Annual Report 2017

必瘦站 PERFECT SHAPE
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

Contents

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
Mr. Chi Chi Hung, Kenneth
Ms. Cho Yi Ping

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

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 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

Conyers 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.psmedical.com.hk

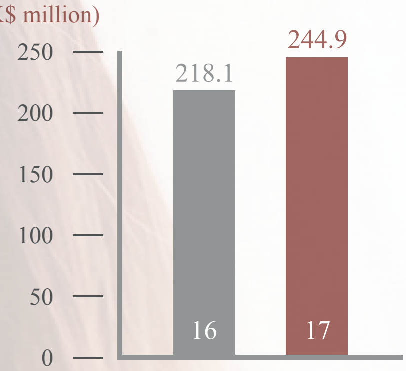
Financial Summary

Results	**2017**	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**756,975**	879,122	728,655	470,236	443,026
Operating profit	**111,874**	153,967	169,946	106,623	105,480
Profit for the year attributable to equity holders of the Company	**91,356**	130,017	134,912	83,024	78,015
Total assets	**737,989**	705,786	739,757	385,979	383,326
Total liabilities	**284,267**	238,459	247,090	147,627	141,405

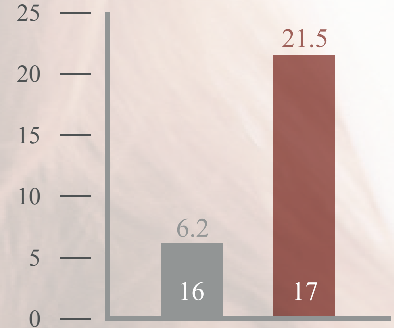
Financial Highlights

Selected Financial Data	FY2017	FY2016	Change (%)
Financial highlight (HK$'000)			
Revenue	**756,975**	879,122	–14%
Operating profit	**111,874**	153,967	–27%
Profit before income tax	**117,109**	160,714	–27%
Profit for the year attributable to equity holders of the Company	**91,356**	130,017	–30%
Earnings before interest, tax and depreciation	**197,863**	233,763	–15%
Total equity attributable to equity holders	**453,722**	467,327	–3%
Financial information per share (HK cents)			
Earnings	**8.2**	11.6	
Financial ratio			
Operating profit margin	**14.8%**	17.5%	
Net profit margin	**12.1%**	14.8%	
Return on equity	**20.1%**	27.8%	
Return on total assets	**12.4%**	18.4%	
Current ratio	**1.77 times**	1.82 times	

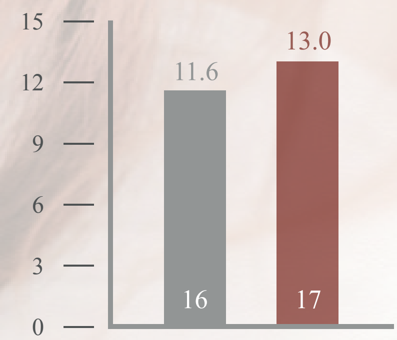
Cash generated from operations
(HK$ million)



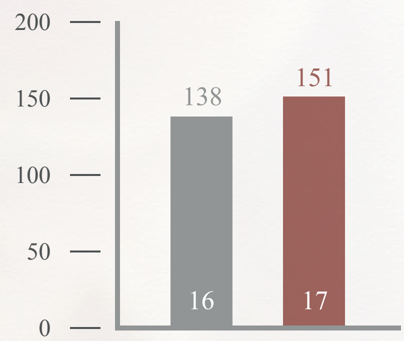
Cash used in repurchase of Share
(HK$ million)

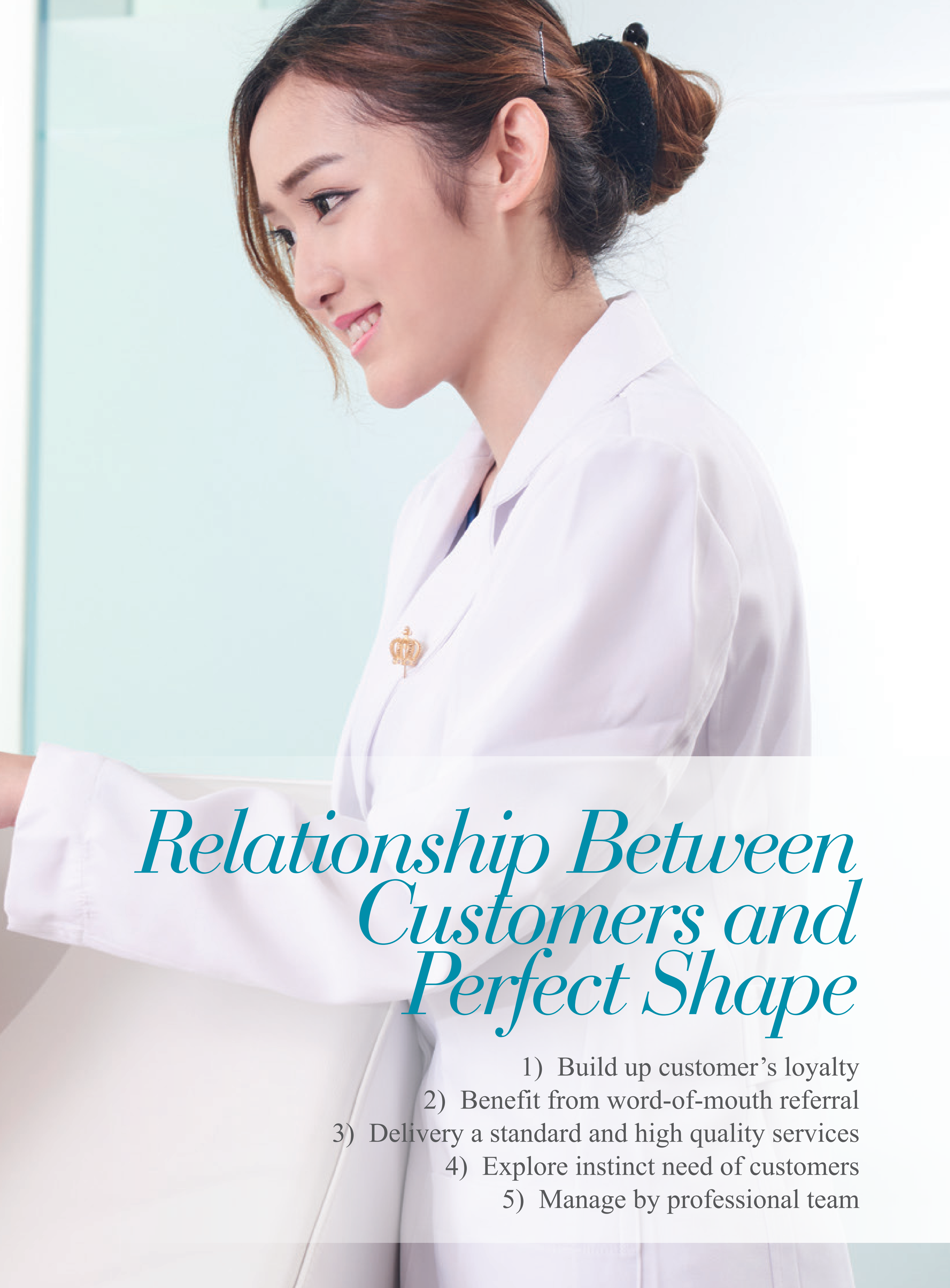


Dividend per Share
(cents)



Number of PRC members
(in thousand)





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) Manage by professional team

Chairman's STATEMENT

To our shareholders,

On behalf of the board of directors (the "Board"), I am pleased to present the annual result of Perfect Shape Beauty Technology Limited ("Perfect Shape" or the "Company" together with its subsidiaries, the "Group") for the year ended 31 March 2017 (the "FY2017").

The Group is committed to generate sustained and consistent returns to our shareholders. In FY2017, it was a landmark occasion as it marked the 5th anniversary of the Group, which has been listed on the main board in The Stock Exchange of Hong Kong Limited since 10 February 2012. Therefore, the Board proposes a final dividend of HK4.6 cents per share and a special final dividend of HK5.0 cents per share, making a total annual dividend for the FY2017 HK13.0 cents per share after taking into account the interim dividend of HK3.4 cents per share paid. Subject to shareholders' approval, the final and special final dividends will be payable in cash.

A Challenging Market Environment

Although the Group has strong financial and cashflow position, the operational environment was tough during the FY2017. The FY2017 was a tumultuous year for the global economy. Mounting political uncertainties, the continued slowdown in China's economic growth and a strong U.S. dollar hurt both business activity and consumer demand in Mainland China and Hong Kong. The Group's revenue recorded a decrease of 13.9% year-on-year to HK$757 million. Benefitting from the sales rebound and operating leverage in the second half of FY2017, our profitability remained relatively stable and exhibited an improvement to 40% when compared to the first half of FY2017. Drawing on our experience and our prediction of market trends, we are realigning our business operations to implement a more cautious shop opening strategy and consolidating our network to be more sales and cost effective. We strive to maintain optimal capital structure and capital efficiency in creating long-term value and return to our shareholders.

Making our Mark on another Business Segment in Mainland China

Today, Mainland China is at the crossroad of transformation from an investment-led to a consumption-led economy, inevitably inducing volatility to its economic growth. Despite this challenging market condition, the Mainland China operation performed outstandingly during FY2017. Ongoing urbanization, together with a burgeoning middle-income class, offer significant growth potentials and business opportunities. We expect that significant spending power will be further unlocked by the urbanization through increasing population with access to advanced beauty technology and the rise of urban middle class. Chinese consumers are moving towards premium brands for beauty services. We believe that prospects in the mid to long-term remain bright and hold great potential when factors such as a rising middle class population and increasing affluence among women in the country, who are highly conscious about their appearance, are taken into consideration. Perfect Shape is one of the premium brands which is expected to gain a greater share of the beauty market than mass brands in the market. Hence, to further drive the market share of Perfect Shape, we will continue to extend our geographical coverage in Mainland China and will continue our comprehensive marketing activities. Our prime objective is to become the largest premium slimming and beauty service provider in Mainland China.

Chairman's Statement

Keeping Abreast of Vibrant Digital Platform

Amidst the changes in lifestyle of consumers and their spending habits, the Company focused on the creation of customer experiences as its key strategy of development. During the FY2017, the Company continued to put emphasis on customer service experience to create the Company brand's value. Meanwhile, we captured the consumer preference more rapidly and precisely with the support of big-data analysis. In order to fulfil consumer demands more precisely, we focused on customers' spending habits.

Our customer relationship management (the "CRM") platform continues to be among our most valuable assets. Through the CRM platform, we have fully recognized that understanding the behavior and fulfilling the needs of consumers are vital to drive our future growth. We have enhanced customer engagement and committed ourselves to investing resources to improve the customer experience, to enhance our service offerings, and to strengthen our marketing effectiveness. It is our belief that business and operations' scalability is vital to support growth. We have invested in human resources and our knowledge base to improve our competitive edge and help us drive the expansion of our business.

We recognize that deep understanding of online consumers' needs and habits is vital to drive growth and enhance customer engagement. Our long term goal is to provide a more complete experience in order to broaden our customer base and to drive sales through online-to-offline (the "O2O") mode. We will devote more resources to driving our O2O operating capabilities to benefit from the strengthening of our customer base. We also improved internal networking and collaboration and successfully expanded our market- and customer-facing digital activities. In terms of O2O, we will drive sales growth through greater efforts in digital marketing and in the integration of our online and offline CRM. These measures will ensure an improved services experience. They will also allow us to maintain closer contact with our customers and to serve them. Customer acquisition and retention will both enhance and drive sales growth, and we will further strengthen sales channels through new and closer partnerships.

Investing in Staff Lead Perfect Shape to New Heights

The Group is built on people and the enthusiasm, craft skills and intellectual curiosity of the employees of the Group are the indispensable elements which underpin the innovation and quality of the Group's service. The Company searches for people that can combine these exceptional qualities with the values of the Group. The Group's remuneration policy aims to attract, reward and retain high-level professionals and skilled managers, and to share with the management the interest in the primary objective of creating value over the medium and long term.

Service excellence is always the number one core of our Group, helping us to gain continued trust from customers and to cement us as a top-of-the-mind brand in the market. In order to maintain this position, our training, incentives and services are all evolving to cater for changing service offerings that align with developments in consumer preferences in term of services affinity. In this way, staff members gain a greater appreciation for their occupation, and the pride that they have in their work was reflected in better service for our customers.

On the top of expanding our business, we put equal emphasis on social responsibility. The Group set up a charity foundation to serve as a platform for devoting greater engagement to society in a more systematic, principled manner. As a move to contribute back to society, the Group will spare more efforts in supporting different welfare activities and encouraging its employees to participate in volunteer services to build a harmonious community, improve the life of the underprivileged, the elderly and children and to create a better future.

