

A woman with dark, wavy hair is smiling and looking towards the camera. She is wearing a light pink, one-shoulder, sleeveless dress with a draped neckline and a cutout at the waist. The background is a soft, pinkish-red gradient with a large, faint circular pattern.

Interim Report

2018-2019

STOCK CODE : 1830

PERFECT SHAPE MEDICAL LIMITED

(Incorporated In The Cayman Islands With Limited Liability)

A woman with dark hair, wearing a white, one-shoulder, cut-out dress, is positioned on the left side of the page. The background is a light, abstract design with white and grey geometric shapes and lines.

Contents

Corporate Information

2

Management Discussion and Analysis

Overview

4

Financial Performance

7

Prospects

11

Condensed Consolidated Statement of
Comprehensive Income

13

Condensed Consolidated Balance Sheet

15

Condensed Consolidated Statement of
Changes in Equity

17

Condensed Consolidated Statement of
Cash Flows

19

Notes to the Interim Financial Information

20

Interim Dividend

45

Other Information

45

Corporate Information

Board of Directors

Executive Directors

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

Independent Non-executive Directors

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

Audit Committee

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

Remuneration Committee

Mr. Chi Chi Hung, Kenneth (Chairman)
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*

Authorized 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
Hang Seng Bank Limited

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



We Create Opportunity

Growth Leadership

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Perfect Shape Medical Limited (the "Company") together with its subsidiaries (collectively, the "Group") mainly provides premium slimming and non-invasive medical beauty services in Hong Kong, Macau and the People's Republic of China (the "PRC"). The Group's revenue for the six months ended 30 September 2018 increased by about 43.2% to approximately HK\$590.4 million (FY2017/18 interim: HK\$412.3 million) and the profit attributable to equity holders of the Company was HK\$160.0 million (FY2017/18 interim: HK\$81.9 million), representing a substantial increase of 95.4%. Earnings before interest, tax, depreciation and amortisation ("EBITDA") were HK\$233.4 million (FY2017/18 interim: HK\$141.6 million). Basic earnings per share amounted to HK14.5 cents as compared to HK7.6 cents for the previous period.

The Group managed to maintain a strong cash position and great operating flexibility to address market challenges. The Group is committed to generating sustained returns to our shareholders. The board of directors (the "Board") resolved to declare an interim dividend of HK14.5 cents (FY2017/18 interim: HK7.6 cents) per share.

Hong Kong Operation

To cater for different preferences of its customers, the Group provided non-invasive medical beauty services to meet customers' needs. The Group has a first-mover advantage and positioned itself as a market leader in non-invasive medical beauty services in Hong Kong. During the period under review, revenue contributed from the Hong Kong market recorded an increase of 67.8% to HK\$437.9 million from HK\$260.9 million in the same period of last year. The increase in revenue was mainly due to the increased average spending per customer and the contribution of new medical beauty concept stores.

Since our establishment, the Group has placed emphasis on identifying customers that are keen on consuming slimming and non-invasive medical beauty services so as to furbish their allure and esteem. With years of extensive experience in the slimming and non-invasive medical beauty services, the Group is dedicated to provide customers with safe and highly effective services. We believe there are more potentials to be unleashed from the market. Led by our Chairman who is a registered medical practitioner in Hong Kong, our management team will continue to bring state-of-the-art high technology beauty treatments to meet the huge demand. Furthermore, leveraging on our excellent service management that facilitates greater quality assurance, our management is confident of the future prospects of our business.

THE PRC and Macau Operation

The ongoing trade dispute between the United States and China has affected consumption. During the period under review, revenue contributed from China and Macau market was HK\$152.5 million (FY2017/18 interim: HK\$151.3 million), contributing 25.8% of the Group's total revenue.

Heedless of this uncertain environment, the Group has successfully leveraged on its leading market position and board-based clientele. The Group has a strong network in China and Macau. The Group operated direct service centers in five metropolitan cities, i.e. Beijing, Shanghai, Guangzhou, Shenzhen and Macau. The Group's top-end centers can be found in prestigious shopping malls or upscale department stores that are located in areas regularly frequented by high-end customers. The Group launched a client-referral program which strategically aims to capture more new customers to expand our member base. It helps building trust and confidence among new members, while referrals have also aided the Group to grasp new market opportunities.





We Create Opportunity Growth Leadership

The Group has sought to further strengthen its relationship with customers, and to be in touch with their personal needs, with an ultimate goal to provide services that go beyond their expectations. As the Company continues to grow and prosper, we have been closely scrutinising market trends. In our ongoing mission to provide one-stop platforms that cater for all of our consumers' beauty and wellness requirements, we are delighted to see our efforts have been rewarded by their increasing patronage.

FINANCIAL PERFORMANCE

Revenue

The Group's revenue increased by 43.2% to HK\$590.4 million for the six months ended 30 September 2018, compared to HK\$412.3 million for the same period of last year. During the period under review, the increase in revenue was mainly due to the increased average spending per customer and contribution from new medical beauty concept stores. The Hong Kong operation was the largest geographical operating segment of the Group in the period under review, which accounted for about 74.2% of the Group's turnover (FY2017/18 interim: 63.3%). Sales from Hong Kong region increased by 67.8% to approximately HK\$437.9 million during the six months ended 30 September 2018 (FY2017/18 interim: HK\$260.9 million). Sales from the PRC and Macau region remained stable at HK\$152.5 million during the six months ended 30 September 2018 (FY2017/18 interim: HK\$151.3 million.)

Marketing Expenses

Marketing expenses increased by 104.7% from HK\$40.8 million to HK\$83.5 million for the six months ended 30 September 2018. Marketing expenses as a percentage of revenue has increased to approximately 14.1% (FY2017/18 interim: 9.9%). The purpose of spending on marketing was primarily on raising our brand awareness and promoting our non-invasive medical beauty services to enhance customer engagement.

