



# INTERIM REPORT

2019-2020

STOCK CODE : 1830

**PERFECT SHAPE MEDICAL LIMITED**

(Incorporated In The Cayman Islands With Limited Liability)

A woman with long brown hair, wearing a white halter-neck crop top and a white skirt, is posing on the left side of the page. She is smiling and has her hand near her face. The background is a light, textured grey with a large, soft white sphere in the upper right. A diagonal light-colored band runs across the page.

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# Corporate Information

## Board of Directors

### Executive Directors

Dr. Au-Yeung Kong  
(Chairman & Chief Executive Officer)  
Ms. Au-Yeung Wai  
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.psmmedical.com.hk](http://www.psmmedical.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”) is pleased to announce its interim results for the six months ended 30 September 2019 (“FY2019/20 interim”). The Group has experienced strong growth in the recent years as a first-mover in providing premium slimming and non-invasive medical beauty services in Hong Kong, Macau and the People’s Republic of China (the “PRC”).

During the FY2019/20 interim, the Group’s revenue increased by 19.9% year-on-year to HK\$708.1 million (FY2018/19 interim: HK\$590.4 million). Profit attributable to equity holders of the Company substantially increased by 51.8% year-on-year to HK\$242.9 million (FY2018/19 interim: HK\$160.0 million). The Group continued to maintain a strong cash position with considerable operating flexibility to address to the market challenges. Earnings before interest, tax, depreciation and amortisation (“EBITDA”) grew by 61.1% year-on-year to HK\$376.0 million (FY2018/19 interim: HK\$233.4 million). Basic earnings per share increased to HK 21.8 cents compared with HK14.5 cents for the previous period.

### **Hong Kong Operation**

During the FY2019/20 interim, revenue generated from the Hong Kong market increased by 17.1% year-on-year to HK\$512.7 million (FY2018/19 interim: HK\$437.9 million), accounting for 72.4% of the Group’s total revenue (FY2018/19 interim: 74.2%).

Apart from the emphasis on the already mature slimming service, the Group devoted greater efforts in non-invasive medical beauty services which have been enthusiastically received by its customers who are looking for safe and effective treatment to embellish their physical allure and self-esteem. Always believed in “word-of-mouth” referrals by its loyal and satisfied customers, all of the Group’s slimming and medical beauty services are delivered by the Group’s well-trained professionals complemented by the management team’s years of extensive experience in refining the best tailor-made treatments for its customers. With the huge potential of medical beauty to be unleashed from the market resulting from the growing concern about physical appearance and perfect outlook and the increasing spending power from middle-class customers to address such concerns, the management remains confident of the future prospects of its business leveraging the Group’s excellent service management that facilitates superior quality assurance.



## The PRC And Macau Operation

During the FY2019/20 interim, revenue generated from the Mainland China and Macau markets recorded a significant increase of 28.1% year-on-year to HK\$195.3 million (FY2018/19 interim: HK\$152.5 million), accounting for 27.6% of the Group's total revenue (FY2018/19 interim: 25.8%). Despite the ongoing trade dispute between the United States and China which has affected overall consumption sentiment in the country, the Group is pleased to see the steady business growth of these two markets in the past half year due to the increase of active spending members and broad-based clientele.

As one of the leading medical beauty brands listed and founded in Hong Kong, Perfect Shape has earned the exceptional trust of its customers in the PRC who are looking for safe and effective beauty treatment. Thanks to the strong network in China and Macau, through which the Group operates direct service centres in five metropolitan cities in China, namely Beijing, Shanghai, Guangzhou, Shenzhen and Macau, customers in the most populous areas can easily access Perfect Shape's one-stop beauty centres in prestigious shopping malls, catering for the needs of high-end customers. Complementing these efforts, the Group has also launched a client-referral programme which strategically aims to capture more new customers in order to expand its member base. The Group's ongoing mission is to provide one-stop platforms in the country that cater for all of its consumers' beauty and slimming requirements.