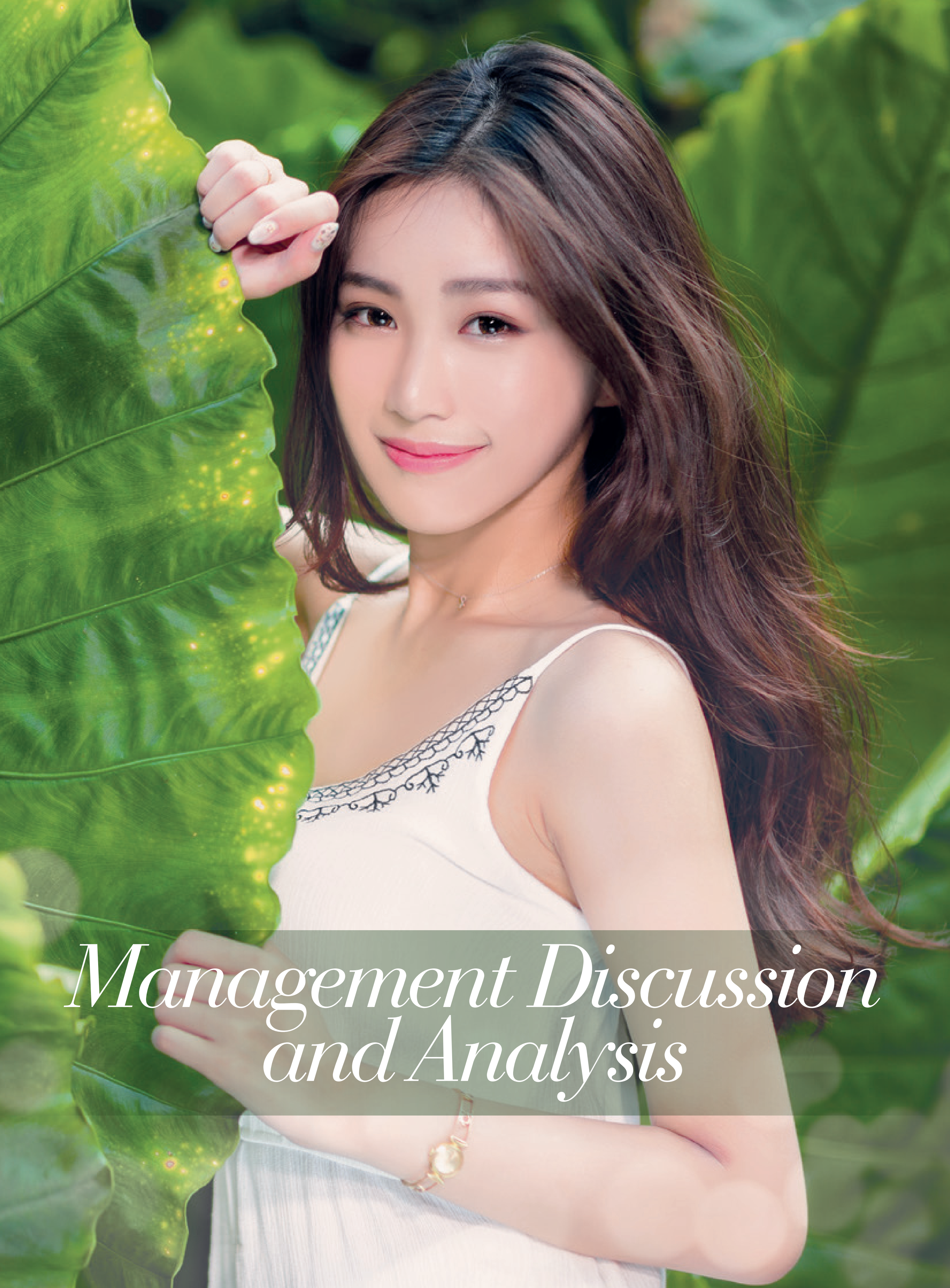
Creating Shareholder Value

We believe that current share price of the Company has been trading at a level which significantly undervalues the Group's performance and underlying value. During FY2017, we have repurchased 34 million shares without affecting the normal trading of the shares in terms of price and volume. We believe these share repurchases can reflect the Company's confidence in its long term business prospects and would ultimately benefit Company and create value for the shareholders. We also believe that the Company's strong and healthy financial position is able to conduct these share repurchases while maintaining sufficient financial resources for the continued growth.

Looking forward, the Group will step up its effort on internal restructuring to slash various operational expenses and improve efficiency. In light of the structural issues faced by the beauty industry, with its strong cash position the Group will actively pursue new strategic investment opportunities with the aim to boost synergy with its existing business segments and generate greater returns for its shareholders with its existing assets and operations.

Appreciation

On behalf of the Board, I would like to give heartfelt thanks to our management team members and staff for their exemplary hard work and contributions throughout the year. Moreover, I would like to express my gratitude to our customers, business partners, and shareholders for their long-standing trust and support towards the Group. We look forward to your continued trust and patronage in the many years to come.



Management Discussion and Analysis

Business Overview

For the year ended 31 March 2017 (the "FY2017"), the Group recorded revenue decrease by 14% to HK$757 million and the Group's earnings before interest, tax and depreciation decreased by 15% to HK$198 million. Profit before income tax eased to 27% year-on-year from HK$161 million to HK$117 million. Operating profit margin and net profit margin remained healthy position at 15% and 12% respectively. Profit attributable to shareholders of the Group eased by 30% to HK$91 million year-on-year. Benefitting from the sales rebound and operating leverage in second half of FY2017, the Group improved its performance in the second half of FY2017 when compared to first half of FY2017, with a growth in net profit by 40% from HK$38 million to HK$53 million.

Hong Kong and Macau Business

During FY2017, revenue contributed from the Hong Kong and Macau markets recorded a decrease of 17% to HK$511 million from HK$619 million in FY2016. Local consumption sentiment was weak due to a slowdown in the economy and poor stock market performance. Hence, consumer spending on service packages are more conservative. Our slimming and high technology beauty service business was inevitably affected but to a lesser extent which can be attributed to 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. Leveraging on our excellent service management that facilitates greater quality assurance, our management is confident of the future prospects of our business.

The Mainland China Business

During FY2017, revenue contributed from the Mainland China market was HK$246 million (FY2016: HK$260 million), contributing 32% of the Group's total revenue. As the People's Republic of China government implemented tax reform by changing the business tax into value-added tax in May 2016, the revenue prior to May 2016 included business tax, while starting from May 2016, the value-added tax was not accounted for as revenue and thus led to a decrease in revenue. If excluding business tax for both FY2017 and FY2016 at HK$1 million and HK$13 million respectively, the actual revenue was still maintained at a stable level to HK$245 million (FY2016: HK$247 million).

The Group has well established a strong network in the Mainland China. With the government self-imposed macroeconomic discipline that led to softness in both domestic and external economies, the Group faced challenges in the Mainland China'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 the aim of attracting 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 around 13,000 new members during FY2017.

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 forthcoming financial year and these comprehensive service centres will add impressive dynamic to our business. With the expansion of high technology beauty service centres, the Group will be able to extend our customer base and brand loyalty even further.

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

Prospects

Looking forward, the retail market in Hong Kong and Mainland China remains challenging and difficult given the lingering global economic uncertainties. A cautious and prudent approach to achieving organic growth will therefore continue to be adopted in managing the coming year. However, the Group has a long track record of profitable success no matter under an upsurge economic environment or headwinds. In FY2017, our growth saw a slowdown. However, it has turned into a motive power, reminding us it is time to make a change — further differentiate ourselves in the market and be equipped ourselves confronting the headwinds. We continue to have faith that we can progressively improve our profitability by streamlining our operational processes and strategic efficiency. To change challenges into opportunities, we will focus on developing and strengthening our core business, rapidly adapting our consumer's changing appetite, rationalizing our shop network expansion plan, enhancing our culture of service excellence and exploring merger and acquisition opportunities to leveraging up our business against the market threat. Along with these effective initiatives, the Group will continue to strive for excellence as being the pioneer in the industry.

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 services. Looking forward to the coming year, the Mainland China market will continue to bring enormous opportunity to the business of the Group. In the coming year, the Group will further improve services quality. At the same time, we will seek to carefully expand the retail network to meet the increasing consumption demand from the customers and capture further market shares.

We will build on our achievements to establish a firmer position as a leading company in the industry, and are determined to solidify our platform for sustainable growth. There is no shadow of doubt in our mind that this will push the Group's overall level of earnings higher over the long run and enhance our corporate value both substantially and comprehensively. The Group will continue with its goal of not only satisfying customers' needs, but exceeding their expectations. The Group's growth strategy will primarily be focused on increasing its core competencies and further boosting its core strengthen in areas such as its ability to provide a superior customer experience, to engage consumers, and to run its operations effectively. These remain the keys to successful future especially in the face of the current business challenges.

As a reputable service provider, the Group is well positioned to benefit from the growth opportunities in the healthcare and beauty services.

Financial Review

Financial Performance

For FY2017, the Group recorded revenue of HK$756,975,000, representing a decrease of 14% from HK$879,122,000 for the last year. Earnings before interest, tax and depreciation was HK$197,863,000, representing a decrease of 15% from HK$233,763,000 in FY2016. Operating profit reached HK$111,874,000 (FY2016: HK$153,967,000), representing a decrease of 27%. Operating profit margin was 15% in FY2017 (FY2016: 18%). The profit attributable to equity holders of the Company was HK$91,356,000, decreased by 30% year-on-year (FY2016: HK$130,017,000). Net profit margin still maintained healthy level at 12%. Basic earnings per share was HK8.2 cents (FY2016: HK11.6 cents).

Key components of the financial results for FY2017 extracted from the consolidated financial statements as set out on page 54 of this annual report are highlighted as follows:

	% to Revenue	**2017 HK$'000**	% to Revenue	2016 HK$'000
Revenue		**756,975**		879,122
Employee benefit and manpower services expenses	**32.8%**	**(248,569)**	30.3%	(266,796)
Marketing expenses	**10.1%**	**(76,439)**	12.9%	(113,698)
Operating lease rentals	**14.5%**	**(110,041)**	12.0%	(105,486)
Depreciation	**11.4%**	**(85,989)**	9.1%	(79,796)
Other operating expenses	**13.9%**	**(105,194)**	15.6%	(137,290)
Income tax expense	**3.4%**	**(25,753)**	3.5%	(30,697)
Profit for the year	**12.1%**	**91,356**	14.8%	130,017

Revenue

The Group achieved a total revenue of HK$756,975,000 for FY2017, representing a decrease of 14% as compared to HK$879,122,000 in FY2016. The decrease in revenue of approximately HK$122,147,000 was mainly due to the decrease in average spending per customer and persistently unstable economic performances in Hong Kong, which adversely affected consumer sentiment. Benefiting from the sales rebound in the second half of FY2017, the revenue exhibited an improvement when compared to the first half of FY2017.

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

	2017 HK$'000	2016 HK$'000
Revenue		
Hong Kong and Macau	**511,234**	618,796
Mainland China	**245,741**	260,326
Total	**756,975**	879,122

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 FY2017 and FY2016, the Group's employee benefit and manpower service expenses were HK$248,569,000 and HK$266,796,000 respectively. The decrease was mainly a result of staff increasing efficiency through ongoing training support provide that the quality of service from our well-skilled professionals is crucial in strengthening our competitiveness.

Marketing Expenses

Marketing expenses decreased by HK$37,259,000, or 33%, from HK$113,698,000 in FY2016 to HK$76,439,000 in FY2017. Marketing expenses as a percentage of revenue decreased from 13% in FY2016 to 10% in FY2017. The drop in marketing expenses was result of reducing outsourcing sub-contractor replaced by in-house, leveraging our marketing campaigns in more personalized and effective ways. The Group based on existing well established clientele base through word-of-mouth referrals to launch the "Affiliate program". Marketing activities focus on boost brand awareness and to strategically expand market share. Our marketing strategies have been proven successful in regard to increase in new members during the year.

Operating Lease Rentals

Operating lease rentals mainly related to leased properties located in Mainland China, Hong Kong and Macau and were primarily incurred for the operations of service centres and office premises. The operating lease rentals increased by HK$4,555,000, or 4%, from HK$105,486,000 in FY2016 to HK$110,041,000 in FY2017. 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 enhancing better customers' experience.

Other Operating Expenses

Other operating expenses decreased by HK$32,096,000, or 23%, from HK$137,290,000 in FY2016 to HK$105,194,000 in FY2017. During the FY2017, the decrease was mainly due to an efficient cost control and Mainland China business tax reform.