Operating Lease Rentals

Operating lease rentals mainly related to the leased properties in Hong Kong, the PRC and Macau and are primarily incurred for the operations of service centers and office premises. Such service centers are located in prime commercial districts for effective market penetration. Operating lease rentals decreased by HK\$5.8 million, or 11.1%, from HK\$52.3 million for the six months ended 30 September 2017 to HK\$46.5 million for the six months ended 30 September 2018. The decrease was mainly due to the concentration of the service center network in Hong Kong and the PRC. The Group will periodically review the expansion plan of service area to enhance customers' experience.

*In Future, We Are Joining Hands
To Create History, Building Beauty Kingdom
To A New Level of Success.*

We Are Extremely Pleased With The Direction Of The Business And We Expect 2019 To Be Yet Another Record Year.

Profit and Margin

Net profit for the period substantially increased by 95.4% to HK\$160.0 million from HK\$81.9 million in the same period of last year. Benefiting from economic of scale, the Group's net profit margin for the period increased to 27.1% from 19.9% in the same period of last year. In addition, the increase was mainly attribute to the (i) persistent growth of the business; (ii) effective operating cost control; and (iii) contribution from new medical beauty concept stores as compared to the same period of last year. Basic earnings per share were HK14.5 cents (FY2017/18 interim: HK7.6 cents).

Liquidity, Financial Resources and Capital Structure

The total equity of the Group as at 30 September 2018 was HK\$554.4 million (as at 31 March 2018: HK\$470.2 million). The Group generally finances its operation with internally generated cash flows. The Group had bank and cash balance of approximately HK\$410.4 million (as at 31 March 2018: HK\$395.8 million), after payment of the FY2017/18 special dividends and final dividends of HK\$166.9 million at 13 September 2018. The Group had no external bank borrowings as at 30 September 2018 (as at 31 March 2018: nil). As at 30 September 2018, the Group had net current assets of approximately HK\$382.0 million (as at 31 March 2018: HK\$319.4 million). The gearing ratio as at 30 September 2018 was nil (as at 31 March 2018: nil), calculated as total borrowing over shareholder's equity.

Cash generated from operations in the six months ended 30 September 2018 was approximately HK\$224.8 million (FY2017/18 interim: HK\$144.4 million). With bank and cash balances presently on hand, the Group's liquidity position remains strong and has sufficient financial resources to finance its commitments and to meet its working capital requirements.

Capital Commitments

Please refer to note 20 to the financial statements for details of capital commitments.

Contingent Liabilities

As at 30 September 2018, the Group did not have any significant contingent liabilities.

Foreign Exchange Exposure

The Group principally engages its business operation in Hong Kong, Macau and Mainland China. The Group has subsidiaries operating in Mainland China and Macau, in which most of their transactions are denominated and settled in Chinese Renminbi ("RMB") and Macau Patacas. In respect of transactions settled RMB and Macau Patacas, the Group did not have significant exposure to foreign exchange rate risk during the year due to the transactions being generally denominated in the functional currency of the respective group companies. The Group has not entered into any foreign exchange contract as hedging measures.

Significant Acquisition

During the six months ended 30 September 2018, there was no significant acquisition by the Group.

Treasury Policy

The Group adopts a prudent approach in treasury and investment activities. The Group's surplus funds are mainly held under fixed and saving deposits in renowned banks, cautions investment fund, principal protected investments as well as listed investment stocks to enhance returns on the surplus funds. As at 30 September 2018, there was HK\$34.0 million financial assets at fair value through profit or loss and HK\$35.4 million financial asset at fair value through other comprehensive income of the Group.



Significant Investment

The information of the Group's significant investment held at 30 September 2018 stated in this report is as follow:

(a) Listed equity security in Hong Kong

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 loss on change in fair value HK\$'000	Dividend 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	80,000	0.00078%	30,224	23,772	6,452	Nil	2.8%

(b) Listed equity security in United States

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	Dividend received HK\$'000	Percentage to the Group's total assets
MSFT	Microsoft Corporation	Provision of licensing and supporting an array of software products, offering a wide range of cloud-based and other services to people and businesses	Investment in shares	13,000	0.00017%	11,534	11,597	63	Nil	1.4%

(c) Unit trusts held by banks

Name of investment	Number of units held	Investment cost HK\$'000	Market value HK\$'000	Unrealised loss on change in fair value HK\$'000	Dividend received HK\$'000	Percentage to the Group's total assets
Blackrock Asian Tiger Bond Fund	1,048,184	11,949	11,090	859	209	1.30%
HSBC Asian Bond Fund	1,153,588	12,070	11,222	848	245	1.32%
PIMCO Global Investment Grade Credit Fund	112,349	12,164	11,706	458	150	1.38%
		36,183	34,018	2,165	604	

Please refer to notes 12 and 13 to the financial statements for the movements of significant investment.

Charges on the Group's Assets

As at 30 September 2018, some of the Group's banking facilities in respect of credit card and instalment sales arrangement was secured by pledged bank deposits and financial assets at fair value through profit or loss as set out in Note 21.

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 employees and recognizes the importance of retaining qualified staff to achieve continuous success. The Group had 1,117 employees as at 30 September 2018. During the period under review, total staff cost accounted for approximately 27.6% of the Group's revenue. Based on the performance and experiences of each employee, the Group's remuneration policy is in line with the prevailing market practices. The Group will constantly review staff remuneration package to maintain its competitiveness in the labor market.

Potential Spin-off and Separate Listing

On 15 November 2017, the Company appointed a financial adviser to review the feasibility, structure and timing of the possibility of a spin-off (the "Potential Spin-off") and separate listing of the Group's beauty and slimming business in the PRC and Macau on a stock exchange in the PRC (the "Proposed Listing"). On 28 September 2018, the Company submitted a spin-off proposal (the "Submission") to the Hong Kong Stock Exchange Limited and the Submission is still under consideration by the Hong Kong Stock Exchange Limited. As at the date of hereof, no listing application has been submitted to China Securities Regulatory Commission, the relevant stock exchange in the PRC, the Stock Exchange or other relevant regulatory authorities.

Details of the Potential Spin-off and Proposed Listing are set out in the announcements of the Company dated 15 November 2017 and 28 September 2018.