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

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## FINANCIAL PERFORMANCE

### Revenue

The Group's revenue increased by 19.9% to HK\$708.1 million for the six months ended 30 September 2019, compared to HK\$590.4 million for the same period of last year. The Hong Kong operation was the largest geographical operating segment of the Group in the period under review, which accounted for about 72.4% of the Group's turnover (FY2018/19 interim: 74.2%). Sales from Hong Kong region increased by 17.1% to approximately HK\$512.7 million during the six months ended 30 September 2019 (FY2018/19 interim: HK\$437.9 million). Sales from the PRC and Macau region increased by 28.1% to approximately HK\$195.3 million during the six months ended 30 September 2019 (FY2018/19 interim: HK\$152.5 million).

### Marketing Expenses

Marketing expenses decreased by 12.8% from HK\$83.5 million for the six months ended 30 September 2018 to HK\$72.8 million for the six months ended 30 September 2019. Marketing expenses as a percentage of revenue has dropped to approximately 10.3% (FY2018/19 interim: 14.1%). 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 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 slightly decreased by HK\$0.3 million, or 0.6%, from HK\$46.5 million for the six months ended 30 September 2018 to HK\$46.2 million (excluding the effect on the adoption of HKFRS16) for the six months ended 30 September 2019. Aiming to enhance the future growth of the Group, the Group will periodically review the expansion plan of service area to enhance customers' experience.

As explained in note 2.2, the Group has applied HKFRS 16 "Leases" ("HKFRS 16"), for first time in the current interim period. HKFRS 16 superseded HKAS 17 "Leases". Under adoption of HKFRS 16, leases amounts recognised in the consolidated statement of comprehensive income has been divided into three major elements (i) depreciation charge; (ii) finance cost; and (iii) rental expense (please refer to note 19b for the detail).



## **Profit and Profit Margin**

Net profit for the period substantially increased by 51.8% to HK\$242.9 million from HK\$160.0 million in the same period of last year. Benefiting from economic of scale, the Group's net profit margin for the period increased to 34.3% from 27.1% in the same period of last year. In addition, the increase was mainly attribute to (i) a substantial increase of active spending members especially in the China region; (ii) the persistent growth of the business; and (iii) a substantial increase in profit margin as compared to the same period of last year. Basic earnings per share were HK21.8 cents (FY2018/19 interim: HK14.5 cents).

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

The total equity of the Group as at 30 September 2019 was HK\$600.7 million (as at 31 March 2019: HK\$560.7 million). The Group generally finances its operation with internally generated cash flows. The Group had bank and cash balance of approximately HK\$502.2 million (as at 31 March 2019: HK\$399.5 million), after payment of the FY2018/19 special dividends and final dividends of HK\$218.8 million at 13 September 2019. The Group had no external bank borrowings as at 30 September 2019 (as at 31 March 2019: nil). As at 30 September 2019, the Group had net current assets of approximately HK\$342.7 million (as at 31 March 2019: HK\$373.7 million). The gearing ratio as at 30 September 2019 was nil (as at 31 March 2019: nil), calculated as total borrowing over shareholder's equity.

Cash generated from operations in the six months ended 30 September 2019 was approximately HK\$336.6 million (FY2018/19 interim: HK\$224.8 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 21 to the financial statements for details of capital commitments.

## **Contingent Liabilities**

As at 30 September 2019, 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 period 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 2019, 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, cautious investment fund, principal protected investments as well as listed investment stocks to enhance returns on the surplus funds. As at 30 September 2019, there was HK\$36.2 million (as at 31 March 2019: HK\$35.2 million) financial assets at fair value through profit or loss and HK\$70.6 million (as at 31 March 2019: HK\$70.3 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 2019 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<br>HK\$'000 | Market value<br>HK\$'000 | Unrealised (gains)/ losses on change in fair value<br>HK\$'000 | Dividend received<br>HK\$'000 | Percentage to the Group's total assets |
|------------|--------------------------|---|----------------------|------------------|-----------------------------------|-----------------------------|--------------------------|--|-------------------------------|--|
| 11         | Hang Seng Bank           | Mainly engaged in the banking business  | Investment in shares | 60,000           | 0.0031%                           | 10,139                      | 10,140                   | (1)  | Nil                           | 0.88%                                  |
| 66         | MTR Corporation Limited  | Principally engaged in railway operation  | Investment in shares | 400,000          | 0.0065%                           | 19,026                      | 17,599                   | 1,427  | Nil                           | 1.52%                                  |
| 700        | Tencent Holdings Limited | Provision of Internet and mobile value-added services, online advertising services and e-Commerce transactions services | Investment in shares | 100,000          | 0.0010%                           | 35,494                      | 33,020                   | 2,474  | Nil                           | 2.85%                                  |
| 2388       | BOC HONG KONG            | Principally engaged in the provision of banking and related financial services  | Investment in shares | 370,000          | 0.0035%                           | 10,016                      | 9,843                    | 173  | Nil                           | 0.85%                                  |
|            |                          |   |                      |                  |                                   | 74,675                      | 70,602                   | 4,073  | Nil                           |  |