Profit for the Year and Margin

Profit for the year attributable to shareholders decreased by 30% year-on-year to HK$91,356,000 from HK$130,017,000 in FY2016. The Group's net profit margin still maintained healthy position at 12%. Basic earnings per share for FY2017 was HK8.2 cents as compared to HK11.6 cents for FY2016.

Dividend

The Board recommended a payment of a final dividend equivalent to HK4.6 cents per share of the Company (the "Share") and a special final dividend of HK5.0 cents per Share for FY2017 to the shareholders of the Company (the "Shareholders") whose names appear on the register of members on Thursday, 24 August 2017, together with interim dividend of HK3.4 cents per Share paid, the total dividend for FY2017 amounted to HK13.0 cents per Share.

The proposed final and special final dividends are subject to approval by the Shareholders at the forthcoming annual general meeting of the Company and will be paid on or around Friday, 8 September 2017.

Liquidity, Financial Resources and Capital Structure

The total equity of the Group as at 31 March 2017 was HK$454 million (FY2016: HK$467 million). The Group generally finances its operation with internally generated cash flows. The Group had bank and cash balance of approximately HK$327 million as at 31 March 2017 (FY2016: HK$287 million), without external bank borrowing. The Group's gearing ratio as at 31 March 2017 was nil (FY2016: 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 2017, the Group had net current assets of approximately HK$199 million (FY2016: HK$179 million).

Cash generated from operations in FY2017 was approximately HK$245 million (FY2016: HK$218 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 2017 amounted to HK$43 million, which were mainly used in leasehold improvement and equipment in connection with the expansion of service network.

Capital Commitments

As at 31 March 2017, the Group had the following capital commitments.

	2017	2016
	HK$'000	HK$'000
Capital expenditure contracted for but not yet incurred in respect of acquisition of property, plant and equipment	**1,024**	719

Contingent Liabilities

As at 31 March 2017, the Group did not have any significant contingent liabilities.

Foreign Exchange Exposure

The Group principally engages its business operation in Hong Kong and Mainland China. The Group has subsidiaries operating in Mainland China, in which most of their transactions are denominated in Chinese Renminbi. The Group is exposed to foreign exchange fluctuations from Chinese Renminbi which is the main foreign currency transacted by the Group during the year. The Group has not entered into any foreign exchange contract as hedging measures.

Employees and Remuneration Policies

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

The Group employed a total work force of 1,271 employees as at 31 March 2017 (FY2016: 1,494 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.

Treasury Policies

The Group adopts a prudent approach in the treasury and investment activities. The Group's surplus funds mainly invested in fixed and saving deposits in renowned banks as well as equity shares investments listed on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") as long-term investments.

The Board will continue to review the Group's investment portfolio, implement strict risk control to minimise the impact of market volatility and closely monitor the performance of its investments from time to time in order to reduce the possible financial risk related to its investment and maximise value for the Shareholders.

Significant Investment

The information of the Group's significant investment held at 31 March 2017 stated in this report is as follow:

Stock code	Name of investment	Principal Business	Nature of Investment	Number of shares	Percentage of total share capital	Investment cost HK$'000	Market value HK$'000	Unrealised gain on change in fair value HK$'000	Dividends received HK$'000	Percentage to the Group's total assets
700	Tencent Holdings Limited	Provision of Internet and mobile value-added services, online advertising services and e-Commerce transactions services	Investment in shares	235,000	0.003%	51,164	52,358	1,194	Nil	7.09%

This investment is subsequently sold on 17 May 2017 and the details are set out in Note 37 to the consolidated financial statements.

Significant Acquisition

There was no significant acquisition by the Group during FY2017.

Biographical Details of Directors and Senior Management

Executive Directors

Dr. Au-Yeung Kong ("Dr. Au-Yeung"), aged 45, was appointed as an executive director, the chairman and the chief executive officer of the Company on 11 March 2011. He is also member of each 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 13 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. 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 48, was appointed as an executive director and the chief operating officer of the Company on 11 March 2011. She is also member of each 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 University 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 12 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 53, 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. Ms. Au-Yeung Hung joined the Group in 2005 as the sales and marketing manager, and has accumulated over 10 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.

Independent Non-executive Directors

Ms. Hsu Wai Man, Helen ("Ms. Hsu"), aged 47, was appointed as an independent non-executive director of the Company on 5 December 2011. She is also the chairman of the audit committee of the Company and member of each of the remuneration committee and nomination committee of the Company. Ms. Hsu has more than 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 Branding China Group Limited (stock code: 863), Richly Field China Development Limited (stock code: 313) and China Display Optoelectronics Technology Holdings Limited (formerly known as TCL Display Technology Holdings Limited) (stock code: 334), all of them are listed on the Main Board of the Stock Exchange.

Ms. Hsu was 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, from April 2013 to December 2015. Ms. Hsu was an independent non-executive director of China Forestry Holdings Co. Ltd. (stock code: 930) from July 2011 to June 2015, Fujian Nuoqi Co., Ltd. (stock code: 1353) from June 2013 to September 2015, China Kingstone Mining Holdings Limited (stock code: 1380) from July 2015 to December 2015 and Titan Petrochemicals Group Limited (stock code: 1192) from December 2015 to May 2016, all of them are listed on the Main Board of the Stock Exchange.

Mr. Chi Chi Hung, Kenneth ("Mr. Chi"), aged 48, was appointed as an independent non-executive director of the Company on 5 December 2011. He is also the chairman of the remuneration committee of the Company and member of each of the audit committee and nomination committee of the Company. Mr. Chi has more than 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 DeTai New Energy Group Limited (stock code: 559), a company listed on Main Board of the Stock Exchange. He is also an independent non-executive director of L'sea Resources International Holdings Limited (stock code: 195) and Noble Century Investment Holdings Limited (stock code: 2322), both companies listed on Main Board of the Stock Exchange.

He was an executive director of Ceneric (Holdings) Limited (stock code: 542) from October 2010 to June 2017 and e-Kong Group Limited (stock code: 524) from September 2014 to July 2015, both companies listed on Main Board of the Stock Exchange. Mr. Chi was also an independent non-executive director of Hong Kong Life Sciences and Technologies Group Limited (stock code: 8085) from January 2010 to August 2015, Aurum Pacific (China) Group Limited (stock code: 8148) from March 2010 to October 2015 and Silk Road Energy Services Group Limited (stock code: 8250) from December 2011 to November 2015, all companies are listed on Growth Enterprise Market of the Stock Exchange. Mr. Chi was initially appointed as an executive director of China Sandi Holdings Limited (stock code: 910), a company listed on Main Board of the Stock Exchange, in May 2010 and he resigned from his final position as a non-executive director in August 2015.

Ms. Cho Yi Ping ("Ms. Cho"), aged 39, was appointed as an independent non-executive director of the Company on 14 August 2015. She is also the chairman of the nomination committee of the Company, and member of each of the audit committee and remuneration committee of the Company. Ms. Cho is a practicing solicitor in Hong Kong and a partner of Messrs. Cheung Tong & Rosa Solicitors. She obtained a bachelor degree of laws from The University of Hong Kong in 2000. Ms. Cho is currently the company secretary of DaChan Food (Asia) Limited (stock code: 3999) and was the company secretary of Perfectech International Holdings Limited (stock code: 765) from August 2016 to December 2016, both companies listed on Main Board of the Stock Exchange.

Senior Management

Mr. So Hin Lung ("Mr. So"), aged 40, 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 12 years of experience in auditing and accounting.

Corporate Governance Report

The Directors consider that incorporating the elements of good corporate governance in the management structures and internal control procedures of the Group could balance the interests of the 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 (the "Listing Rules") to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

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

During FY2017, the Company has complied with the CG Code as set out in Appendix 14 to the Listing Rules, except the issues mentioned in the following paragraphs.

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. During FY2017, Dr. Au-Yeung Kong is both the chairman of the Board (the "Chairman") and the chief executive officer of the Company (the "CEO"); therefore, the Group does not at present separate the roles of the Chairman and the CEO.

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

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. Between April and October 2016, the management prepared monthly updates (the "Updates") which were circulated to all the executive directors of the Company on a monthly basis and made available to the independent non-executive directors of the Company upon requests. Since November 2016, the Updates have been circulated to all members of the Board on a monthly basis. Whilst the management considers the current practice of issuing Updates suitable in view of its nature of business, enabling the members of the Board to assess the Company's performance, position and prospects, the Company continues to review its practice with a view to allowing the members of the Board to assess the performance of the Company in a more effective and comprehensive manner.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Specific enquiry has been made to each of the Directors and all Directors have confirmed that they have complied with the Model Code during the year ended 31 March 2017.

Board of Directors

Composition of the Board of Directors

As at 31 March 2017, 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
Mr. Chi Chi Hung, Kenneth
Ms. Cho Yi Ping

The biographical details of all Directors are set out on pages 23 and 24 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.

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 2017, 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 *(Chairman and Chief Executive Officer)*	1/1	6/6
Ms. Au-Yeung Wai *(Chief Operating Officer)*	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
Mr. Chi Chi Hung, Kenneth	0/1	3/6
Ms. Cho Yi Ping	1/1	6/6

Between April and October 2016, the management prepared Updates which were circulated to all the executive Directors on a monthly basis and made available to the independent non-executive Directors upon requests. Since November 2016, the Updates have been circulated to all members of the Board on a monthly basis 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.

Ms. Hsu Wai Man, Helen and Mr. Chi Chi Hung, Kenneth have 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.

Ms. Cho Yi Ping has entered into a letter of appointment with the Company for a term of three years commencing from 14 August 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.

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 all independent non-executive Directors 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 presence of the executive Directors.

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.

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 ended 31 March 2017, 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)
Mr. Chi Chi Hung, Kenneth	(a), (b), (d)
Ms. Cho Yi Ping	(a), (b), (c)

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 2017 fell within the following bands:

	No. of members of key management
Nil–HK$1,000,000	3
HK$1,000,001–HK$5,000,000	3
Over HK$5,000,000	1

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 and 15 January 2016 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 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, Mr. Chi Chi Hung, Kenneth and Ms. Cho Yi Ping. Ms. Hsu Wai Man, Helen is the chairman of the Audit Committee.

The Audit Committee has reviewed the accounting standards and practices adopted by the Group and discussed with the management about the risk management, internal control and financial reporting matters, including reviewing the financial statements and annual results for the year ended 31 March 2017.

During the year ended 31 March 2017, the Audit Committee has reviewed the audited consolidated financial statements for the year ended 31 March 2016, the unaudited consolidated financial statements for the six months ended 30 September 2016, the internal control and corporate governance issues related to financial reporting of the Company and pre-audit issue for the financial year 2017. The Audit Committee held 3 meetings. Details of the attendance of members of the Audit Committee meetings are as follows:

	Attendance
Ms. Hsu Wai Man, Helen *(Chairman)*	3/3
Mr. Chi Chi Hung, Kenneth	0/3
Ms. Cho Yi Ping	3/3

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.

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

During the year ended 31 March 2017, 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
Mr. Chi Chi Hung, Kenneth *(Chairman)*	0/1
Ms. Hsu Wai Man, Helen	1/1
Ms. Cho Yi Ping	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 packages passed on 6 January 2012. The terms of the Share Option Scheme are complied 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 interests 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").

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

During the year ended 31 March 2017, 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, review the re-election of retiring Directors and discuss the roles of the Chairman and the CEO. Details of the attendance of the meeting of the Nomination Committee are as follows:

	Attendance
Ms. Cho Yi Ping *(Chairman)*	1/1
Mr. Chi Chi Hung, Kenneth	0/1
Ms. Hsu Wai Man, Helen	1/1
Dr. Au-Yeung Kong	1/1
Ms. Au-Yeung Wai	1/1

Board Diversity Policy

During the year ended 31 March 2017, the Nomination Committee had reviewed 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 2017, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

A statement by the auditor of the Company regarding their reporting responsibilities is set out on pages 49 and 53 of this annual report.

Auditor's Remuneration

During the year ended 31 March 2017, 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 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 2017, the Board had reviewed the policies and practices of the Company relating to the CG Code and the corporate governance report of the Company.

Risk Management and Internal Control

The Board acknowledges that it is its duty to monitor the risk management and internal control systems of the Group on an ongoing basis and review their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

During FY2017, the Board, through the Audit Committee, conducted an annual review of both design and implementation effectiveness of the risk management and internal control systems of the Group, covering all material controls, including financial, operational and compliance controls, with a view to ensuring that resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions are adequate. In this respect, the Audit Committee communicates any material issues to the Board.

During FY2017, the Group appointed Baker Tilly Hong Kong Risk Assurance Limited ("Baker Tilly") to:

- assist in identifying and assessing the risks of the Group through a series of workshops and interviews; and
- independently perform internal control review and assess effectiveness of the Group's risk management and internal control systems.