PROSPECTS

The Group performed well as it successfully gave its fundamental advantages full play under the outstanding leadership of the management. The profit attributable to equity holders of the Company increased by 95.4% to HK\$160.0 million during the period under review from HK\$81.9 million in the same period last year.

The Hong Kong Business

In Hong Kong, medical beauty service has turned from something deluxe into daily necessities on the back of increasing wealth. We understand that customers demand efficient and effective medical beauty services that can be fitted into their hectic schedules. In order to establish closer relationships with its customers, the Group offers safe, quality and considerate services to meet customers' actual needs in a comfortable environment.

China Business

In the ongoing US-China trade dispute, the two countries have imposed a series of punitive tariffs on some of each other's exports. Therefore, it is generally believed that China's economy will be affected. In the third quarter of 2018, China's gross domestic product grew by approximately 6.5% year on year, growing at the slowest pace since the first quarter of 2009. The slower economic growth may reduce the Chinese customers' spending power and may thus affect the country's market.

Nevertheless, the Group remains optimistic about the prospect of its China business for the long term. The Group can leverage its strong brand awareness, extensive network, the management's diversified sales strategies and cost effectiveness enhancement measures to tap the considerable demand for slimming and traditional beauty service in the country. It is well-positioned to achieve sustainable development.

The Overall View

The Group will build on its achievements to establish a firmer position as a leading company in the industry, aiming for sustainable growth. It knows beyond a shadow of doubt that it will be able to enhance both its profitability and enterprise value for the long term.

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

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2018

	Note	Six months ended 30 September 2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Revenue	4	590,372	412,268
Other income	5	2,990	2,130
Other gains — net	6	2,989	8,535
Cost of inventories and consumables		(7,473)	(6,428)
Employee benefit and manpower service expenses		(162,951)	(130,348)
Marketing expenses		(83,470)	(40,781)
Depreciation		(36,022)	(40,312)
Operating lease rentals		(46,535)	(52,323)
Other operating expenses		(62,525)	(51,462)
Operating profit		197,375	101,279
Finance income	7	2,192	1,341
Profit before income tax		199,567	102,620
Income tax expense	8	(39,608)	(20,675)
Profit for the period attributable to equity holders of the Company		159,959	81,945
Other comprehensive income:			
<i>Items that have been reclassified or may be reclassified subsequently to profit or loss</i>			
Change in fair value of available-for-sale financial assets		—	4,368
Fair value gain recycled to profit or loss upon disposal of relevant financial assets		—	(1,194)
Currency translation differences		(7,744)	(376)
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Change in fair value of financial asset at fair value through other comprehensive income		(6,389)	—

	Note	Six months ended 30 September 2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
<hr/>			
Total comprehensive income for the period attributable to equity holders of the Company		145,826	84,743
<hr/>			
Earnings per share attributable to equity holders of the Company during the period	9		
— Basic		HK14.5 cents	HK7.6 cents
<hr/>			
— Diluted		HK14.4 cents	HK7.6 cents
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The notes on pages 20 to 44 are an integral part of these condensed consolidated interim financial information.

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

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2018

	Note	30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	123,001	138,392
Financial asset at fair value through other comprehensive income	12	35,369	–
Deposits and prepayments		29,949	29,593
Deferred income tax assets		10,740	11,051
		199,059	179,036
Current assets			
Inventories		1,894	2,013
Trade receivables	14	163,219	165,885
Other receivables, deposits and prepayments		41,280	40,751
Financial assets at fair value through profit or loss	13	34,018	35,080
Term deposits with initial terms of over three months	15	30,208	70,208
Pledged bank deposits	16, 21	28,717	26,142
Cash and cash equivalents	17	351,479	299,411
		650,815	639,490
Total assets		849,874	818,526

	Note	30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	18	110,514	108,600
Share premium	18	191,101	225,501
Other reserves		9,925	24,264
Retained earnings		242,896	111,802
Total equity		554,436	470,167
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		21,305	22,016
Provision for reinstatement costs		5,282	6,203
		26,587	28,219
Current liabilities			
Provision for reinstatement costs		1,571	1,732
Trade payables	19	1,102	647
Accruals and other payables		81,686	81,991
Deferred revenue		116,547	204,294
Tax payable		67,945	31,476
		268,851	320,140
Total liabilities		295,438	348,359
Total equity and liabilities		849,874	818,526

The notes on pages 20 to 44 are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Unaudited								
	Equity attributable to equity holders of the Company								
	Share capital HK\$'000 (Note 18)	Share premium HK\$'000 (Note 18)	Statutory reserve HK\$'000	Capital redemption reserve HK\$'000	Exchange reserve HK\$'000	Share-based compensation reserve HK\$'000	Investment revaluation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
For the six months ended									
30 September 2018									
As at 1 April 2018	108,600	225,501	11,021	6,420	(75)	6,898	—	111,802	470,167
Impact on initial adoption of HKFRS 15 (Note 2.2)	—	—	—	—	894	—	—	82,754	83,648
Restated balance as at 1 April 2018	108,600	225,501	11,021	6,420	819	6,898	—	194,556	553,815
Comprehensive income									
Profit for the period	—	—	—	—	—	—	—	159,959	159,959
Other comprehensive income									
Currency translation differences	—	—	—	—	(7,744)	—	—	—	(7,744)
Financial asset at fair value through other comprehensive income	—	—	—	—	—	—	(6,389)	—	(6,389)
— Fair value loss	—	—	—	—	—	—	(6,389)	—	(6,389)
Total comprehensive income for the period	—	—	—	—	(7,744)	—	(6,389)	159,959	145,826
Total transactions with owners, recognized directly in equity									
Dividends (Note 10)	—	(55,257)	—	—	—	—	—	(111,619)	(166,876)
Issuance of shares upon the exercise of share options	1,914	20,857	—	—	—	(2,787)	—	—	19,984
Share option scheme — value of employment services	—	—	—	—	—	1,687	—	—	1,687
	1,914	(34,400)	—	—	—	(1,100)	—	(111,619)	(145,205)
As at 30 September 2018	110,514	191,101	11,021	6,420	(6,925)	5,798	(6,389)	242,896	554,436