### (b) Unit trusts held by banks

| Name of investment                        | Number of units held | Investment cost<br>HK\$'000 | Market value<br>HK\$'000 | Unrealised gains on change in fair value<br>HK\$'000 | Dividend received<br>HK\$'000 | Percentage to the Group's total assets |
|---|----------------------|-----------------------------|--------------------------|--|-------------------------------|--|
| Blackrock Asian Tiger Bond Fund           | 1,048,184            | 11,520                      | 11,645                   | (125)  | 224                           | 1.01%                                  |
| HSBC Asian Bond Fund                      | 1,153,589            | 11,595                      | 11,936                   | (341)  | 236                           | 1.03%                                  |
| PIMCO Global Investment Grade Credit Fund | 112,349              | 11,965                      | 12,641                   | (676)  | 166                           | 1.09%                                  |
|   |                      | 35,080                      | 36,222                   | (1,142)  | 626                           |  |

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

As at 30 September 2019, 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 22.

## **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 1,190 employees as at 30 September 2019. During the period under review, total staff cost accounted for approximately 26.2% 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.

## **Material Acquisition and Disposal**

Save as disclosed in this report, there was no material acquisition and disposal processed by the Group during FY2019.

## **PROSPECTS**

Amidst the difficult business operating environment in the past half year in both Hong Kong and the PRC, the Group was still able to deliver sustainable business growth with rising profit margins due to its solid customer base and one-stop slimming and beauty services, meeting all customers' needs under one roof. Highlights of these services include slimming service, traditional beauty services and non-invasive medical beauty services. Providing one-stop diversified beauty services has helped the Group to drive up not only its business volume and spending per customer, but more importantly, its profit and profit margins. This performance has served as a tremendous encouragement amidst the current severe business environment and testified to the solid business foundation of the Group.

## **Hong Kong Operation**

With its long history of operating beauty centres in Hong Kong, the Group fully understands customers' needs and can quickly adapt to the changing consumption pattern and market trends. In recent years, the Group has adopted a more prudent approach to open new stores with a major focus on consolidating its network of stores to enhance their sales and cost effectiveness. Hence, the Group has opened one-stop mega service centres by consolidating several smaller service centres to cater for all the customer needs for beauty treatment using devices with advanced technology. This has allowed the Group to centralise personnel, equipment and resources to realise higher efficiency and economies of scale.

In addition, the Group sees that there is a large scope for growth in the long-run from Chinese visitors coming to Hong Kong to receive medical beauty treatment due to the renowned professionalism of Hong Kong practitioners under a sound regulatory regime. With the rapid growth of the size of Mainland China's middle class at 400 million people, Chinese customers are particularly interested in the efficacy of the treatment and willing to spend considerable amounts of money on quality and effective medical treatments. These customers prefer going to licensed and reputable professional institutions which are considered to be more hygienic, comfortable and safe as well as skilled. To capture this growth potential, the Group will continue to open, expand or consolidate the current medical beauty centres in the core shopping areas and along the major transportation hub connecting to Mainland China in order to provide easy access to this huge group of potential customers.

Apart from the efforts to expand the scale of its current business which mainly targets women, the Group is also actively exploring to extend its non-invasive medical beauty treatments to men under the brand "Perfect Men". It sees huge growth potential attributable to the increasing attention of men toward their own appearance and it has become more common for men to visit beauty centres. The management is confident that medical beauty treatment for men can become another growth driver in the foreseeable future.