The results of the independent review and assessment were reported to the Audit Committee and the Board. Moreover, improvements in internal control and risk management measures as recommended by Baker Tilly to enhance the risk management and internal control systems of the Group and mitigate risks of the Group were adopted by the Board. Based on the findings and recommendations of Baker Tilly as well as the comments of the Audit Committee, the Board considered the internal control and risk management systems effective and adequate.

The Group has established internal control procedures for the handling and dissemination of inside information in order to comply with Chapter 13 of the Listing Rules as well as Part XIVA of the Securities and Futures Ordinance. The internal control mechanism includes information flow and reporting processes, confidentiality arrangements, disclosure procedures, and staff training arrangements, etc.

Our Enterprise Risk Management Framework

The Group has established its enterprise risk management framework in FY2017. While the Board has the overall responsibility to ensure that sound and effective internal controls are maintained, management is responsible for designing and implementing an internal control system to manage all kinds of risks faced by the Group.

Through the risk identification and assessment processes, risks are identified, assessed, prioritized and allocated treatments. Our risk management framework follows the COSO Enterprise Risk Management — Integrated Framework, which allows the Board and management to manage the risks of the Group effectively. The Board receives regular reports through the Audit Committee that oversees risk management and internal audit functions.

Principal Risks

In FY2017, the following principal risks of the Group were identified and classified into strategic risks, operational risks, financial risks and compliance risks.

Risk Areas	Principal Risks
Strategic Risks	Change in competitor landscape, reputation risk, and risk of infringement of the intellectual property rights
Operational Risks	Failure to meet customers' expectation, high staff turnover rate, unable to renew rental leases for the existing shops, and risk of insufficient insurance coverage
Financial Risks	Inflation risk, liquidity risk
Compliance Risks	Impact of change in regulatory framework, risk of breach of Trade Descriptions Ordinance, and risk of insufficient employees' compensation insurance coverage

Our Risk Control Mechanism

The Group adopts a "three lines of defence" corporate governance structure with operational management and controls performed by operations management, coupled with risk management monitoring carried out by the finance and compliance team and independent internal audit outsourced to and conducted by Baker Tilly. The Group maintains a risk register to keep track of all identified major risks of the Group. The risk register provides the Board, the Audit Committee, and management with a profile of its major risks and records management's action taken to mitigate the relevant risks. Each risk is evaluated at least annually based on its likelihood of occurrence and potential impact upon the Group. The risk register is updated by management as the risk owners with addition of new risks and/or removal of existing risks, if applicable, at least annually, after the annual risk evaluation has been performed. This review process can ensure that the Group proactively manages the risks faced by it in the sense that all risk owners have access to the risk register and are aware of and alert to those risks in their area of responsibility so that they can take follow-up action in an efficient manner.

Our risk management activities are performed by management on an ongoing process. The effectiveness of our risk management framework will be evaluated at least annually, and periodic management meeting is held to update the progress of risk monitoring efforts. Management is committed to ensuring that risk management forms part of the daily business operation processes in order to align risk management with corporate goals in an effective manner.

The Company will continue to engage external independent professionals to review the Group's system of internal controls and risk management annually and further enhance the Group's internal control and risk management systems as appropriate.

There is currently no internal audit function within the Group. The Directors have reviewed the need for an internal audit function and are of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit function for the Group in order to meet its needs. Nevertheless, the Directors will continue to review at least annually the need for an internal audit function.

Company Secretary

Mr. So has been appointed as the company secretary of the Company since March 2011 and he has taken no less than 15 hours of relevant professional training for the year ended 31 March 2017.

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 01-08, 30th 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 branch 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 providing 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 circulars, 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.

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 01-08, 30th 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.psmedical.com.hk) which include the latest information relating to the Group and its businesses.

Save as disclosed elsewhere in this annual report, there was no significant changes in the Company's constitutional documents for the year ended 31 March 2017.

Directors' Report

The Directors submit herewith their annual report together with the audited financial statements for the year ended 31 March 2017.

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 01-08, 30th 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 high technology beauty services. Other particulars of the subsidiaries of the Company are set out in Note 36 to the consolidated financial statements.

Results

The profit of the Group for the year ended 31 March 2017 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 54 to 56.

Dividend

The Directors recommended a payment of a final dividend equivalent to HK4.6 cents per Share and a special final dividend of HK5.0 cents per Share for the year ended 31 March 2017 to the Shareholders whose names appear on the register of members on Thursday, 24 August 2017, together with interim dividend of HK3.4 cents per Share paid, the total dividend for the year ended 31 March 2017 amounted to HK13 cents per Share.

The proposed final and special final dividends are subject to approval by the Shareholders at the forthcoming annual general meeting of the Company and will be paid on or around Friday, 8 September 2017.

Business Review and Commentary

Business Review

The business review, including an analysis of the Group's performance during the year using financial key performance indicators and an indication of likely future development in the Group's business, is set out in the "Management Discussion and Analysis" on pages 16 to 22 of this annual report. This discussion forms part of this "Directors' Report".

Compliance with Relevant Laws and Regulations

It is the responsibility of the Board to ensure all operations in the Group are adhered to applicable laws, rules and regulations in particular, those have significant impact on the Group. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

During the year ended 31 March 2017, the Group has complied with the provisions of the Personal Data (Privacy) Ordinance to ensure that all personal data collected will be treated confidentially and for specific purposes only. As far as the Board is aware, there was no material breach of or non-compliance with the applicable laws and regulations that have a significant impact on the Group's business and operation by the Group.

Principal Risks and Uncertainties

Downside risks have been increased since there is slowing growth in emerging markets as to the global economic conditions has been weaker than expected. The continuing downturn economy may affect the results of operations and financial performance of the Group adversely. To ease its negative impact on the Group's financial position, the Group pursues to enhancing marketing strategies, intensifying cost controlling measures and adopting cautious network diversification plan on points of sales.

Changes in government policies, relevant regulations and guidelines established by the regulatory authorities would have an impact on the business operation of the Group. Failure to comply with the rules and requirements may lead to penalties or suspension of the business operation by the authorities. The Group has closely monitored changes in government policies, regulations and markets as well as assessing the impact of such changes.

The Group will closely monitor any signs of these occurrence and all departments of the Group will be involved in identifying, assessing and evaluating risks relating to their operational scope.

Environmental Protection Policy and Performance

The Group recognizes its responsibility to the long term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Group has adopted effective measures to achieve efficient use of resources, energy saving and waste reduction. Green initiatives and measures have been implemented in the Group's offices and beauty centers. Details on Perfect Shape's strategies, efforts and performance with respect to environmental, social and governance (ESG) for the year ended 31 March 2017 are available in the Group's ESG Report, which will be published within three months after the publication of this annual report on the websites of the Company and the Stock Exchange.

Relationships with Key Stakeholders

Employees

The Group has been constantly reviewing staff remuneration package, training and occupational health and safety to ensure it is competitive with relevant industries. The Group also regards the personal development of its employees as highly important and strives to motivate its employees with a clear career path and opportunities for advancement and improvement of their skills.

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.

Customers

The Group maintains a good relationship with its customers. The Group has strengthened relationships with the customers while cultivating relationships with potential customers and has established long-term co-operation relationships with many customers. Such stellar performance can be attributed to our strong capability of responding to customers' needs on physical and psychological level. As we seek to provide our customers with all of their health and high technology beauty needs under one roof, we created mega centres in Hong Kong. In this way, it has allowed us to better serve our customers, as well as enabled us to centralise personnel, equipment and resources, resulting in greater efficiency.

Suppliers

The Group is in good relationship with its suppliers and conducts a fair and strict appraisal of its suppliers. The Group has developed long-standing co-operation relationships with the Group's suppliers and taken great care to ensure that they can share our commitment to product quality and morality. The Group carefully selected suppliers and required them to satisfy certain assessment criteria, including track record, experience, financial strength, reputation, ability to produce high-quality products and quality control effectiveness.

Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 9 August 2017 to Tuesday, 15 August 2017 (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, 8 August 2017.

The register of members of the Company will be closed from Monday, 21 August 2017 to Thursday, 24 August 2017 (both dates inclusive), during which period no transfer of Shares will be registered. In order to qualify for the final dividend and special final dividend, all transfers of Shares, accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrars in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 18 August 2017.

Major Customers and Suppliers

The Group's top five customers accounted for approximately 2.7% of the total sales. The top five suppliers accounted for approximately 18.4% of the total purchases for the year. In addition, the Group's largest customer accounted for approximately 1.0% of the total sales and the Group's largest supplier accounted for approximately 7.8% of the total purchases for the year.

During the year ended 31 March 2017, none of the Directors, or any of their close 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 2017, the Company's reserves available for distribution represent the share premium and retained earnings amounting to approximately HK$285,433,000.

The Directors recommend a payment of a final dividend equivalent to HK4.6 cents per Share and a special final dividend of HK5.0 cents per Share for the year ended 31 March 2017.

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 26 to the consolidated financial statements.

Directors

The Directors during the year ended 31 March 2017 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
Mr. Chi Chi Hung, Kenneth
Ms. Cho Yi Ping

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, Dr. Au-Yeung Kong and Mr. Chi Chi Hung, Kenneth shall retire from office by rotation. Both Dr. Au-Yeung Kong and Mr. Chi Chi Hung, Kenneth being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

Biographical details of the Directors are set out in pages 23 to 24 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.

Ms. Hsu Wai Man, Helen and Mr. Chi Chi Hung, Kenneth, the independent non-executive Directors have entered into their respective 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.

Ms. Cho Yi Ping, an independent non-executive Director, has entered into a letter of appointment with the Company for a term of three years commencing from 14 August 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).

Equity-linked agreement

Details of the equity-linked agreement entered into during the year ended 31 March 2017 or subsisting at the end of the year are set out below:

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.

(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 77,432,000 Shares, representing 7.17% of the issued Shares.

(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.

Where the Board proposes to grant any option to a participant who is a substantial shareholder or an independent non-executive Director (or its subsidiaries), or any of their respective associates, and such option which if exercised in full, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted pursuant to the Share Option Scheme and other Share Option Schemes of the Company (including option exercised, cancelled, and outstanding) to such participant in the 12-month period up to and including the date of grant being proposed by the Board (the "Relevant Date") (i) representing in aggregate more than 0.1% of the total issued Shares at the Relevant Date; and (ii) having an aggregate value, based on the closing price of the

Shares as stated in the Stock Exchange's daily quotations sheet on the Relevant Date, in excess of HK$5,000,000, such proposed grant of options shall be approved by the shareholders of the Company in general meeting as required under the Listing Rules.

(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 in its absolute discretion.

(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.

Details of the share options movements during the year ended 31 March 2017 under the Share Option Scheme are as follows:

Name or category of grantees	Date of grant of share options	Exercise price (HK$)	Exercise period	Number of share options: Balance as at 01.04.2016	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Balance as at 31.03.2017
Directors									
Au-Yeung Kong	27/04/2015 (Note 1)	1.72	27/04/2018–26/04/2025	2,900,000	—	—	—	—	8,452,000
	27/04/2016 (Note 2)	0.90	27/04/2016–26/04/2019 (Note 3)	—	5,552,000	—	—	—	
Au-Yeung Wai	27/04/2015 (Note 1)	1.72	27/04/2018–26/04/2025	2,900,000	—	—	—	—	8,452,000
	27/04/2016 (Note 2)	0.90	27/04/2016–26/04/2019 (Note 3)	—	5,552,000	—	—	—	
Au-Yeung Hung	27/04/2015 (Note 1)	1.72	27/04/2018–26/04/2025	2,900,000	—	—	—	—	8,452,000
	27/04/2016 (Note 2)	0.90	27/04/2016–26/04/2019 (Note 3)	—	5,552,000	—	—	—	
Total				8,700,000	16,656,000	—	—	—	25,356,000

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.

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 2017, 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 ordinary shares	Number of underlying shares held pursuant to share options (Note 2)	Percentage of the issued share capital of the Company (Note 3)
Dr. Au-Yeung Kong	Beneficial owner	17,500,000 (L)	8,452,000 (L)	66.36%
	Interest of controlled corporation (Note 1)	700,000,000 (L)	—	
Ms. Au-Yeung Wai	Beneficial owner	—	8,452,000 (L)	64.76%
	Interest of controlled corporation (Note 1)	700,000,000 (L)	—	
Ms. Au-Yeung Hung	Beneficial owner	—	8,452,000 (L)	64.76%
	Interest of controlled corporation (Note 1)	700,000,000 (L)	—	

(L): Long position

Notes:

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

2. 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.

3. The percentage represents the number of Shares interested divided by the number of the issued Shares as at 31 March 2017 (i.e. 1,093,908,000 Shares).