	Unaudited								
	Equity attributable to equity holders of the Company								
	Share capital HK\$'000 (Note 18)	Share premium HK\$'000 (Note 18)	Statutory reserve HK\$'000	Capital redemption reserve HK\$'000	Exchange reserve HK\$'000	Share-based compensation reserve HK\$'000	Investment revaluation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
For the six months ended 30 September 2017									
As at 1 April 2017	109,391	280,533	9,627	3,909	(7,923)	5,714	1,194	51,277	453,722
Comprehensive income									
Profit for the period	—	—	—	—	—	—	—	81,945	81,945
Other comprehensive income									
Currency translation differences	—	—	—	—	(376)	—	—	—	(376)
Available-for-sale financial assets									
— Fair value gains recycled to profit or loss upon disposal of the relevant financial assets	—	—	—	—	—	—	(1,194)	—	(1,194)
— Fair value gains	—	—	—	—	—	—	4,368	—	4,368
Total comprehensive income for the period	—	—	—	—	(376)	—	3,174	81,945	84,743
Total transactions with owners, recognized directly in equity									
Repurchase and cancellation of ordinary shares	(2,070)	(11,733)	—	2,070	—	—	—	—	(11,733)
Dividends (Note 10)	—	(53,958)	—	—	—	—	—	(49,640)	(103,598)
Share option scheme — value of employment services	—	—	—	—	—	2,577	—	—	2,577
	(2,070)	(65,691)	—	2,070	—	2,577	—	(49,640)	(112,754)
As at 30 September 2017	107,321	214,842	9,627	5,979	(8,299)	8,291	4,368	83,582	425,711

The notes on pages 20 to 44 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

	Six months ended 30 September 2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Net cash generated from operating activities	224,820	144,379
Net cash used in investing activities	(19,754)	(101,537)
Net cash used in financing activities	(146,892)	(115,331)
Net increase/(decrease) in cash and cash equivalents	58,174	(72,489)
Cash and cash equivalents at the beginning of the period	299,411	298,994
Effect on foreign exchange	(6,106)	(306)
Cash and cash equivalents at the end of the period	351,479	226,199

The notes on pages 20 to 44 form an integral part of this condensed consolidated interim financial information.

NOTES TO THE INTERIM FINANCIAL INFORMATION

1 General Information

Perfect Shape Medical Limited (formerly known as “Perfect Shape Beauty Technology Limited”) (the “Company”) and its subsidiaries (together, the “Group”) are principally engaged in the provision of slimming and non-invasive medical 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.

With effect from 16 August 2018, the name of the Company has been changed from “Perfect Shape Beauty Technology Limited” to “Perfect Shape Medical Limited” pursuant to a special resolution passed by Shareholders at the annual general meeting on 15 August 2018.

This condensed consolidated interim financial information is presented in Hong Kong dollars (“HK\$”), unless otherwise stated. This condensed consolidated interim financial information for the six months ended 30 September 2018 is unaudited and has been reviewed by the audit committee of the Company. This condensed consolidated interim financial information was approved for issue by the Board on 28 November 2018.

2 Basis of Preparation and Accounting Policies

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

2 Basis of Preparation and Accounting Policies — continued

The interim financial statements do not include all the information and disclosures required in the annual financial statements and thereby should be read in conjunction with the annual financial statements for the year ended 31 March 2018 (“2018 Financial Statements”) which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

The interim financial statements have been prepared in accordance with the same accounting policies and methods of computation as adopted by the Group in the 2018 Financial Statements except for the adoption of new accounting policies as a result of applying the new or revised HKFRSs as set out below.

2.1 Adoption of new or revised HKFRSs and HKASs

(a) Adoption of new or revised HKFRSs and HKASs effective on 1 April 2018

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

HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers and the related amendments
HK (IFRIC) Int-22	Foreign currency transactions and advance consideration
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions
Amendments to HKFRS 4	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts
Amendments to HKFRS 1 and HKAS 28	As part of the annual improvements to HKFRSs 2014-2016 cycle
Amendments to HKAS 40	Transfers of investment property

The Group has been impacted by HKFRS 9 in relation to the classification of financial assets and the expected credit loss for financial assets, and impacted by HKFRS 15 in relation to identification and existence of variable consideration. Details of the changes in accounting policies are disclosed in note 2.2.

2 Basis of Preparation and Accounting Policies — continued

2.1 Adoption of new or revised HKFRSs and HKASs — continued

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

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

HKFRS 16	Leases ⁽¹⁾
HKFRS 17	Insurance contracts ⁽³⁾
HK (IFRIC) Int-23	Uncertainty over income tax treatments ⁽¹⁾
Amendments to HKFRS 9	Prepayment features with negative compensation ⁽¹⁾
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ⁽⁴⁾
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ⁽¹⁾
Amendments to HKAS 28	Long-term interests in associates and joint ventures ⁽¹⁾
Amendments to HKFRSs	Annual improvements to HKFRSs 2015-2017 cycle ⁽¹⁾
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting ⁽²⁾

⁽¹⁾ Effective for the Group for annual periods beginning on or after 1 January 2019

⁽²⁾ Effective for the Group for annual periods beginning on or after 1 January 2020

⁽³⁾ Effective for the Group for annual periods beginning on or after 1 January 2021

⁽⁴⁾ Effective for the Group for annual periods beginning on or after a date to be determined

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

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

2 Basis of Preparation and Accounting Policies — continued

2.1 Adoption of new or revised HKFRSs and HKASs — continued

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

Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately be different from those estimates and assumptions. In preparing these interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2018 Financial Statements, except for the following new significant judgment made by the management in preparing this condensed consolidated financial statements.

