6,547	(2,266)
Retained earnings		38,471	55,377
<b>Total equity</b>		<b>459,234</b>	467,327





	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Note		
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Deferred income tax liabilities	<b>14,836</b>	15,052
Provision for reinstatement costs	<b>5,371</b>	5,281
	<b>20,207</b>	20,333
<b>Current liabilities</b>		
Provision for reinstatement costs	<b>1,294</b>	1,554
Trade payables	<b>849</b>	932
Accruals and other payables	<b>66,607</b>	67,831
Deferred revenue	<b>128,572</b>	132,097
Tax payable	<b>25,792</b>	15,712
	<b>223,114</b>	218,126
<b>Total liabilities</b>	<b>243,321</b>	238,459
<b>Total equity and liabilities</b>	<b>702,555</b>	705,786
<b>Net current assets</b>	<b>224,494</b>	179,074
<b>Total assets less current liabilities</b>	<b>479,441</b>	487,660

The notes on pages 15 to 27 are an integral part of this condensed consolidated interim financial information.



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2016

	Unaudited								
	Equity attributable to equity holders of the Company								
	Share capital HK\$'000 (Note 17)	Share premium HK\$'000 (Note 17)	Share repurchase reserve HK\$'000	Statutory reserve HK\$'000	Exchange reserve HK\$'000	Share-based payment reserve HK\$'000	Available-for-sale financial assets revaluation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
<b>For the six months ended</b>									
<b>30 September 2016</b>									
<b>As at 1 April 2016</b>	112,200	302,016	1,100	6,997	(4,041)	1,483	(7,805)	55,377	467,327
<b>Comprehensive income</b>									
Profit for the period	—	—	—	—	—	—	—	38,072	38,072
<b>Other comprehensive loss</b>									
Currency translation differences	—	—	—	—	(1,609)	—	—	—	(1,609)
Transfer to profit or loss upon disposal of available-for-sale financial assets	—	—	—	—	—	—	7,805	—	7,805
<b>Total comprehensive income for the period</b>	—	—	—	—	(1,609)	—	7,805	38,072	44,268
<b>Total transactions with owners, recognised directly in equity</b>									
Dividends (Note 10)	—	—	—	—	—	—	—	(54,978)	(54,978)
Share option scheme — value of employment services	—	—	—	—	—	2,617	—	—	2,617
	—	—	—	—	—	2,617	—	(54,978)	(52,361)
<b>As at 30 September 2016</b>	<b>112,200</b>	<b>302,016</b>	<b>1,100</b>	<b>6,997</b>	<b>(5,650)</b>	<b>4,100</b>	<b>—</b>	<b>38,471</b>	<b>459,234</b>
<b>For the six months ended</b>									
<b>30 September 2015</b>									
<b>As at 1 April 2015</b>	112,697	308,185	603	6,474	610	—	—	64,098	492,667
<b>Comprehensive income</b>									
Profit for the period	—	—	—	—	—	—	—	75,088	75,088
<b>Other comprehensive loss</b>									
Currency translation differences	—	—	—	—	(2,279)	—	—	—	(2,279)
Revaluation	—	—	—	—	—	—	(9,305)	—	(9,305)
<b>Total comprehensive income for the period</b>	—	—	—	—	(2,279)	—	(9,305)	75,088	63,504
<b>Total transactions with owners, recognised directly in equity</b>									
Repurchase of shares	(333)	(3,533)	(603)	—	—	—	—	—	(4,469)
Dividends (Note 10)	—	—	—	—	—	—	—	(62,931)	(62,931)
Share option scheme — value of employment services	—	—	—	—	—	638	—	—	638
Transfer to statutory reserve	—	—	—	589	—	—	—	(589)	—
	(333)	(3,533)	(603)	589	—	638	—	(63,520)	(66,762)
<b>As at 30 September 2015</b>	<b>112,364</b>	<b>304,652</b>	<b>—</b>	<b>7,063</b>	<b>(1,669)</b>	<b>638</b>	<b>(9,305)</b>	<b>75,666</b>	<b>489,409</b>

The notes on pages 15 to 27 form an integral part of this condensed consolidated interim financial information.