### **The PRC and Macau Operation**

A study of the attitude of Chinese middle-class consumers towards beauty services has revealed that paying visits to beauty salons had by then become routine for people living in cities. As the beauty industry has developed and technology has improved, female consumers in Mainland China want more than just traditional beauty treatment. New services, including non-invasive medical beauty and slimming treatments, are becoming increasingly popular.

Building on Perfect Shape's strong brand and customer base established in the PRC over the last decade, the Group is well-positioned to accelerate growth of its business in the country by extending its footprint to the cities adjacent to where it already has a presence. In particular, the Group is looking into the opportunities arising from the Guangdong-Hong Kong-Macau Greater Bay Area by transplanting Hong Kong's world-class medical beauty technologies there. Always a pioneer in the beauty sector, Perfect Shape is set to capture the huge growth potentials in the Greater Bay Area by opening and the flourishing of Hong Kong-style one-stop mega-beauty centres to benefit both local and expatriate populations. The Group is planning to open more stores to capture high-spending power customers as well as high-end customers in the nearby Chinese cities. It is also actively exploring suitable locations within the Bay Area, beyond Guangzhou and Shenzhen, but focusing more on those cities where the Group has not yet built a presence.

## The Overall View

Political turbulence continued to buffet the economy in Hong Kong during the third quarter, after growth in the second quarter slumped to the weakest pace since the global financial crisis in 2009. In August, annual retail sales in Hong Kong plunged 25.3%, marking the steepest fall since current records began. Although the city's economy is expected to gain impetus in 2020 on recovering domestic demand from China, the US-China trade dispute and softer growth prospects in China will keep the external sector relatively subdued. However, opportunities and challenges always exist side by side. Despite the uncertainties over the global economy, the Chinese economy is expected to maintain stable GDP growth for the full year of 2019. What's more, industry consolidation is expected within the beauty sector whereby consumers tend to go to those brands with a long-history and good reputation. Perfect Shape is therefore well-placed to capture not only business opportunities but continue to evaluate suitable investment opportunities in order to drive business growth both organically and by acquisitions.

Building on over 15 years of its management's hands-on experience in the slimming and beauty sector, Perfect Shape truly understands its customers' needs especially for safe, quality and attentive services in a comfortable setting. It will continue to provide an attractive and comfortable service environment to ensure customers enjoy the most fabulous experience in its service centres. In the face of the ever-changing market environment and shifting consumer demand, the Group will closely monitor market dynamics and react quickly to capitalise on the trend of consumption upgrade.

Medical aesthetic technology has undergone a substantial transformation in the past decade and will continue to evolve as technology advances. Keeping abreast of the latest technologies and medical innovations is of the utmost importance. Led by the Group's Chairman, a registered medical practitioner in Hong Kong, the management team is committed to bringing state-of-the-art non-invasive medical beauty treatments to meet the huge demand. Towards this end, it will continue to procure new devices enabling a suitable treatment solutions set for its customers relying on its experienced management team's expert skills and knowledge, with the ultimate aim of providing premium services to its customers.

Looking ahead, the Group will continue to provide a top-notch customer experience, as well as a high-quality services menus to cater for the needs of the more sophisticated and quality-conscious customers. The Group will build on its achievements to establish a firmer position as an industry-leading company, with the ultimate goal to enhance both its profitability and enterprise value in the long run. Thus the Group is committed to sustaining strong growth momentum and creating greater value for shareholders.

## Financial Management and Dividend Strategy

In view of current economic challenges and opportunities, the board of directors (the "Board") has elected to adopt a prudent approach towards financial management, which, for the time being, will include maintaining more cash on hand. The Group's management also believes that having greater cash on hand is essential since present conditions are excellent for merger and acquisition opportunities. The Group's major targets would be reputable or potential medical beauty or healthcare related companies that have a presence in Hong Kong or the PRC to fuel our sustainable growth in the market with immense potential. The Board is nonetheless steadfast in its determination to share the fruit of its efforts with shareholders in the future.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2019