Variable consideration

Variable consideration comprises the variable amount of the consideration in exchange for transferring the promised services to a customer that is contingent on the occurrence or non-occurrence of a future event. Under HKFRS 15, the Group is required to estimate the amount of customers' unexercised right to which it will be entitled from the provision of services. The estimated amount of breakage will be included in the transaction price only to the extent that it is highly probable taking into consideration of the utilisation pattern of treatments, that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

2 Basis of Preparation and Accounting Policies — continued

2.2 Changes in accounting policies upon adoption of new HKFRS

(a) HKFRS 9 Financial Instruments

Investments and other financial assets

(i) Classification

From 1 April 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2 Basis of Preparation and Accounting Policies — continued

2.2 Changes in accounting policies upon adoption of new HKFRS — continued

(a) HKFRS 9 Financial Instruments — continued

Investments and other financial assets — continued

(ii) Measurement — continued

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **Fair value through other comprehensive income:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

2 Basis of Preparation and Accounting Policies — continued

2.2 Changes in accounting policies upon adoption of new HKFRS — continued

(a) HKFRS 9 Financial Instruments — continued

Investments and other financial assets — continued

(ii) Measurement— continued

Debt instruments — continued

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

As at 30 September 2018, except for unlisted fund investments which are currently measured at fair value through profit or loss and listed equity securities which have elected to be measured at fair value through other comprehensive income, all other Group's financial assets and financial liabilities are carried at amortised cost.

2 Basis of Preparation and Accounting Policies — continued

2.2 Changes in accounting policies upon adoption of new HKFRS — continued

(a) HKFRS 9 Financial Instruments — continued

Investments and other financial assets — continued

(iii) Impairment

From 1 April 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires lifetime expected losses to be recognised from initial recognition of the receivables.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Since the Group's historical credit loss experience for its trade receivables was minimal, the restatement of the loss allowance for these receivables on transition to HKFRS 9 as a result of applying the expected credit risk model was immaterial.

(b) HKFRS 15 Revenue from contracts with customers

The Group applied HKFRS 15 Revenue from Contracts with Customers, using the modified retrospective method – i.e. by recognising the cumulative effect of initially applying HKFRS 15 as an adjustment to the retained earnings at 1 April 2018. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 April 2018. The comparative information has not been restated and continues to be reported under HKAS 18 Revenue. The details of the significant changes and quantitative impact of the changes are set out below.

2 Basis of Preparation and Accounting Policies — continued

2.2 Changes in accounting policies upon adoption of new HKFRS — continued

(b) HKFRS 15 Revenue from contracts with customers — continued

Provision of services

The Group implements a contractual six-month expiry policy for all service contracts which are non-refundable except for certain refundable programmes. Revenue from the provision of slimming and non-invasive 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. Under the Group's current revenue recognition policy, any unutilised treatments at the end of the service period are fully recognised in profit or loss.

Under HKFRS 15, these customers' unexercised rights are referred to as "breakage". If the Group expects to be entitled to the breakage amount which is subject to certain requirements on constraining estimates of variable consideration, the Group shall recognise the expected breakage amount as revenue in proportion to the pattern of rights exercised by the customers. Pursuant to this recognition model, management will need to estimate the expected amount of breakage based on historical experiences and recognised breakage as revenue in proportion to the pattern of treatment utilisation by the customers.

Deferred costs

Under HKFRS 15, incremental costs of obtaining contracts with customers such as sales commissions paid or payable to staff may be capitalised as deferred costs in the Group's condensed consolidated balance sheet if the Group expects to recover those costs. These deferred costs are recognised in the consolidated statement of comprehensive income in the period in which the deferred revenue that they relate is recognised as revenue. Under existing accounting policy, these costs are expensed as incurred.

The Group has applied the practical expedient of directly recognising as expenses when incurred since the amortisation period of the asset that the Group otherwise would have recognised will be less than one year.

2 Basis of Preparation and Accounting Policies — continued

2.2 Changes in accounting policies upon adoption of new HKFRS — continued

(b) HKFRS 15 Revenue from contracts with customers — continued

Impact on financial statements

The following tables summarise the impacts of adopting HKFRS 15 on the Group's condensed consolidated financial statements for the six months ended 30 September 2018.

Condensed consolidated balance sheet

As at 1 April 2018	As restated HK\$'000	Effects of the adoption of HKFRS 15 HK\$'000	As previously stated HK\$'000
Total assets	818,526	–	818,526
Deferred revenue	100,324	103,970	204,294
Tax payables	51,798	(20,322)	31,476
Other	112,589	–	112,589
Total liabilities	264,711	83,648	348,359
Retained earnings	194,556	(82,754)	111,802
Exchange reserve	819	(894)	(75)
Other	358,440	–	358,440
Total Equity	553,815	(83,648)	470,167

2 Basis of Preparation and Accounting Policies — continued

2.2 Changes in accounting policies upon adoption of new HKFRS — continued

(b) HKFRS 15 Revenue from contracts with customers — continued

Impact on financial statements — continued

Condensed consolidated balance sheet — continued

As at 30 September 2018	As reported HK\$'000	Effects of the adoption of HKFRS 15 HK\$'000	Without the adoption of HKFRS 15 HK\$'000
Total assets	849,874	–	849,874
Deferred revenue	116,547	8,469	125,016
Tax payables	67,945	(1,130)	66,815
Other	110,946	–	110,946
Total liabilities	295,438	7,339	302,777
Retained earnings	242,896	(7,273)	235,623
Other	311,540	(66)	311,474
Total Equity	554,436	(7,339)	547,097

Condensed consolidated statement of comprehensive income

For the six months ended 30 September 2018	As reported HK\$'000	Effects of the adoption of HKFRS 15 HK\$'000	Without the adoption of HKFRS 15 HK\$'000
Revenue	590,372	(8,381)	581,991
Other	(390,805)	–	(390,805)
Profit before tax	199,567	(8,381)	191,186
Income tax expense	(39,608)	1,108	(38,500)
Profit for the period	159,959	(7,273)	152,686
Earnings per share attributable to equity holders of the company			
– Basic	HK14.5 Cents	(HK0.6 Cents)	HK13.9 Cents
– Diluted	HK14.4 Cents	(HK0.6 Cents)	HK13.8 Cents

2 Basis of Preparation and Accounting Policies — continued

2.2 Changes in accounting policies upon adoption of new HKFRS — continued

(b) HKFRS 15 Revenue from contracts with customers — continued

Impact on financial statements — continued

Condensed consolidated statement of cash flows

For the six months ended 30 September 2018	As reported HK\$'000	Effects of the adoption of HKFRS 15 HK\$'000	Without the adoption of HKFRS 15 HK\$'000
Profit before tax	199,567	(8,381)	191,186
Adjustments for:-			
Change in:			
– Deferred revenue	16,223	8,381	24,604
– Other	9,030	–	9,030
Net cash generated from operations	224,820	–	224,820
Net cash used in investing activities	(19,754)	–	(19,754)
Net cash used in financing activities	(146,892)	–	(146,892)

3 Financial Risk Management

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

The interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2018.