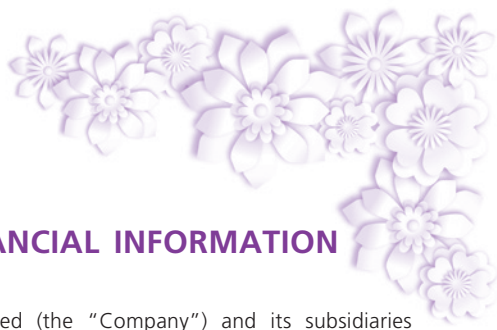


## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2016

	<b>Six months ended 30 September 2016 HK\$'000 (Unaudited)</b>	2015 HK\$'000 (Unaudited)
Net cash generated from operating activities	<b>98,822</b>	116,181
Net cash generated from/(used in) investing activities	<b>6,207</b>	(102,781)
Net cash used in financing activities	<b>(54,978)</b>	(66,797)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>50,051</b>	(53,397)
Cash and cash equivalents at the beginning of the period	<b>234,926</b>	387,253
Effect on foreign exchange	<b>(297)</b>	(5,368)
<b>Cash and cash equivalents at the end of the period</b>	<b>284,680</b>	328,488

The notes on pages 15 to 27 form an integral part of this condensed consolidated interim financial information.



## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 1 General Information

Perfect Shape Beauty Technology Limited (the “Company”) and its subsidiaries (together, the “Group”) are principally engaged in the provision of slimming and high technology 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 on 10 February 2012. This condensed consolidated interim financial information is presented in Hong Kong dollars (“HK\$”), unless otherwise stated.

This condensed consolidated interim financial information for the six months ended 30 September 2016 is unaudited and has been reviewed by the audit committee of the Company. This condensed consolidated interim financial information was approved for issue by the Board of Directors on 30 November 2016.

### 2 Basis of Preparation and Accounting Policies

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

The interim financial statements do not include all the information and disclosures required in the annual financial statements and thereby should be read in conjunction with the annual financial statements for the year ended 31 March 2016 (“2016 Financial Statements”) which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.





## 2 Basis of Preparation and Accounting Policies — continued

The interim financial statements have been prepared in accordance with the same accounting policies and methods of computation as adopted by the Group in the 2016 Financial Statements except for the adoption of new accounting policies as a result of applying the new or revised HKFRSs as set out below.

### **Adoption of new or revised HKFRSs and HKASs**

#### *(a) Adoption of new or revised HKFRSs and HKASs effective on 1 April 2016*

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period and relevant to the Group:

HKAS 1 (Amendment)	The Disclosure Initiative
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendment)	Agriculture: Bearer Plants
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
Annual Improvements 2012–2014 Cycle	Improvements to HKFRSs

The application of the above new or revised HKFRSs and HKASs has no material effect on the Group's results and financial position.

#### *(b) New or revised HKFRSs that have been issued but are not yet effective*

The following new or revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRS 7	Disclosure Initiative <sup>1</sup>
HKFRS 9 (2014)	Financial Instruments <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
HKFRS 16	Lease <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019

The directors of the Company are currently assessing the possible impact of these new or revised standards on the Group's results and financial position in the first year of application.



## 2 Basis of Preparation and Accounting Policies — continued

### *Adoption of new or revised HKFRSs and HKASs — continued*

#### *(b) New or revised HKFRSs that have been issued but are not yet effective — continued*

Accounting estimates and assumptions are used in the preparation of financial statements.

Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates and assumptions. In preparing these interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2016 Financial Statements.

#### *(c) Equity-settled share-based payment transactions*

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

## **Basis of Preparation and Accounting Policies — continued**

### ***Adoption of new or revised HKFRSs and HKASs — continued***

#### ***(c) Equity-settled share-based payment transactions — continued***

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (and share premium).

#### ***(d) Available-for-sale financial assets***

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

Available-for-sale financial assets are initially recognised at fair value plus transaction costs and are subsequently carried at fair value.

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

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

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.



### 3 Financial Risk Management

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

The interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2016.

There has been no changes in the risk management policies since the year ended 31 March 2016.