Save as disclosed above, as at 31 March 2017, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Right to Acquire Shares or Debentures

At no time during the year ended 31 March 2017 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 2017, 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 obligations 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 2017, 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 (Note 2)
Sure Sino Investments Limited	Beneficial Owner	382,500,000 (L)	34.96%
	Interest of Controlled corporation (Note 1)	317,500,000 (L)	29.02%
Earlson Holdings Limited (Note)	Beneficial Owner	180,000,000 (L)	16.45%
Market Event Holdings Limited (Note)	Beneficial Owner	137,500,000 (L)	12.56%

(L): Long position

Note:

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

2. The percentage represents the number of Shares interested divided by the number of the issued Shares as at 31 March 2017 (i.e. 1,093,908,000 Shares).

Save as disclosed above, as at 31 March 2017, 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 2017, the Company maintained the public float required by the Listing Rules.

Donation

The Group made a donation of HK$218,000 during the year ended 31 March 2017 (2016: Nil).

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 2017.

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 2017.

Directors' Interests in Competing Business

As at 31 March 2017, 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.

Directors' Material interests in Transactions, Arrangements and Contracts

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company's subsidiaries or its parent company was a party and in which a Director had a material interest, where directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 March 2017.

Related Party Transactions

Details of the related party transactions undertaken during the year ended 31 March 2017 are provided under Note 34 to the consolidated financial statements. These related party transactions did not fall under the definition of connected transaction or continuing connected transaction as defined in the Listing Rules.

Retirement Benefits Schemes

Particulars of retirement benefits schemes of the Group are set out in Note 14 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.

Indemnity of Directors

The Company has maintained appropriate directors and officers liability insurance and such permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year ended 31 March 2017.

Purchase, Sale or Redemption of Listed Securities of the Company

During the year ended 31 March 2017, the Company repurchased a total of 34,000,000 and cancelled a total of 28,092,000 ordinary Shares of HK$0.1 each on the Stock Exchange. The purchase of the Shares during the year was effected by the Directors of the Company, pursuant to the mandate from the Shareholders received at the last annual general meeting with a view of consistently undervalue of the price. The number of issued Shares as of 31 March 2017 was 1,093,908,000. Particulars of the Shares repurchased are as follows:

Month of repurchase	Number of ordinary Shares repurchased	Purchase price paid per Share Highest HK$	Lowest HK$	Aggregate consideration paid (including transaction costs) HK$
December 2016	15,224,000	0.63	0.58	9,107,232
January 2017	12,868,000	0.64	0.60	8,133,946
March 2017	5,908,000	0.72	0.68	4,242,174
	34,000,000			21,483,352

Save as disclosed above, during the year ended 31 March 2017, 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 25 to 36. 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 4 of this annual report.

Events after the Balance Sheet Date

On 27 April 2017, the Group granted 6,096,000 share options to each of the Company's three executive Directors which amounted to a total of 18,288,000 share options granted. Each share option entitles the holder to subscribe for one ordinary Share at an exercise price of HK$0.82 per Share.

On 17 May 2017, the Group disposed all Shares of Tencent Holdings Limited which is included in available-for-sale financial assets in the Group's consolidated balance sheet as at 31 March 2017, at an average price of HK$260.1 per Share for sale proceeds of approximately HK$60,966,000. Accordingly, gains on disposal of available-for-sale financial assets of approximately HK$9,802,000 were recognised in the Group's consolidated statement of comprehensive income.

Auditor

The financial statements have been audited by PricewaterhouseCoopers who 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
Au-Yeung Kong
Chairman and Chief Executive Officer

Hong Kong, 30 June 2017

Independent Auditor's Report

pwc 羅兵咸永道

TO THE SHAREHOLDERS OF PERFECT SHAPE BEAUTY TECHNOLOGY LIMITED
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Perfect Shape Beauty Technology Limited (the "Company") and its subsidiaries (together as "the Group") set out on pages 54 to 108, which comprise:

- the consolidated balance sheet as at 31 March 2017;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters — continued

The key audit matter identified in our audit is relating to revenue recognition for the sale of services.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition for the sale of services (Refer to Note 2.16(a) to the consolidated financial statements) As described in the accounting policies in note 2.16(a) to the consolidated financial statements, revenue from the provision of slimming and beauty services are recognised when the services have been rendered to the clients. Receipt of proceeds in respect of treatment packages for which the relevant services have not been rendered are deferred and recognised as deferred revenue in the consolidated balance sheet. The Group also implements a six-month expiry policy for the provision of slimming and beauty services. Any unutilised treatments at the end of the relevant service period are fully recognised as revenue in the consolidated income statement. During the year ended 31 March 2017, revenue from service contracts of HK$754,640,000 was recognised in the Group's consolidated income statement. As at 31 March 2017, the Group had deferred revenue of HK$173,287,000. We focused on this area due to the magnitude of revenue transactions that occur and hence significant audit resources were allocated to perform the audit procedures on revenue recognition for the sale of services.	Our audit procedures performed on revenue recognition for the sale of services included: • We understood and evaluated the key controls of the Group in respect of revenue recognition for the sale of services, including the recording of proceeds received in respect of treatment packages as deferred revenue, the recognition of revenue based on the number of treatment services rendered, and the recognition of revenue upon the expiry of the treatment service contracts; • We tested, on a sample basis, the key controls over revenue recognition for the sale of services; • We tested, on a sample basis, the calculation of the amount of revenue recognised during the reporting period and the amount of revenue deferred as at the end of the reporting period with reference to the treatment service contracts, proceeds received and underlying treatment service records. This mainly involved: a. Agreeing the contract sums stipulated in the treatment service contracts to the bank receipt records; b. Agreeing the number and type of treatments stipulated in the treatment service contracts to the treatment service records; c. Checking the number and type of utilised treatments shown in the treatment service records to the corresponding documents acknowledged by the respective customers; d. Recalculating the amount of revenue recognised based on the number and type of treatments utilised; e. Recalculating the amount of unutilised treatments for those expired contracts as at the end of the reporting period that should be recognised as revenue based on the terms of the corresponding treatment service contracts. Based upon the above procedures, we found that the recognition of revenue from the sale of services was supported by the available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements — continued

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chu Wang Hay.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 June 2017

Consolidated Statement Of Comprehensive Income

For the year ended 31 March 2017

	Note	2017 HK$'000	2016 HK$'000
Revenue	6	**756,975**	879,122
Other income	7	**2,761**	2,055
Other losses — net	8	**(6,380)**	(8,110)
Cost of inventories and consumables		**(15,250)**	(16,034)
Employee benefit and manpower service expenses	14	**(248,569)**	(266,796)
Marketing expenses		**(76,439)**	(113,698)
Depreciation	17	**(85,989)**	(79,796)
Operating lease rentals		**(110,041)**	(105,486)
Other operating expenses	9	**(105,194)**	(137,290)
Operating profit		**111,874**	153,967
Finance income	10	**5,235**	6,747
Profit before income tax		**117,109**	160,714
Income tax expense	11	**(25,753)**	(30,697)
Profit for the year attributable to equity holders of the Company		**91,356**	130,017
Other comprehensive income/(losses):			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		**(3,882)**	(4,651)
Available-for-sale financial assets:			
— Fair value gains/(losses)		**9,302**	(7,805)
— Fair value gains recycled to profit or loss upon disposal of the relevant financial assets		**(303)**	—
Total other comprehensive income/(losses) for the year, net of tax		**5,117**	(12,456)
Total comprehensive income for the year attributable to equity holders of the Company		**96,473**	117,561
Earnings per share attributable to equity holders of the Company for the year	13		
— basic		**HK8.2 cents**	HK11.6 cents
— diluted		**HK8.2 cents**	HK 11.6 cents

The notes on pages 59 to 108 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 March 2017

	Note	2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	184,816	229,161
Deposits and prepayments	22	31,826	33,637
Available-for-sale financial assets	18	52,358	37,934
Deferred income tax assets	28	10,651	7,854
		279,651	308,586
Current assets			
Inventories	20	1,267	4,507
Trade receivables	21	63,522	57,183
Other receivables, deposits and prepayments	22	46,417	48,874
Tax recoverables		19,876	—
Term deposits with initial terms of over three months	23	206	26,829
Pledged bank deposits	24	28,056	24,881
Cash and cash equivalents	25	298,994	234,926
		458,338	397,200
Total assets		737,989	705,786
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	26	109,391	112,200
Share premium		280,533	302,016
Other reserves		12,521	(2,266)
Retained earnings	27	51,277	55,377
Total equity		453,722	467,327

Consolidated Balance Sheet

As at 31 March 2017

	Note	2017 HK$'000	2016 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	28	**18,020**	15,052
Provision for reinstatement costs	29	**7,030**	5,281
		25,050	20,333
Current liabilities			
Provision for reinstatement costs	29	**2,242**	1,554
Trade payables	30	**776**	932
Accruals and other payables	31	**65,450**	67,831
Deferred revenue	32	**173,287**	132,097
Tax payables		**17,462**	15,712
		259,217	218,126
Total liabilities		**284,267**	238,459
Total equity and liabilities		**737,989**	705,786

The notes on pages 59 to 108 are an integral part of these consolidated financial statements.

The financial statements on pages 54 to 108 were approved by the Board of Directors on 30 June 2017 and were signed on its behalf.

Au-Yeung Kong
Director

Au-Yeung Wai
Director

Consolidated Statement Of Changes In Equity

For the year ended 31 March 2017

	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$'000	Available-for-sale financial assets revaluation reserve HK$'000	Share-based compensation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
For the year ended 31 March 2017									
At 1 April 2016	112,200	302,016	6,997	1,100	(4,041)	(7,805)	1,483	55,377	467,327
Comprehensive income									
Profit for the year	—	—	—	—	—	—	—	91,356	91,356
Other comprehensive income									
Currency translation differences	—	—	—	—	(3,882)	—	—	—	(3,882)
Available-for-sale financial assets:									
— Fair value gains	—	—	—	—	—	9,302	—	—	9,302
— Fair value gains recycled to profit or loss upon disposal of the relevant financial assets	—	—	—	—	—	(303)	—	—	(303)
Total comprehensive income	—	—	—	—	(3,882)	8,999	—	91,356	96,473
Total transactions with owners, recognised directly in equity									
Repurchase and cancellation of ordinary shares (Note 26 (b))	(2,809)	(21,483)	—	2,809	—	—	—	—	(21,483)
Share-based payment (Note 15)	—	—	—	—	—	—	4,231	—	4,231
Dividends (Note 12)	—	—	—	—	—	—	—	(92,826)	(92,826)
Appropriation (Note 27(b))	—	—	2,630	—	—	—	—	(2,630)	—
	(2,809)	(21,483)	2,630	2,809	—	—	4,231	(95,456)	(110,078)
At 31 March 2017	109,391	280,533	9,627	3,909	(7,923)	1,194	5,714	51,277	453,722
For the year ended 31 March 2016									
At 1 April 2015	112,697	308,185	6,474	603	610	—	—	64,098	492,667
Comprehensive income									
Profit for the year	—	—	—	—	—	—	—	130,017	130,017
Other comprehensive income									
Currency translation differences	—	—	—	—	(4,651)	—	—	—	(4,651)
Fair value losses of available-for-sale financial assets	—	—	—	—	—	(7,805)	—	—	(7,805)
Total comprehensive income	—	—	—	—	(4,651)	(7,805)	—	130,017	117,561
Total transactions with owners, recognised directly in equity									
Repurchase and cancellation of ordinary shares (Note 26 (a))	(497)	(6,169)	—	497	—	—	—	—	(6,169)
Share-based payment (Note 15)	—	—	—	—	—	—	1,483	—	1,483
Dividends (Note 12)	—	—	—	—	—	—	—	(138,215)	(138,215)
Appropriation (Note 27(b))	—	—	523	—	—	—	—	(523)	—
	(497)	(6,169)	523	497	—	—	1,483	(138,738)	(142,901)
At 31 March 2016	112,200	302,016	6,997	1,100	(4,041)	(7,805)	1,483	55,377	467,327

The notes on pages 59 to 108 are an integral part of these consolidated financial statements.