There has been no changes in the risk management policies since the year ended 31 March 2018.

4 Segment Information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. As the Group is principally engaged in the provision of slimming and non-invasive medical beauty services, 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 "The PRC" and "Macau" have been combined as "The PRC and Macau" from 1 April 2017 onwards, both in the internal management reports adopted by the Group's chief operating decision-makers, and in the consolidated financial statements of the Group. The comparative figures have also been reclassified to conform to the new presentation. The above changes in segment information were adopted to better reflect the current operations of the Group, as well as the resource allocation and future business developments of the Group.

During the six months ended 30 September 2018 and 2017, all of the Group's revenues are from contracts with customers and are recognised at a point in time.

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

	Six months ended 30 September 2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Hong Kong	437,909	260,942
The PRC and Macau	152,463	151,326
	590,372	412,268

4 Segment Information — continued

The Group's total non-current assets other than deferred income tax assets and financial asset at fair value through other comprehensive income are located in the following regions:

	As at 30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
Hong Kong	126,584	135,499
The PRC and Macau	26,366	32,486
	152,950	167,985

5 Other Income

	Six months ended 30 September 2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Government subsidies	1,869	1,604
Dividend income from financial assets at fair value through profit or loss	604	—
Others	517	526
	2,990	2,130

6 Other Gains — Net

	Six months ended 30 September 2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Gains/(losses) on disposal of property, plant and equipment	3,735	(1,280)
Net exchange gains	316	13
Gains on disposal of available-for-sale financial assets	—	9,802
Fair value losses on financial assets at fair value through profit or loss	(1,062)	—
Other gains — net	2,989	8,535

7 Finance Income

	Six months ended 30 September 2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Interest income on bank deposits	2,192	1,341

8 Income Tax Expense

The Group is not subject to taxation in the Cayman Islands and the British Virgin Islands. Hong Kong profits tax has been provided for at the rate of 16.5% (FY2017/18 interim: 16.5%) for the period on the estimated assessable profits arising in or derived from Hong Kong. Companies established and operating in the PRC are subject to PRC corporate income tax at the rate of 25% (FY2017/18 interim: 25%). Companies established and operating in Macau are subject to Macau complementary tax, under which taxable income of up to MOP600,000 is exempted from taxation with amounts beyond this amount to be taxed at a fixed rate of 12% for the six months ended 30 September 2017 and 2018.

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

	Six months ended 30 September 2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Current income taxation		
— Hong Kong	20,153	6,873
— PRC and Macau	16,694	12,793
Total current income taxation	36,847	19,666
Deferred taxation	2,761	1,009
	39,608	20,675

9 Earnings per Share

Basic

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

	Six months ended 30 September 2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Profit attributable to equity holders of the Company	159,959	81,945
Weighted average number of ordinary shares for the purposes of basic earnings per share (thousand of share)	1,101,645	1,081,395
Basic earnings per share (HK cents per share)	14.5	7.6

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the period ended 30 September 2018, share options were granted to the Company's executive directors.

For the period ended 30 September 2018, the calculation of diluted earnings per share was based on the profit attributable to ordinary equity shareholders of the Company divided by the diluted weighted average number of ordinary shares of 1,111,055,000 in issue during the period. The diluted EPS is HK14.4 cents.

9 Earnings per Share — continued

Diluted — continued

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

	2018 Number of shares (in thousand)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,101,645
Adjustments for calculation of diluted earnings per share:	
— Effect of exercise of share options granted on 27 April 2016	570
— Effect of exercise of share options granted on 27 April 2017	3,390
— Effect of exercise of share options granted on 27 April 2018	5,450
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	1,111,055

10 Dividends

At a meeting held on 28 June 2018, the Directors recommended the payment of a final dividend for the year ended 31 March 2018 of HK10.1 cents (2017: HK4.6 cents) per ordinary share and a special final dividend of HK5.0 cents (2017: HK5.0 cents) per ordinary share, totaling HK\$166,876,000 (2017: HK\$103,598,000), which was paid on 13 September 2018 and has been reflected as an appropriation of retained earnings and share premium for the six months ended 30 September 2018.

At a meeting held on 28 November 2018, the Directors declared an interim dividend of HK14.5 cents (FY2017/18 interim: HK7.6 cents) per ordinary share, totaling HK\$160,245,000 (FY2017/18 interim: HK\$82,627,000). The dividend is not reflected as dividend payable in the interim financial information, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2019.

11 Property, Plant and Equipment

	Total HK\$'000
Net book amount as at 1 April 2018	138,392
Additions	34,992
Disposal	(12,657)
Depreciation	(36,022)
Exchange differences	(1,704)
Net book amount as at 30 September 2018	123,001
Net book amount as at 1 April 2017	184,816
Additions	21,316
Disposal	(5,052)
Depreciation	(40,312)
Exchange differences	(70)
Net book amount as at 30 September 2017	160,698

12 Financial assets at fair value through other comprehensive income

	30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
Non-current		
Listed equity securities		
— Hong Kong	23,772	—
— Overseas	11,597	—
	35,369	—

13 Financial assets at fair value through profit or loss

	30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
Unlisted fund investments, at fair value, in Hong Kong (Note 21)	34,018	35,080
	34,018	35,080

The movements in financial assets at fair value through profit or loss are summarized as follows:

	HK\$'000
At 1 April 2017 (audited)	–
Additions	36,183
Net fair value changes	(1,103)
As at 31 March 2018 (audited)	35,080
Net fair value changes	(1,062)
As at 30 September 2018 (unaudited)	34,018

14 Trade Receivables

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

	As at 30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
Less than 60 days	93,698	80,589
60 days to 90 days	26,865	26,723
91 days to 120 days	15,246	18,976
121 days to 180 days	27,410	39,597
	163,219	165,885

The carrying amounts of trade receivables approximate their fair values.