### 4 Segment Information

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

	<b>Six months ended 30 September</b>	
	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Hong Kong	<b>233,980</b>	296,564
The PRC	<b>131,070</b>	148,130
Macau	<b>11,337</b>	12,435
	<b>376,387</b>	457,129



#### 4 Segment Information — continued

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

	<b>As at</b>	
	<b>30 September</b>	31 March
	<b>2016</b>	2016
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Hong Kong	<b>191,793</b>	207,591
The PRC	<b>50,394</b>	51,945
Macau	<b>2,914</b>	3,262
	<b>245,101</b>	262,798

#### 5 Other Income

	<b>Six months ended 30 September</b>	
	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Government subsidies	<b>1,146</b>	731
Others	<b>535</b>	387
	<b>1,681</b>	1,118

#### 6 Other Losses — Net

	<b>Six months ended 30 September</b>	
	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
(Losses)/Gains on disposal of property, plant and equipment	<b>(139)</b>	445
Net exchange losses	<b>(2,995)</b>	(3,064)
Gain on disposal of available-for-sales financial assets	<b>303</b>	—
Other losses — net	<b>(2,831)</b>	(2,619)



## 7 Finance Income

	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income on bank deposits	2,214	4,077

## 8 Income Tax Expense

The Group is not subject to taxation in the Cayman Islands and the British Virgin Islands. Hong Kong profits tax has been provided for at the rate of 16.5% (2015: 16.5%) for the period on the estimated assessable profits arising in or derived from Hong Kong. Companies established and operating in the PRC are subject to PRC corporate income tax at the rate of 25% (2015: 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 amounts to be taxed at a fixed rate of 12% for the six months ended 30 September 2015 and 2016.

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

	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income taxation		
— Hong Kong profits tax	2,083	11,617
— PRC corporate income tax	6,794	3,989
— Macau complementary tax	868	1,045
Total current income taxation	9,745	16,651
Deferred taxation	874	876
	10,619	17,527



## 9 Earnings per Share

### **Basic**

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

	<b>Six months ended 30 September</b>	
	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Profit attributable to equity holders of the Company	<b>38,072</b>	75,088
Weighted average number of ordinary shares for the purposes of basic earnings per share (thousand of share)	<b>1,122,000</b>	1,125,517
Basic earnings per share (HK cents per share)	<b>3.4</b>	6.7

### **Diluted**

Diluted earnings per share is of the same amount as the basic earnings per share as the exercise of the Group's outstanding share options granted would be anti-dilutive during the period.

## 10 Dividends

At a meeting held on 30 June 2016, the Directors recommended the payment of a final dividend for the year ended 31 March 2016 of HK4.9 cents (2015: HK5.6 cents) per ordinary share, totaling HK\$54,978,000 (2015: HK\$62,931,000), which was paid on 19 September 2016 and has been reflected as an appropriation of retained earnings for the six months ended 30 September 2016.

At a meeting held on 30 November 2016, the Directors declared an interim dividend of HK3.4 cents (FY2015/16 interim: HK6.7 cents) per ordinary share, totaling HK\$38,072,000 (FY2015/16 interim: HK\$75,088,000). The dividend is not reflected as dividend payable in the interim financial information, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2017.



## 11 Property, Plant and Equipment

	<b>Total</b> HK\$'000
<b>Net book amount as at 1 April 2016</b>	<b>229,161</b>
Additions	<b>29,450</b>
Depreciation	<b>(43,176)</b>
Exchange differences	<b>(1,312)</b>
<b>Net book amount as at 30 September 2016</b>	<b>214,123</b>
<b>Net book amount as at 1 April 2015</b>	198,532
Additions	46,142
Depreciation	(35,381)
Exchange differences	(1,085)
<b>Net book amount as at 30 September 2015</b>	<b>208,208</b>

## 12 Available-for-sale Financial Assets

	<b>Total</b> HK\$'000
<b>As at 1 April 2016</b>	<b>37,934</b>
Disposals	<b>(45,739)</b>
Fair value gain upon disposal of available-for-sale financial assets	<b>7,805</b>
<b>At 30 September 2016</b>	<b>—</b>
	Total HK\$'000
<b>As at 1 April 2015</b>	<b>—</b>
Additions	36,365
Revaluation losses transfer to equity	(9,305)
<b>At 30 September 2015</b>	<b>27,060</b>

The available-for-sale financial assets comprise principally shares of listed corporations traded publicly in the Hong Kong stock market.





### 13 Trade Receivables

The credit term 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:

	<b>As at</b>	
	<b>30 September</b>	31 March
	<b>2016</b>	2016
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Less than 60 days	<b>38,399</b>	47,057
60 days to 90 days	<b>8,142</b>	7,330
Over 90 days	<b>1,375</b>	2,796
	<b>47,916</b>	57,183

The carrying amounts of trade receivables approximate their fair values.