Consolidated Statement Of Cash Flows

For the year ended 31 March 2017

	Note	2017 HK$'000	2016 HK$'000
Cash flows from operating activities			
Cash generated from operations	35	**244,926**	218,129
Interest received		**4,056**	6,344
Income tax paid		**(43,519)**	(32,722)
Net cash generated from operating activities		**205,463**	191,751
Cash flows from investing activities			
Purchase of property, plant and equipment		**(41,151)**	(109,652)
Sales proceeds from disposal of property, plant and equipment		**1,015**	3,232
Reinstatement costs paid for leased premises		**(762)**	(2,319)
Purchase of available-for-sale financial assets		**(51,164)**	(45,739)
Proceeds from disposal of available-for-sale financial assets		**46,042**	—
Decrease/(increase) in term deposits with initial terms of over three months		**26,623**	(26,627)
Increase in pledged bank deposits		**(3,175)**	(12,611)
Net cash used in investing activities		**(22,572)**	(193,716)
Cash flows from financing activities			
Dividends paid		**(92,826)**	(138,215)
Repurchase of ordinary shares	26	**(21,483)**	(6,169)
Net cash used in financing activities		**(114,309)**	(144,384)
Net increase/(decrease) in cash and cash equivalents		**68,582**	(146,349)
Cash and cash equivalents at 1 April		**234,926**	387,253
Effect of foreign exchange rate changes		**(4,514)**	(5,978)
Cash and cash equivalents at 31 March		**298,994**	234,926

The notes on pages 59 to 108 are an integral part of these consolidated financial statements.

Notes To The Consolidated Financial Statements

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 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 30 June 2017.

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

(a) New standards and amendments to existing standards adopted by 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 adoption of the above new standards and amendments to existing standards has no significant impact to the Group's financial position and operating results.

2 Summary of significant accounting policies — continued

2.1 Basis of preparation — continued

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

		Effective for accounting periods beginning on or after
HKFRS 7 (Amendments)	Disclosure Initiative	1 January 2017
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS4 Insurance Contracts	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 15 (Amendment)	Clarifications to HKFRS 15	1 January 2018
HKFRS 16	Leases	1 January 2019

The Directors have already commenced the assessment of the impact of the adoption of the above new standards and amendments to existing standards and are not yet in a position to state whether these would have a significant impact on its financial performance and position.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 March 2017.

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.

2 Summary of significant accounting policies — continued

2.2 Consolidation — continued

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.

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 Summary of significant accounting policies — continued

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"). 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

(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 Summary of significant accounting policies — continued

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 disposal 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.

2 Summary of significant accounting policies — continued

2.7 Financial assets

2.7.1 Classifications

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

(a) 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.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated or not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

2.7.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction 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 the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of equity securities classified as available for sale are recognised in other comprehensive income.

When available-for-sale investments are sold, the cumulative fair value gains or losses previously recognised in investment revaluation reserve is removed from investment revaluation reserve and recognised in profit or loss.

Dividends from these available-for-sale investments are recognised in profit or loss as other income when the Group's right to receive payment is established.

2 Summary of significant accounting policies — continued

2.7 Financial assets — continued

2.7.3 Impairment of financial assets

(a) Assets carried at amortised cost

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

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

For loans and 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.

(b) Assets classified as available-for-sale

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

For equity investments under available-for-sale financial assets, 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.

2 Summary of significant accounting policies — continued

2.8 Inventories

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

2.9 Receivables

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

2.10 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.

2.11 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 19) 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.

2.12 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.

2 Summary of significant accounting policies — continued

2.12 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 liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, 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.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(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.

2.13 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.

2 Summary of significant accounting policies — continued

2.13 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.

2.14 Share-based payments

Equity-settled share-based payment transactions

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from directors, employees, consultant or adviser of the Group 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 hold 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.

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).

2 Summary of significant accounting policies — continued

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.

(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.

2 Summary of significant accounting policies — continued

2.16 Revenue and income recognition — continued

(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 upon 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) Interest income

Interest income is recognised using the effective interest method.

(d) Dividend income

Dividend income is recognised when the right to receive payment is established.

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.

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, cash flow and fair value interest-rate risks and price risk. 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. The Group is also exposed to other currency movements, primarily in terms of bank deposits denominated in RMB. The Company does not use any derivative financial instruments to hedge its exposure to foreign exchange risk.

At 31 March 2017, the Company did not have significant exposure to foreign exchange rate risk on translation of RMB-denominated bank deposits (2016: HK$1,185,000 higher/lower of post-tax profit).

(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 and 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 2017 and 2016, 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 2017 and 2016, the majority of the Group's deposits are placed with various landlords in Hong Kong and 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.

3 Financial risk management — continued

3.1 Financial risk factors — continued

(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 years ended 31 March 2017 and 2016, the credit terms with other 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 2017 and 2016, the contractual undiscounted cash flows of the Group's current financial liabilities approximate their respective carrying amounts due to their short maturities.

(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 23, 24 and 25 to the financial statements respectively. Management considers that interest-rate risk exposure of the Group is insignificant and no sensitivity analysis is therefore presented thereon.

(e) Price risks

The Group's main market price risk exposures relate to available-for-sale financial assets which comprised of listed equity securities. As at 31 March 2017, if the market price of the available-for-sale financial assets had increased/decreased by 5%, the Group's equity would have been HK$2,618,000 (2016:HK$1,897,000) higher/lower, mainly as a result of the gains/losses on available-for-sale financial assets. The Group closely monitors the price movement and changes in market conditions that may have an impact on the value of these financial assets.

3 Financial risk management — continued

3.2 Fair value estimation

The following table presents the Group's financial instruments that are measured at fair value at 31 March 2017 and 2016. The different levels have been defined as follows:

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

(ii) Inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

(iii) Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs) (level 3).

	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Group				
At 31 March 2017				
Available-for-sale financial assets				
— Listed equity securities	**52,358**	**—**	**—**	**52,358**
At 31 March 2016				
Available-for-sale financial assets				
— Listed equity securities	37,934	—	—	37,934

There were no transfers between levels 1, 2 and 3 during the year ended 31 March 2017 and 2016.

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.

3 Financial risk management — continued

3.3 Capital risk management — continued

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$298,994,000 as at 31 March 2017 (2016: HK$234,926,000), and has no outstanding bank loans, overdrafts or other borrowings at 31 March 2017 (2016: Nil).

4 Critical accounting estimates and judgements

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

(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.

4 Critical accounting estimates and judgements — continued

(c) Impairment of receivables

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

(d) Current and deferred income tax

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

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

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.

In light of effective management of the Group's business, the segment information previously presented by geographic locations under "Macau" and "Hong Kong" have been combined as "Hong Kong and Macau" from 1 April 2016 onwards, both in the internal management reports adopted by the Group's chief operating decision-makers, and in the consolidated financial statements of the Group. The comparative figures have also been reclassified to conform to the new presentation. The above changes in segment information were adopted to better reflect the current operations of the Group, as well as the resource allocation and future business developments of the Group.

5 Segment information — continued

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

	2017 HK$'000	2016 HK$'000
Hong Kong and Macau	511,234	618,796
The PRC	245,741	260,326
	756,975	879,122

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

	2017 HK$'000	2016 HK$'000
Hong Kong and Macau	54,889	130,723
The PRC	62,220	29,991
	117,109	160,714

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

	2017 HK$'000	2016 HK$'000
Hong Kong and Macau	176,605	210,853
The PRC	40,037	51,945
	216,642	262,798

5 Segment information — continued

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

	2017 HK$'000	2016 HK$'000
Hong Kong and Macau	**31,643**	75,135
The PRC	**11,339**	36,987
	42,982	112,122

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

6 Revenue

	2017 HK$'000	2016 HK$'000
Revenue from treatment service contracts (Note 32(b))	**754,640**	862,321
Revenue from sales of slimming and beauty products (Note 32(c))	**2,335**	16,801
	756,975	879,122

7 Other income

	2017 HK$'000	2016 HK$'000
Government subsidies	**1,998**	1,086
Dividend income from available-for-sale financial assets	**573**	652
Others	**190**	317
	2,761	2,055

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 — net

	2017 HK$'000	2016 HK$'000
Losses on disposal of property, plant and equipment	**(2,037)**	(244)
Net exchange losses	**(4,646)**	(7,866)
Gains on disposal of available-for-sale financial assets	**303**	—
Other losses — net	**(6,380)**	(8,110)

9 Other operating expenses

Included in other operating expenses are the following:

	2017 HK$'000	2016 HK$'000
Doctor consultation fee	**1,903**	2,431
Building management fee	**20,463**	19,290
Auditor's remuneration	**1,980**	1,980
Credit card and instalment arrangement commissions	**37,300**	50,208
Business tax (Note)	**1,281**	13,124
Printing, stationeries and general office expenses	**7,305**	7,545
Utility charges	**4,072**	4,647
Courier, postages and delivery charges	**6,784**	4,309
Travelling expenses	**1,234**	1,476
Other expenses	**22,872**	32,280
	105,194	137,290

Note: During the year ended 31 March 2017, business tax was levied on the revenue from treatment service contracts in the PRC at the rate of 5% (2016: 5%) until May 2016 when the PRC government implemented tax reform by changing the business tax into value-added tax. Pursuant to the tax reform, the value-added tax on the relevant revenue from treatment service contracts in the PRC was not accounted for as expenses.

10 Finance income

	2017 HK$'000	2016 HK$'000
Interest income on bank deposits	**5,235**	6,747

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% (2016: 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% (2016: 25%). Companies incorporated and operating in Macau are subject to Macau complementary tax, under which taxable income of up to MOP600,000 is exempted from taxation with amounts beyond this amount to be taxed at a fixed rate of 12% for the years ended 31 March 2017 and 2016.

	2017 HK$'000	2016 HK$'000
Current income taxation		
— Hong Kong and Macau	10,124	23,113
— PRC	16,054	5,774
	26,178	28,887
Over-provision in prior years		
— Hong Kong	(3,451)	(2,496)
Total current income taxation	22,727	26,391
Deferred taxation (Note 28)	3,026	4,306
	25,753	30,697

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:

	2017 HK$'000	2016 HK$'000
Profit before income tax	117,109	160,714
Tax calculated at the applicable domestic tax rates (Note a)	24,054	27,864
Income not subject to tax	(465)	(599)
Expenses not deductible	453	496
Tax effect of unrecognised tax losses	1,463	3,874
Utilisation of tax losses and other temporary differences previously not recognised	(1,199)	(1,162)
Effect of PRC withholding taxes	5,410	3,338
Tax credit (Note b)	(466)	(558)
Over-provision in prior years	(3,451)	(2,496)
Others	(46)	(60)
Tax charge	25,753	30,697

11 Income tax expense — continued

Notes:

(a) The weighted average applicable tax rate for the year ended 31 March 2017 was 20.5% (2016: 17.3%). 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 in different regions with different tax rates.

(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 Dividends

	2017 HK$'000	2016 HK$'000
Interim, paid, of HK3.4 cents (2016: HK6.7 cents) per ordinary share (notes i and iii)	37,848	75,129
Final, proposed, of HK4.6 cents (2016: HK4.9 cents) per ordinary share (notes ii and iv)	50,320	54,978
Special, proposed, of HK5.0 cents (2016: HK nil) per ordinary share (note iv)	54,695	—
	142,863	130,107

Notes:

(i) At a board meeting held on 18 November 2015, the directors declared an interim dividend for the year ended 31 March 2016 of HK6.7 cents per ordinary share, totaling HK$75,129,000, which was paid on 4 January 2016 and was reflected as an appropriation of retained earnings for the year ended 31 March 2016.

(ii) At a board meeting held on 30 June 2016, the directors declared the payment of a final dividend of HK4.9 cents per ordinary share, totaling HK$54,978,000 for the year ended 31 March 2016. The amount was paid on 30 September 2016 and was reflected as an appropriation of retained earnings for the year ended 31 March 2017.

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

(iv) At a board meeting held on 30 June 2017, the directors recommended the payment of a final and special dividend of HK4.6 cents and HK5.0 cents per ordinary share, totaling HK$50,320,000 and HK$54,695,000 respectively. The dividends were not reflected as dividends payable in these consolidated financial statements, but will be reflected as an appropriation of retained earnings and share premium for the year ending 31 March 2018 respectively after receiving the shareholders' approval at the forthcoming annual general meeting.

13 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.

	2017 HK$'000	2016 HK$'000
Profit attributable to equity holders of the Company	91,356	130,017
Weighted average number of ordinary shares for the purposes of basic earnings per share (thousands of shares)	1,116,289	1,124,257
Basic earnings per share (HK cents per share)	8.2	11.6

Diluted

Diluted earnings per share is of the same amount as the basic earnings per share. During the years ended 31 March 2017 and 2016, the exercise of the outstanding share options would be anti-dilutive.

14 Employee benefit and manpower service expenses

	2017 HK$'000	2016 HK$'000
Wages and salaries	227,050	241,308
Pension costs — defined contribution plans (Note a)	8,564	13,775
Share-based payment expenses	4,231	1,483
Other staff welfares	7,759	6,446
Total employee benefit expenses (including directors' remunerations)	247,604	263,012
Manpower service costs (Note b)	965	3,784
	248,569	266,796

14 Employee benefit and manpower service expenses — continued

(a) Pension costs — defined contribution plans

Hong Kong

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

The PRC

As stipulated under the relevant rules and regulations in the PRC, the subsidiaries operating in the PRC contribute to state-sponsored retirement plans for its employees. Depending on the provinces of their registered residences and their current regions of work, the employees contribute approximately 0% to 11% (2016: 0% to 11%) of their basic salaries, while the subsidiaries contribute approximately 16% to 32% (2016: 16% 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) Manpower service costs

During the years ended 31 March 2017 and 2016, 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.