15 Term Deposits with Initial Terms of over Three Months

As at 30 September 2018, the weighted average effective interest rate of the Group's term deposits with initial terms of over three months was 1.77% (as at 31 March 2018: 1.10%).

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

	As at 30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
HK\$	30,000	70,000
Macau Patacas	208	208
	30,208	70,208

16 Pledged Bank Deposits

As at 30 September 2018 and 31 March 2018, some of the Group's banking facilities in respect of credit card and instalment sales arrangement was secured by pledged bank deposits as set out in Note 21. As at 30 September 2018, the weighted average effective interest rate of these pledged bank deposits is 0.92% (as at 31 March 2018: 0.15%).

17 Cash and Cash Equivalents

	As at 30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
Cash at banks	278,507	223,310
Cash on hand	634	499
Term deposits with initial terms of less than three months	72,338	75,602
	351,479	299,411
Denominated in:		
Hong Kong dollars	108,787	73,440
Chinese Renminbi	202,381	220,878
Macau Patacas	7,016	3,597
United States dollars	33,295	1,496
	351,479	299,411

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

18 Share Capital and Share Premium

	Number of shares '000	Ordinary shares HK\$'000	Share premium HK\$'000	Total HK\$'000
At 1 April 2018	1,086,004	108,600	225,501	334,101
Issuance of share (Note)	19,136	1,914	20,857	22,771
Special dividend paid	–	–	(55,257)	(55,257)
At 30 September 2018	1,105,140	110,514	191,101	301,615

Note: During the six months ended 30 September 2018, the Company issued 19,136,000 shares of the Company for proceeds of HK\$19,983,000, as a result of exercise of share options. The weighted average exercise price was approximately HK\$1.044 per share. As a result, HK\$1,914,000 were credited to the share capital account and the balance of HK\$18,070,000 were credited to the share premium account.

19 Trade Payables

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

As at 30 September 2018, the aging analysis of trade payables based on invoice date is as follows:

	As at 30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
Less than 60 days	636	277
60 days to 120 days	64	35
Over 120 days	402	335
	1,102	647

The carrying amounts of trade payables approximate their fair values.

20 Commitments

The Group had the following capital commitments not provided for:

	As at	
	30 September	31 March
	2018	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Capital expenditure contracted for but not yet incurred in respect of acquisition of property, plant and equipment	4,071	2,784

21 Pledge of Assets

During the period ended 30 September 2018, certain of the Group's assets were pledged to secure banking facilities granted to the Group. The aggregate carrying amount of the assets of the Group pledged at the end of each reporting period is as follows:

	As at	
	30 September	31 March
	2018	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Bank deposits (note 16)	28,717	26,142
Unlisted fund investments (note 13)	34,018	35,080
	62,735	61,222

22 Related Party Transactions

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

- (a) During the period ended 30 September 2018 and 2017, some of the Group's banking facilities in respect of credit card and instalment sales arrangement was secured by pledged bank deposits and unlisted fund investments as set out in Note 13, 16 and 21.
- (b) Details of key management compensations are disclosed as below:

	Six months ended 30 September 2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Salaries and other benefits	9,600	4,980
Share-based payment	1,686	2,577
	11,286	7,557

INTERIM DIVIDEND

The Board recommended a payment of an interim dividend of HK14.5 cents per share of the Company (the “Share”) for the six months ended 30 September 2018 to the shareholders of the Company (the “Shareholders”) whose names appear on the register of members of the Company on 21 December 2018. The proposed interim dividend will be paid on or around 15 January 2019.

OTHER INFORMATION

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). Specific inquiry has been made to each of the Directors and all Directors have confirmed that they have complied with the Model Code during the six-month period ended 30 September 2018.

Closure of Register of Members

The register of members of the Company will be closed from 19 December 2018 to 21 December 2018 (both dates inclusive), during which period no transfer of Shares will be registered. In order to qualify for the interim dividend, all transfers of Shares, accompanied by the relevant share certificates and transfer forms must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Center, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on 18 December 2018.

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

As at 30 September 2018, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required to be recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Directors	Nature of interest	Number of ordinary shares	Number of underlying shares held pursuant to share options (Note 2)	Percentage of the issued share capital of the Company
Dr. Au-Yeung Kong	Beneficial owner	34,600,000 (L)	2,032,000 (L)	66.65%
	Interest of controlled corporation (Note 1)	700,000,000 (L)	—	
Ms. Au-Yeung Wai	Beneficial owner	9,616,000 (L)	9,516,000 (L)	65.07%
	Interest of controlled corporation (Note 1)	700,000,000 (L)	—	
Ms. Au-Yeung Hung	Beneficial owner	9,616,000	9,516,000 (L)	65.07%
	Interest of controlled corporation (Note 1)	700,000,000 (L)	—	

(L): Long position

Notes:

- The 700,000,000 Shares are held by Sure Sino Investments Limited, among which 137,500,000 Shares are held through its wholly-owned subsidiary Market Event Holdings Limited and 180,000,000 Shares are held through its wholly-owned subsidiary Earls Holdings Limited, respectively. Dr. Au-Yeung Kong, Ms. Au-Yeung Wai and Ms. Au-Yeung Hung beneficially own the entire issued share capital of Sure Sino Investments Limited. By virtue of the SFO, Dr. Au-Yeung Kong, Ms. Au-Yeung Wai and Ms. Au-Yeung Hung are deemed to be interested in the 700,000,000 Shares held by Sure Sino Investments Limited.
- 2,032,000 underlying Shares of Dr. Au-Yeung Kong represent the Shares to be issued under the share options granted by the Company on 27 April 2017 under the share option scheme adopted by the Company on 6 January 2012. 9,516,000 underlying Shares of Ms. Au-Yeung Wai and Ms. Au-Yeung Hung respectively represent (i) 2,900,000 Shares to be issued under the share options granted by the Company on 27 April 2015; (ii) 2,032,000 Shares to be issued under the share options granted by the Company on 27 April 2017; and (iii) 4,584,000 Shares to be issued under the share options granted by the Company on 27 April 2018 under the share option scheme adopted by the Company on 6 January 2012.