### 14 Term Deposits with Initial Terms of over Three Months

As at 30 September 2016, the weighted average effective interest rate of the Group's term deposits with initial terms of over three months was 0.59% (as at 31 March 2016: 3.98%).

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

	<b>As at</b>	
	<b>30 September</b>	31 March
	<b>2016</b>	2016
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
HKD	<b>36,977</b>	—
RMB	—	26,627
Macau Patacas	—	202
	<b>36,977</b>	26,829



## 15 Pledged Bank Deposits

As at 30 September 2016 and 31 March 2016, some of the Group's banking facilities in respect of credit card and instalment sales arrangement was secured by pledged bank deposits, a property owned by a Director and personal guarantee provided by a Director as set out in Note 20(a). As at 30 September 2016, the weighted average effective interest rate of these pledged bank deposits is 1.14% (as at 31 March 2016: 0.89%).

## 16 Cash and Cash Equivalents

	<b>As at</b> <b>30 September</b> <b>2016</b> <b>HK\$'000</b> <b>(Unaudited)</b>	31 March 2016 HK\$'000 (Audited)
Cash at banks	<b>80,848</b>	88,646
Cash on hand	<b>632</b>	347
Term deposits with initial terms of less than three months	<b>203,200</b>	145,933
	<b>284,680</b>	234,926
Denominated in:		
Hong Kong dollars	<b>166,720</b>	66,444
Chinese Renminbi	<b>112,357</b>	163,117
Macau Patacas	<b>5,523</b>	4,247
United States dollars	<b>80</b>	1,118
	<b>284,680</b>	234,926

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



## 17 Share Capital and Share Premium

	Number of shares (thousand of share)	Ordinary shares HK\$'000	Share premium HK\$'000	Total HK\$'000
<b>At 1 April 2016 and 30 September 2016</b>	<b>1,122,000</b>	<b>112,200</b>	<b>302,016</b>	<b>414,216</b>

## 18 Trade Payables

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

As at 30 September 2016, the ageing analysis of trade payables based on invoice date is as follows:

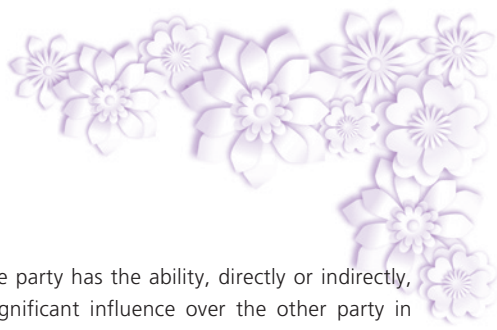
	As at 30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Less than 60 days	64	88
60 days to 120 days	224	182
Over 120 days	561	662
	<b>849</b>	<b>932</b>

The carrying amounts of trade payables approximate their fair values.

## 19 Commitments

The Group had the following capital commitments not provided for:

	As at 30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Capital expenditure contracted for but not yet incurred in respect of acquisition of property, plant and equipment	<b>784</b>	<b>719</b>



## 20 Related Party Transactions

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

- (a) During the period ended 30 September 2016, some of the Group's banking facilities in respect of credit card and instalment sales arrangement was secured by pledged bank deposits as set out in Note 15, a property owned by a Director and personal guarantee provided by a director.
- (b) Details of key management compensations are disclosed as below:

	<b>Six months ended 30 September</b>	
	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Salaries and other benefits	<b>4,980</b>	4,955
Share-based payment	<b>2,617</b>	638
	<b>7,597</b>	5,593

## 21 Events after the Balance Sheet Date

Subsequent to 30 September 2016, the Group acquired shares of an equity security listed in Hong Kong. This transaction constitutes a discloseable transaction and details of which are set out in the Company's announcement dated 6 October 2016.



## INTERIM DIVIDEND

The Board recommended a payment of an interim dividend of HK3.4 cents per share of the Company (the "Share") for the six months ended 30 September 2016 to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on 23 December 2016. The proposed interim dividend will be paid on or around 16 January 2017.

## OTHER INFORMATION

### Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Specific enquiry has been made to each of the Directors and all Directors have confirmed that they have complied with the Model Code during the six-month period ended 30 September 2016.

### Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 21 December 2016 to Friday, 23 December 2016 (both dates inclusive), during which period no transfer of Shares will be registered. In order to qualify for the interim dividend, all transfers of Shares, accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 20 December 2016.



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

As at 30 September 2016, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required to be recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:


Name of Directors	Nature of interest	Number of ordinary shares	Number of underlying shares held pursuant to share options (Note 2)	Percentage of the issued share capital of the Company
Dr. Au-Yeung Kong	Beneficial owner	17,500,000 (L)	8,452,000 (L)	64.70%
	Interest of controlled corporation (Note 1)	700,000,000 (L)	—	
Ms. Au-Yeung Wai	Beneficial owner	—	8,452,000 (L)	63.14%
	Interest of controlled corporation (Note 1)	700,000,000 (L)	—	
Ms. Au-Yeung Hung	Beneficial owner	—	8,452,000 (L)	63.14%
	Interest of controlled corporation (Note 1)	700,000,000 (L)	—	

(L): Long position

Notes:

- 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 Earlsion 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.
- 8,452,000 underlying Shares represent (i) 2,900,000 Shares to be issued under the share options granted by the Company on 27 April 2015; and (ii) 5,552,000 Shares to be issued under the share options granted by the Company on 27 April 2016 under the share option scheme adopted by the Company on 6 January 2012.





## **Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation — continued**

Save as disclosed above, as at 30 September 2016, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### **Directors' Right to Acquire Shares or Debentures**

Apart from as disclosed under the sections headings "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation" above and "Share Option Scheme" below, at no time during the six months ended 30 September 2016 was the Company, or any of its holding companies, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company (including their spouses and children under 18 years of age) to hold any interest or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

### **Competing Interest**

During the period under review and last financial year, none of the Directors, management shareholders and substantial shareholders of the Company, or their respective associate (as defined in the Listing Rules) had any interest in any business which compete or may co-operate with the business of the Group.

During the period under review and last financial year, confirmations were provided by or obtained from the Directors and the controlling shareholders to ensure that none of them was engaged in the competing business. The Directors and the controlling shareholders had participated in training or reading materials to understand their obligation with respect to the competing business. The independent non-executive Directors also reviewed the controlling shareholders' compliance with the non-competition undertakings.



## Substantial Shareholders' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company

As at 30 September 2016, other than the interests of certain Directors and chief executives of the Company as disclosed under the section headed "Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above, persons who had interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial Shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

<b>Name of Shareholders</b>	<b>Capacity</b>	<b>Number of issued ordinary shares held</b>	<b>Percentage of the issued share capital of the Company</b>
Sure Sino Investments Limited	Beneficial owner	382,500,000 (L)	34.09%
	Interest of controlled corporation (Note)	317,500,000 (L)	28.29%
Earlson Holdings Limited (Note)	Beneficial owner	180,000,000 (L)	16.04%
Market Event Holdings Limited (Note)	Beneficial owner	137,500,000 (L)	12.25%

(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.



## Substantial Shareholders' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company — continued

Save as disclosed above, as at 30 September 2016, the Directors were not aware of any other person (other than the Directors and chief executives of the Company) who had an interest or short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial Shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

### Share Option Scheme

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

Details of the share options movements during the six months ended 30 September 2016 under the Share Option Scheme are as follows:

Name or category of grantees	Date of grant of share options	Exercise price (HK\$)	Exercise period	Number of share options					Balance as at 30.09.2016
				Balance as at 01.04.2016	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	
<b>Directors</b>									
Au-Yeung Kong	27/04/2015 (Note 1)	HK\$1.72	27/04/2018–26/04/2025	2,900,000	—	—	—	—	8,452,000
	27/04/2016 (Note 2)	HK\$0.90	27/04/2016–26/04/2019 (Note 3)	—	5,552,000	—	—	—	—
Au-Yeung Wai	27/04/2015 (Note 1)	HK\$1.72	27/04/2018–26/04/2025	2,900,000	—	—	—	—	8,452,000
	27/04/2016 (Note 2)	HK\$0.90	27/04/2016–26/04/2019 (Note 3)	—	5,552,000	—	—	—	—
Au-Yeung Hung	27/04/2015 (Note 1)	HK\$1.72	27/04/2018–26/04/2025	2,900,000	—	—	—	—	8,452,000
	27/04/2016 (Note 2)	HK\$0.90	27/04/2016–26/04/2019 (Note 3)	—	5,552,000	—	—	—	—
<b>Total</b>				<b>8,700,000</b>	<b>16,656,000</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>25,356,000</b>