15 Share-based payment

The Company has a share option scheme approved and adopted on 6 January 2012 ("Share Option Scheme"), pursuant to which share options may be granted to 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) to subscribe for the shares of the Company, subject to a maximum of 10% of the total number of shares in issue as at the listing date or such maximum number as approved by the shareholders.

The Share Option Scheme is valid and effective for a period of ten years commencing on the adoption date of the scheme.

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 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.

The terms and conditions of the share options granted during the years ended 31 March 2017 and 2016 are as follows:

a) Share options granted to directors on 27 April 2015

On 27 April 2015, the Company granted 2,900,000 share options to each of its three executive directors, amounting to a total of 8,700,000 share options granted. The exercise price is HK$1.72 per share option, being the closing price of the Company's shares on the grant date. These share options granted will be vested and exercisable after three years from the grant date. These options granted have a contractual option terms of eight years and will be expired on 26 April 2025. The Company does not have a legal or constructive obligation to repurchase or settle the options in cash. As at 31 March 2017, all the share options are not exercisable.

The fair value of these share options granted determined using the Binominal Option Pricing Model was HK$0.5497 per option. The significant inputs into the model were the exercise price of HK$1.72 at the grant date, volatility of 41.27%, dividend yield of 4.78% and an annual risk-free interest rate of 1.49%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last five years.

15 Share-based payment — continued

b) Share options granted to directors on 27 April 2016

On 27 April 2016, the Company granted 5,552,000 share options to each of its three executive directors, amounting to a total of 16,656,000 share options granted. The exercise price is HK$0.90 per share option, being the closing price of the Company's shares on the grant date. Each grantee may exercise no more than one third of his/her respective share options granted during the period from 27 April 2016 to 26 April 2017, no more than two third of share options granted during the period from 27 April 2017 to 26 April 2018, and all granted share options during the period from 27 April 2018 to 26 April 2019. These options granted have a contractual option terms of three years and will be expired on 26 April 2019. The Company does not have a legal or constructive obligation to repurchase or settle the options in cash. As at 31 March 2017, 5,552,000 share options out of the 16,656,000 share options are exercisable.

The fair values of these share options granted determined using the Binominal Option Pricing Model were ranging from HK$0.1942 to HK$0.2002 per option. The significant inputs into the model were the exercise price of HK$0.90 at the grant date, volatility of 48.82%, dividend yield of 7.61% and an annual risk-free interest rate of 0.77%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last five years.

Total expenses recognised in profit or loss for the above share options granted to directors are set out in Note 16(a).

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2017		2016	
	Average exercise price in HK$ per share option	**Number of share options (thousands)**	Average exercise price in HK$ per share option	Number of share options (thousands)
At 1 April	**1.72**	**8,700**	—	—
Granted during the year	**0.90**	**16,656**	1.72	8,700
At 31 March	**1.18**	**25,356**	1.72	8,700

As at 31 March 2017, 5,552,000 (2016: nil) options out of the 25,356,000 outstanding options (2016: 8,700,000) were exercisable.

15 Share-based payment — continued

Share options outstanding as at year end have the following expiry date and exercise prices:

	Exercise price in HK$ per share option	Number of share options (thousands) 2017	2016
Expiry date — 26 April 2025	1.72	**8,700**	8,700
Expiry date — 26 April 2019	0.90	**16,656**	—
		25,356	8,700

16 Directors' and senior management's remunerations

(a) Remunerations of directors and chief executive

	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Housing Allowance HK$'000	Estimated money value of other benefit (note) HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Remunerations paid or receivable in respect of accepting office as director HK$'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK$'000	Total HK$'000
Year ended 31 March 2017									
Executive directors									
Dr. Au-Yeung Kong (Chief executive officer)	4,800	—	—	—	1,411	—	—	—	6,211
Ms. Au-Yeung Hung	2,400	—	—	—	1,410	—	—	—	3,810
Ms. Au-Yeung Wai	2,400	—	—	—	1,410	—	—	—	3,810
Independent non-executive directors									
Ms. Hsu Wai Man, Helen	120	—	—	—	—	—	—	—	120
Mr. Chi Chi Hung, Kenneth	120	—	—	—	—	—	—	—	120
Ms. Cho Yi Ping (appointed on 14 August 2015)	120	—	—	—	—	—	—	—	120
	9,960	—	—	—	4,231	—	—	—	14,191

Note: The amounts represent the share-based payment expenses charged to profit or loss during the year for share options granted to these directors (Note 15).

16 Directors' and senior management's remunerations — continued

(a) Remunerations of directors and chief executive — continued

	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Housing Allowance HK$'000	Estimated money value of other benefit (note) HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Remunerations paid or receivable in respect of accepting office as director HK$'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK$'000	Total HK$'000
Year ended 31 March 2016									
Executive directors									
Dr. Au-Yeung Kong (Chief executive officer)	4,800	—	—	—	495	—	—	—	5,295
Ms. Au-Yeung Hung	2,400	—	—	—	494	—	—	—	2,894
Ms. Au-Yeung Wai	2,400	—	—	—	494	—	—	—	2,894
Independent non-executive directors									
Ms. Hsu Wai Man, Helen	114	—	—	—	—	—	—	—	114
Mr. Chi Chi Hung, Kenneth	114	—	—	—	—	—	—	—	114
Ms. Cho Yi Ping (appointed on 14 August 2015)	76	—	—	—	—	—	—	—	76
Ms. Pang Siu Yin (resigned on 14 August 2015)	38	—	—	—	—	—	—	—	38
	9,942	—	—	—	1,483	—	—	—	11,425

No directors waived or agreed to waive any emoluments during the years ended 31 March 2017 and 2016.

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	
	2017	2016
Directors	**3**	3
Employees	**2**	2
	5	5

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

	2017 **HK$'000**	2016 HK$'000
Basic salaries	**7,023**	7,830
Pension costs — defined contribution plan	**36**	36
	7,059	7,866

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	
	2017	2016
HK$2,500,001 to HK$3,000,000	**1**	1
HK$3,500,001 to HK$4,500,000	**1**	—
HK$5,000,001 to HK$5,500,000	**—**	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 (2016: Nil).

17 Property, plant and equipment

	Leasehold improvements HK$'000	Machinery and equipment HK$'000	Office equipment, furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 April 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
Year ended 31 March 2016					
Opening net book amount	42,685	142,016	12,501	1,330	198,532
Exchange differences	(586)	(495)	(258)	—	(1,339)
Additions	55,343	37,125	18,015	4,757	115,240
Disposals	(1,571)	(446)	(645)	(814)	(3,476)
Depreciation	(29,786)	(40,128)	(8,832)	(1,050)	(79,796)
Closing net book amount	66,085	138,072	20,781	4,223	229,161
At 31 March 2016					
Cost	160,827	240,302	41,338	5,293	447,760
Accumulated depreciation	(94,742)	(102,230)	(20,557)	(1,070)	(218,599)
Net book amount	66,085	138,072	20,781	4,223	229,161
Year ended 31 March 2017					
Opening net book amount	66,085	138,072	20,781	4,223	229,161
Exchange differences	(743)	(578)	(504)	—	(1,825)
Additions	18,203	25,849	2,469	—	46,521
Disposals	(332)	(337)	(2,131)	(252)	(3,052)
Depreciation	(32,600)	(44,504)	(7,924)	(961)	(85,989)
Closing net book amount	50,613	118,502	12,691	3,010	184,816
At 31 March 2017					
Cost	152,643	263,814	40,570	4,577	461,604
Accumulated depreciation	(102,030)	(145,312)	(27,879)	(1,567)	(276,788)
Net book amount	50,613	118,502	12,691	3,010	184,816

Additions of leasehold improvements during the year included the estimated cost of reinstatement obligation upon the closure or relocation of shop or office premises.

18 Available-for-sale financial assets

	2017 HK$'000	2016 HK$'000
At 1 April	37,934	—
Additions	51,164	45,739
Disposals	(45,739)	—
Net fair value changes	8,999	(7,805)
At 31 March	52,358	37,934

Available-for-sales financial assets are all equity securities listed in Hong Kong.

19 Financial instruments by category

	Loans and receivables HK$'000	Available-for-sale HK$'000	Total HK$'000
Assets included in the consolidated balance sheet			
At 31 March 2017			
Trade receivables	63,522	—	63,522
Available-for-sale financial assets	—	52,358	52,358
Other receivables and deposits	47,659	—	47,659
Term deposits with initial terms of over three months	206	—	206
Pledged bank deposits	28,056	—	28,056
Cash and cash equivalents	298,994	—	298,994
	438,437	52,358	490,795
At 31 March 2016			
Trade receivables	57,183	—	57,183
Available-for-sale financial assets	—	37,934	37,934
Other receivables and deposits	52,536	—	52,536
Term deposits with initial terms of over three months	26,829	—	26,829
Pledged bank deposits	24,881	—	24,881
Cash and cash equivalents	234,926	—	234,926
	396,355	37,934	434,289

19 Financial instruments by category — continued

	Financial liabilities at amortised cost	
	2017	2016
	HK$'000	HK$'000
Liabilities included in the consolidated balance sheet		
Trade payables	**776**	932
Accruals and other payables (excluding accrued salaries and other taxes payables)	**48,808**	47,895
	49,584	48,827

20 Inventories

	2017	2016
	HK$'000	HK$'000
Trading merchandises and consumables	**1,267**	4,507

21 Trade receivables

	2017	2016
	HK$'000	HK$'000
Trade receivables	**63,522**	57,183

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

	2017	2016
	HK$'000	HK$'000
Hong Kong dollars	**58,149**	53,624
RMB	**2,269**	2,253
Macau Patacas	**3,104**	1,306
	63,522	57,183

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.

21 Trade receivables — continued

The credit terms of the Group's trade receivables generally range from 3 days to 180 days (2016: 3 days to 180 days). The ageing analysis of trade receivables by the dates on which the relevant invoices are issued is as follows:

	2017 **HK$'000**	2016 HK$'000
Less than 60 days	**55,681**	47,057
60 days to 90 days	**5,110**	7,330
91 days to 120 days	**2,731**	2,796
	63,522	57,183

At 31 March 2017, trade receivables of approximately HK$4,109,000 (2016: HK$7,996,000) 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:

	2017 **HK$'000**	2016 HK$'000
Less than 60 days	**3,854**	7,983
60 days to 120 days	**255**	13
	4,109	7,996

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 2017 and 2016, no collateral was received from these counterparties.

As at 31 March 2017 and 2016 and during the years then ended, no trade receivables were impaired.

22 Other receivables, deposits and prepayments

	2017 HK$'000	2016 HK$'000
Current		
Prepayments	24,685	24,990
Deposits	16,692	20,457
Other receivables	5,040	3,427
	46,417	48,874
Non-current		
Prepayments for the acquisition of property, plant and equipment	5,899	4,985
Rental and utility deposits	25,927	28,652
	31,826	33,637
	78,243	82,511

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

	2017 HK$'000	2016 HK$'000
Hong Kong dollars	29,679	33,754
RMB	17,562	18,364
Macau Patacas	418	418
	47,659	52,536

23 Term deposits with initial terms of over three months

As at 31 March 2017, the weighted average effective interest rate of the Group's term deposits with initial terms of over three months was 0.85% (2016: 3.98%).

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

	2017 **HK$'000**	2016 HK$'000
RMB	**—**	26,627
Macau Patacas	**206**	202
	206	26,829

24 Pledged bank deposits

As at 31 March 2017 and 2016, 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 2017, the weighted average effective interest rate of these deposits was 0.65% (2016: 0.89%).

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

	2017 **HK$'000**	2016 HK$'000
Hong Kong dollars	**24,320**	5,504
RMB	**3,736**	19,377
	28,056	24,881

25 Cash and cash equivalents

	2017 HK$'000	2016 HK$'000
Cash at banks	180,460	88,646
Cash on hand	1,002	347
Term deposits with initial terms of less than three months	117,532	145,933
	298,994	234,926

Cash and cash equivalents were denominated in the following currencies:

	2017 HK$'000	2016 HK$'000
Hong Kong dollars	135,422	66,444
RMB	152,835	163,117
Macau Patacas	9,531	4,247
United States dollars	1,206	1,118
	298,994	234,926

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.