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

Save as disclosed above, as at 30 September 2018, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Right to Acquire Shares or Debentures

Apart from as disclosed under the sections headings "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation" above and "Share Option Scheme" below, at no time during the six months ended 30 September 2018 was the Company, or any of its holding companies, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company (including their spouses and children under 18 years of age) to hold any interest or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

Competing Interest

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

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

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

As at 30 September 2018, other than the interests of certain Directors and chief executives of the Company as disclosed under the section headed "Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above, persons who had interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial Shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholders	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Sure Sino Investments Limited	Beneficial owner	382,500,000 (L)	34.61%
	Interest of controlled corporation (Note)	317,500,000 (L)	28.72%
Earlson Holdings Limited (Note)	Beneficial owner	180,000,000 (L)	16.28%
Market Event Holdings Limited (Note)	Beneficial owner	137,500,000 (L)	12.44%

(L): Long position

Note:

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

Save as disclosed above, as at 30 September 2018, the Directors were not aware of any other person (other than the Directors and chief executives of the Company) who had an interest or short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial Shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Share Option Scheme

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

Details of the share options movements during the six months ended 30 September 2018 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 01.04.2018	Granted during the period	Exercised during the period	Lapsed during the period	Canceled during the period	Balance as at 30.09.2018
Directors									
Dr. Au-Yeung Kong	27/04/2015 (Note 1)	HK\$1.72	27/04/2018–26/04/2025	2,900,000	—	2,900,000	—	—	—
	27/04/2016 (Note 2)	HK\$0.90	27/04/2016–26/04/2019 (Note 5)	1,852,000	—	1,852,000	—	—	—
	27/04/2017 (Note 3)	HK\$0.82	27/04/2017–26/04/2020 (Note 6)	4,064,000	—	2,032,000	—	—	2,032,000
	27/04/2018 (Note 4)	HK\$1.09	27/04/2018–26/04/2021 (Note 7)	—	4,584,000	4,584,000	—	—	—
Ms. Au-Yeung Wai	27/04/2015 (Note 1)	HK\$1.72	27/04/2018–26/04/2025	2,900,000	—	—	—	—	2,900,000
	27/04/2016 (Note 2)	HK\$0.90	27/04/2016–26/04/2019 (Note 5)	1,852,000	—	1,852,000	—	—	—
	27/04/2017 (Note 3)	HK\$0.82	27/04/2017–26/04/2020 (Note 6)	4,064,000	—	2,032,000	—	—	2,032,000
	27/04/2018 (Note 4)	HK\$1.09	27/04/2018–26/04/2021 (Note 7)	—	4,584,000	—	—	—	4,584,000
Ms. Au-Yeung Hung	27/04/2015 (Note 1)	HK\$1.72	27/04/2018–26/04/2025	2,900,000	—	—	—	—	2,900,000
	27/04/2016 (Note 2)	HK\$0.90	27/04/2016–26/04/2019 (Note 5)	1,852,000	—	1,852,000	—	—	—
	27/04/2017 (Note 3)	HK\$0.82	27/04/2017–26/04/2020 (Note 6)	4,064,000	—	2,032,000	—	—	2,032,000
	27/04/2018 (Note 4)	HK\$1.09	27/04/2018–26/04/2021 (Note 7)	—	4,584,000	—	—	—	4,584,000
Total				26,448,000	13,752,000	19,136,000	—	—	21,064,000

Share Option Scheme — continued

Notes:

1. The closing price of the shares immediately before 27 April 2015, on which those options were granted, was HK\$1.72.
2. The closing price of the shares immediately before 27 April 2016, on which those options were granted, was HK\$0.89.
3. The closing price of the Shares immediately before 27 April 2017, on which those options were granted, was HK\$0.82.
4. The closing price of the Shares immediately before 27 April 2018, on which those options were granted, was HK\$1.09.
5. (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.
6. (i) Not more than one third of the share options be exercised during the period from 27 April 2017 to 26 April 2018; (ii) not more than two thirds of the share options in total be exercised during the period from 27 April 2018 to 26 April 2019; and (iii) all remaining share options be exercised during the period from 27 April 2019 to 26 April 2020.
7. The options shall be exercisable immediately on the Date of Grant.

Purchase, Sale or Redemption of Listed Securities of the Company

During the six months ended 30 September 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Corporate Governance

The Company is committed to the establishment of good corporate governance practices and procedures. The Company has complied with all the code provisions as set out in Corporate Governance Code and Corporate Governance Report to the Appendix 14 of the Listing Rules (the "CG Code") throughout the six months ended 30 September 2018 except the issues mentioned in the following paragraphs:

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. During the six months ended 30 September 2018, Dr. Au-Yeung Kong has been both the chairman of the Board (the "Chairman") and the chief executive officer of the Company (the "Chief Executive Officer"); therefore, the Group does not at present separate the roles of the Chairman and the Chief Executive Officer.

Corporate Governance — continued

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

Audit Committee

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

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

The Audit Committee has reviewed the accounting standards and practices adopted by the Group and discussed with the management about the financial reporting matters, including the review of the unaudited interim results for the six months ended 30 September 2018.

Remuneration Committee

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

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

Nomination Committee

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

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

Pre-Emptive Rights

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

Changes of Directors’ Information

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

Ms. Hsu Wai Man, Helen, an independent non-executive Director, has ceased to act as an independent non-executive director of Branding China Group Ltd (stock code: 863) in May 2018.

By Order of the Board
Perfect Shape Medical Limited
Dr. Au-Yeung Kong
Chairman

Hong Kong, 7 December 2018

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