## Share Option Scheme — continued

Notes:

1. The closing price of the shares immediately before 27 April 2015, on which those options were granted, was HK\$1.72.
2. The closing price of the shares immediately before 27 April 2016, on which those options were granted, was HK\$0.89.
3. (i) Not more than one third of the share options be exercised during the period from 27 April 2016 to 26 April 2017; (ii) Not more than two thirds of the share options in total be exercised during the period from 27 April 2017 to 26 April 2018; and (iii) All remaining share options be exercised during the period from 27 April 2018 to 26 April 2019.

## Purchase, Sale or Redemption of Listed Securities of the Company

During the six months ended 30 September 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## Corporate Governance

The Company is committed to the establishment of good corporate governance practices and procedures. The Company has complied with all the code provisions as set out in Corporate Governance Code and Corporate Governance Report to the Appendix 14 of the Listing Rules (the "CG Code") throughout the six months ended 30 September 2016 except the issues mentioned in the following paragraphs:

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. During the six months ended 30 September 2016, Dr. Au-Yeung Kong has been both the chairman of the Board (the "Chairman") and the chief executive officer of the Company (the "Chief Executive Officer"); therefore, the Group does not at present separate the roles of the Chairman and the Chief Executive Officer.

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



## Corporate Governance — continued

Under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. An independent non-executive director of the Company was absent from the annual general meeting of the Company held on 15 August 2016 due to other important business engagement at the relevant time.

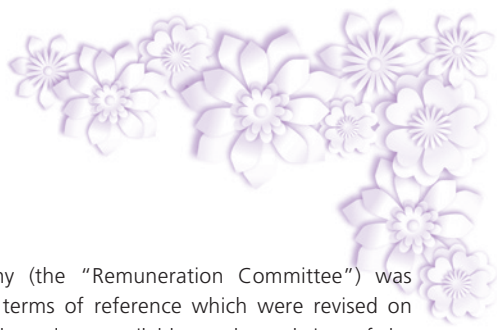
Code provision C.1.2 of the CG Code stipulates that the management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the listed company's performance, financial position and prospects. During the Period under review, management has prepared the monthly updates (the "Updates"). The Updates are circulated to the executive directors every month and the Updates are also made available to all the independent non-executive directors upon their request. Whilst management considers that the current practice suits its nature of business and enables the members of the Board to assess the Company's performance, position and prospects, the Company is reviewing its current practice and is considering to widen the circulation of the Updates to all independent non-executive directors and whether there is a need, and if so, the feasibility for providing the Updates in a more comprehensive manner together with any further documents for the reference of all members of the Board.

## Audit Committee

The audit committee of the Company (the "Audit Committee") was established on 5 December 2011 with latest written terms of reference which were revised on 15 January 2016 in compliance with the CG Code and are available on the websites of the Stock Exchange and the Company. The primary duties of the Audit Committee are to review the financial information of the Group, oversee the financial reporting process and risk management and internal control procedures of the Group, and oversee the relationship with the Company's external auditor.

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

The Audit Committee has reviewed the accounting standards and practices adopted by the Group and discussed with the management about the financial reporting matters, including the review of the unaudited interim results for the six months ended 30 September 2016.



### **Remuneration Committee**

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

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

### **Nomination Committee**

The nomination committee of the Company (the “Nomination Committee”) was established on 5 December 2011 with written terms of reference which were revised on 20 March 2012 and 25 June 2013 in compliance with the CG Code and are available on the websites of the Stock Exchange and the Company. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and succession planning for Directors, assess the independence of independent non-executive Directors and review the board diversity policy of the Company.

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

### **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.





## Changes of Directors' Information

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

Ms. Cho Yi Ping, an independent non-executive Director, has been appointed as the company secretary of DaChan Food (Asia) Limited (stock code: 3999) on 8 August 2016. She has also been appointed as the company secretary of Perfectech International Holdings Limited (stock code: 765) on 25 August 2016.

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

Hong Kong, 30 November 2016

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