26 Share capital

	Number of shares	Nominal value
	'000	HK$'000
Issued and fully paid:		
Ordinary shares of HK$0.10 each		
At 1 April 2015	1,126,972	112,697
Cancellation of shares (Note a)	(4,972)	(497)
At 31 March 2016	1,122,000	112,200
Cancellation of shares (Note b)	(28,092)	(2,809)
At 31 March 2017	1,093,908	109,391

(a) During the year ended 31 March 2015, the Company repurchased 6,460,000 of its own shares, of which 6,028,000 shares were cancelled during the year and the remaining 432,000 repurchased shares were cancelled on 13 April 2015.

During the year ended 31 March 2016, the Company repurchased 4,540,000 of its own shares. The total amount paid to repurchase the shares was HK$6,169,000 and was charged to share premium within shareholders' equity. All of the repurchased 4,540,000 shares were cancelled during the year.

(b) During the year ended 31 March 2017, the Company repurchased 34,000,000 of its own shares. The total amount paid to repurchase the shares was HK$21,483,000 and was charged to share premium within shareholders' equity. 28,092,000 shares out of the repurchased 34,000,000 shares were cancelled during the year.

27 Reserves

(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 discretional surplus reserve using its post-tax profits in accordance with resolutions of the board of directors.

28 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:

	2017 HK$'000	2016 HK$'000
Deferred income tax assets		
Deferred tax assets to be recovered after more than 12 months	10,651	7,854
Deferred income tax liabilities		
Deferred tax liabilities to be settled after more than 12 months	(7,788)	(6,900)
Deferred tax liabilities to be settled within 12 months	(10,232)	(8,152)
	(18,020)	(15,052)
Deferred tax liabilities — net	(7,369)	(7,198)

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

	2017 HK$'000	2016 HK$'000
At 1 April	(7,198)	(6,342)
Charged to profit or loss (Note 11)	(3,026)	(4,306)
Payment during the year	3,329	3,690
Exchange differences	(474)	(240)
At 31 March	(7,369)	(7,198)

28 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 deprecation		PRC advertising expenses		PRC accrued expenses		Total	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
At 1 April	**7,614**	9,952	**3,974**	1,407	**1**	7	**3,880**	5,641	**15,469**	17,007
(Charged)/credited to profit or loss	**(4,845)**	(2,338)	**2,498**	2,567	**(266)**	(6)	**1,020**	(1,521)	**(1,593)**	(1,298)
Exchange differences	**—**	—	**67**	—	**6**	—	**(547)**	(240)	**(474)**	(240)
At 31 March	**2,769**	7,614	**6,539**	3,974	**(259)**	1	**4,353**	3,880	**13,402**	15,469

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 2017, the Group did not recognise certain deferred income tax assets of approximately HK$7,453,000 (2016: HK$7,189,000) in respect of accumulated tax losses amounting to approximately HK$38,332,000 (2016: HK$34,635,000) that can be carried forward against future taxable income. The tax losses of the PRC subsidiaries will expire in 5 years, while the tax losses of the Company and the other non-PRC subsidiaries do not have an expiry date.

As at 31 March 2017 and 2016, the expiry dates for Group's the unused tax losses are as follows:

	2017 HK$'000	2016 HK$'000
Expiry in		
2018	**—**	—
2019	**8,564**	2,932
2020	**2,950**	9,018
2021	**335**	4,540
No expiry date	**26,483**	18,145
	38,332	34,635

28 Deferred taxation — continued

Deferred tax liabilities

	Accelerated tax depreciation		PRC withholding taxes		Total	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
At 1 April	**(14,515)**	(14,845)	**(8,152)**	(8,504)	**(22,667)**	(23,349)
Credited/(charged) to profit or loss	**3,977**	330	**(5,410)**	(3,338)	**(1,433)**	(3,008)
Payment during the year	**—**	—	**3,329**	3,690	**3,329**	3,690
At 31 March	**(10,538)**	(14,515)	**(10,233)**	(8,152)	**(20,771)**	(22,667)

As at 31 March 2017, unremitted earnings of PRC subsidiaries totaled HK$178,536,000 (2016: HK$143,482,000).

29 Provision for reinstatement costs

The movement of provision for reinstatement costs is as follows:

	2017 HK$'000	2016 HK$'000
At 1 April	**6,835**	5,104
Provision during the year	**3,539**	3,118
Actual costs paid	**(762)**	(2,319)
(Over)/under-provision	**(285)**	1,024
Exchange differences	**(55)**	(92)
At 31 March	**9,272**	6,835
Represented by:		
— Non-current	**7,030**	5,281
— Current	**2,242**	1,554
	9,272	6,835

30 Trade payables

Payment terms with majority of the suppliers are on open account. Certain suppliers grant credit period ranging from 30 to 180 days (2016: 30 to 180 days).

At 31 March 2017 and 2016, the ageing analysis of trade payables based on invoice date is as follows:

	2017 HK$'000	2016 HK$'000
Less than 60 days	186	88
60 days to 120 days	3	182
Over 120 days	587	662
	776	932

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

	2017 HK$'000	2016 HK$'000
Hong Kong dollars	269	284
RMB	507	648
	776	932

31 Accruals and other payables

	2017 HK$'000	2016 HK$'000
Accrued operating expenses	59,582	63,138
Other payables	5,868	4,693
	65,450	67,831

Accruals and other payables were denominated in the following currencies:

	2017 HK$'000	2016 HK$'000
Hong Kong dollars	37,480	40,359
RMB	27,534	27,105
Macau Patacas	436	367
	65,450	67,831

32 Deferred revenue

	2017 HK$'000	2016 HK$'000
Deferred revenue on prepaid treatment packages	**173,287**	132,097

The movement of deferred revenue is as follows:

	2017 HK$'000	2016 HK$'000
Beginning of the year	**132,097**	149,378
Sales contracts entered into during the year (Note a)	**804,029**	871,696
Revenue from treatment service contracts (Note b)	**(754,640)**	(862,321)
Revenue recognised for the sales of slimming and beauty products (Note c)	**(2,335)**	(16,801)
Refunds of treatment packages (Note d)	**(3,872)**	(8,369)
Exchange differences	**(1,992)**	(1,486)
At the end of the year	**173,287**	132,097

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$540.5 million (2016: HK$571.3 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 2017 and 2016, the entire balance of deferred revenue was aged within one year from the date when the respective sales contracts were entered into.

33 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:

	2017 HK$'000	2016 HK$'000
Not later than one year	109,697	123,678
Later than one year and not later than five years	115,564	220,781
Longer than five years	—	506
	225,261	344,965

(b) Capital commitments

	2017 HK$'000	2016 HK$'000
Capital expenditure contracted for but not yet incurred in respect of acquisition of property, plant and equipment	1,024	719

34 Related party transactions

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

Parties are also considered to be related if they are subject to common control or joint control.

Members of key management and their close family member are also considered as related parties.

(a) During the years ended 31 March 2017 and 31 March 2016, 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 2017 and 31 March 2016 as set out in Note 24.

(b) Details of key management compensations are disclosed in Note 16 to the financial statements.

35 Cash generated from operations

	2017 HK$'000	2016 HK$'000
Profit before income tax	**117,109**	160,714
Adjustments for:		
— Depreciation	**85,989**	79,796
— Losses on disposal of property, plant and equipment	**2,037**	244
— Gains on disposal of available-for-sale financial assets	**(303)**	—
— (Over)/under-provision for reinstatement costs	**(285)**	1,024
— Interest income	**(5,235)**	(6,747)
— Share-based payment expenses	**4,231**	1,483
	203,543	236,514
Changes in working capital:		
— Inventories	**3,207**	(2,834)
— Trade receivables	**(6,455)**	3,779
— Other receivables, deposits and prepayments	**4,633**	(15,000)
— Trade payables, accruals and other payables	**(3,183)**	11,465
— Deferred revenue	**43,181**	(15,795)
Cash generated from operations	**244,926**	218,129

36 Particulars of principal subsidiaries

As at 31 March 2017, 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%
Hong Kong Charity Foundation Limited	Hong Kong	Charitable activities	Limited by Guarantee	100%
I-Medi Asia Limited	Hong Kong	Rental of equipment to group companies in Hong Kong	HK$10,000	100%
Perfect 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 Health 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 & Spa Limited	Hong Kong	Provision of slimming and beauty services and sales of slimming and beauty products in Hong Kong	HK$10,000	100%
New Beauty Management Limited	Hong Kong	Provision of slimming and beauty services and sales of slimming and beauty products in Hong Kong	HK$10,000	100%
Dr. Paris 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 (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	Hong Kong	Provision of slimming and beauty services and sales of slimming and beauty products in Hong Kong	HK$10,000	100%

36 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				
Beauty Home 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 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 (Holdings) Limited	Hong Kong	Provision of management services to group companies in Hong Kong	HK$10,000	100%
My Beauty Spa 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 Investment (Shanghai) Limited	Hong Kong	Investment holding in the PRC	HK$10,000	100%
Perfect App Technology 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	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%

36 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				
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%
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	RMB1,000,000	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.

37 Events after the balance sheet date

On 27 April 2017, the Group granted 6,096,000 share options to each of the Company's three executive directors which amounted to a total of 18,288,000 share options granted. Each share option entitles the holder to subscribe for one ordinary share of the Company at an exercise price of HK$0.82 per share subject to a vesting period of 3 years from the date of grant.

On 17 May 2017, the Group disposed all shares of Tencent Holdings Limited which is included in available-for-sale financial assets in the Group's consolidated balance sheet as at 31 March 2017, at an average price of HK$260.1 per share for sale proceeds of approximately HK$60,966,000. Accordingly, gains on disposal of available-for-sale financial assets of approximately HK$9,802,000 were recognised in the Group's consolidated statement of comprehensive income.

38 Balance sheet of the Company

	2017 HK$'000	2016 HK$'000
ASSETS		
Non-current assets		
Interests in subsidiaries	22,035	22,035
Amounts due from subsidiaries	341,560	381,166
Available-for-sale financial assets	52,358	37,934
	415,953	441,135
Current assets		
Prepayments and other receivables	612	507
Cash and cash equivalents	8,782	10
	9,394	517
Total assets	425,347	441,652
EQUITY		
Share capital	109,391	112,200
Share premium	280,533	302,016
Reserves (Note (a))	35,404	27,417
Total equity	425,328	441,633
LIABILITIES		
Current liabilities		
Accruals and other payables	19	19
Total liabilities	19	19
Total equity and liabilities	425,347	441,652

The balance sheet of the Company was approved by the Board of Directors on 30 June 2017 and has signed on its behalf.

Au-Yeung Kong
Director

Au-Yeung Wai
Director

38 Balance sheet of the Company — continued

Note (a) Reserve movement of the Company

	Retained earnings HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Available-for-sale financial assets revaluation reserve HK$'000	Share-based compensation reserve HK$'000	Exchange reserve HK$'000	Total HK$'000
At 1 April 2015	9,446	22,015	603	—	—	2,036	34,100
Profit for the year	139,495	—	—	—	—	—	139,495
Dividends (Note 12)	(138,215)	—	—	—	—	—	(138,215)
Fair value losses of available-for-sale financial assets	—	—	—	(7,805)	—	—	(7,805)
Currency translation differences	—	—	—	—	—	(2,138)	(2,138)
Share-based payment (Note 15)	—	—	—	—	1,483	—	1,483
Repurchase and cancellation of ordinary shares (Note 26(a))	—	—	497	—	—	—	497
At 31 March 2016 and 1 April 2016	10,726	22,015	1,100	(7,805)	1,483	(102)	27,417
Profit for the year	87,000	—	—	—	—	—	87,000
Dividends (Note 12)	(92,826)	—	—	—	—	—	(92,826)
Fair value gain of available-for-sale financial assets	—	—	—	9,302	—	—	9,302
Fair value gains recycled to profit or loss upon disposal of the relevant financial assets	—	—	—	(303)	—	—	(303)
Currency translation differences	—	—	—	—	—	(2,226)	(2,226)
Share-based payment (Note 15)	—	—	—	—	4,231	—	4,231
Repurchase and cancellation of ordinary shares (Note 26(b))	—	—	2,809	—	—	—	2,809
At 31 March 2017	**4,900**	**22,015**	**3,909**	**1,194**	**5,714**	**(2,328)**	**35,404**

Note:

Pursuant to the reorganisation in preparation for the listing of the shares of the Company on the Stock Exchange (the "Reorganisation"), 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.

39 Benefits and interest of directors

(a) Directors' emoluments (regarded as key management compensation)

Details of directors' emolument were disclosed in note 16.

(b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits during the year (2016: Nil).

(c) Consideration provided to third parties for making available directors' services

During the year ended 31 March 2017, the Company did not pay consideration to any third parties for making available directors' services (2016: Nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

As at 31 March 2017, there were no loans, quasi-loans and other dealings in favour of the directors, controlled bodies corporate by and connected entities with such directors (2016 : Nil).

(e) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in Note 34 to the financial statements, there were no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2016: Nil).