|  |      | Six months ended<br>30 September |                                 |
|--|------|----------------------------------|---------------------------------|
|  | Note | 2019<br>HK\$'000<br>(Unaudited)  | 2018<br>HK\$'000<br>(Unaudited) |
| Revenue  | 4    | 708,054                          | 590,372                         |
| Other income   | 5    | 3,568                            | 2,990                           |
| Other (losses)/gains — net   | 6    | (1,092)                          | 2,989                           |
| Cost of inventories and consumables  |      | (6,477)                          | (7,473)                         |
| Employee benefit and manpower service expenses   |      | (185,585)                        | (162,951)                       |
| Marketing expenses   |      | (72,801)                         | (83,470)                        |
| Depreciation   |      | (71,371)                         | (36,022)                        |
| Operating lease rentals  |      | –                                | (46,535)                        |
| Rental expenses of short-term leases in respect of stores and offices                          |      | (8,967)                          | –                               |
| Other operating expenses   |      | (60,742)                         | (62,525)                        |
| <b>Operating profit</b>  |      | <b>304,587</b>                   | <b>197,375</b>                  |
| Finance (expense)/income — net   | 7    | (3,366)                          | 2,192                           |
| <b>Profit before income tax</b>  |      | <b>301,221</b>                   | <b>199,567</b>                  |
| Income tax expense   | 8    | (58,342)                         | (39,608)                        |
| <b>Profit for the period attributable to equity holders of the Company</b>                     |      | <b>242,879</b>                   | <b>159,959</b>                  |
| <b>Other comprehensive (losses)/income:</b>  |      |                                  |                                 |
| <i>Items that have been reclassified or may be reclassified subsequently to profit or loss</i> |      |                                  |                                 |
| Currency translation differences   |      | (16,418)                         | (7,744)                         |
| <i>Items that will not be reclassified subsequently to profit or loss</i>                      |      |                                  |                                 |
| Fair value gains/(losses) of financial asset at fair value through other comprehensive income  |      | 1,231                            | (6,389)                         |

|  |      | <b>Six months ended</b> |              |
|--|------|-------------------------|--------------|
|  |      | <b>30 September</b>     |              |
|  | Note | <b>2019</b>             | 2018         |
|  |      | <b>HK\$'000</b>         | HK\$'000     |
|  |      | <b>(Unaudited)</b>      | (Unaudited)  |
| <hr/>  |      |                         |              |
| <b>Total comprehensive income for the period attributable to equity holders of the Company</b> |      | <b>227,692</b>          | 145,826      |
| <hr/>  |      |                         |              |
| <b>Earnings per share attributable to equity holders of the Company during the period</b>      |      |                         |              |
|  | 9    |                         |              |
| — Basic  |      | <b>HK21.8 cents</b>     | HK14.5 cents |
| <hr/>  |      |                         |              |
| — Diluted  |      | <b>HK21.7 cents</b>     | HK14.4 cents |
| <hr/>  |      |                         |              |

The notes on pages 21 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 2019

|   | Note   | 30 September<br>2019<br>HK\$'000<br>(Unaudited) | 31 March<br>2019<br>HK\$'000<br>(Audited) |
|---|--------|---|---|
| <b>ASSETS</b>   |        |   |   |
| <b>Non-current assets</b>   |        |   |   |
| Property, plant and equipment                                       | 11     | 103,308   | 108,486                                   |
| Right-of-use assets   | 19     | 222,928   | –   |
| Financial asset at fair value through other<br>comprehensive income | 12     | 70,602  | 70,277                                    |
| Deposits and prepayments  |        | 29,737  | 29,268                                    |
| Deferred income tax assets  |        | 9,527   | 9,255                                     |
|   |        | <b>436,102</b>                                  | 217,286                                   |
| <b>Current assets</b>   |        |   |   |
| Inventories   |        | 2,588   | 2,651                                     |
| Trade receivables   | 14     | 135,060   | 153,570                                   |
| Other receivables, deposits<br>and prepayments                      |        | 45,625  | 47,202                                    |
| Financial assets at fair value<br>through profit or loss            | 13     | 36,222  | 35,218                                    |
| Term deposits with initial terms of<br>over three months            | 15     | 27,681  | 56,814                                    |
| Pledged bank deposits   | 16, 22 | 7,946   | 4,021                                     |
| Cash and cash equivalents   | 17     | 466,552   | 338,671                                   |
|   |        | <b>721,674</b>                                  | 638,147                                   |
| <b>Total assets</b>   |        | <b>1,157,776</b>                                | 855,433                                   |

|  |      | <b>30 September<br/>2019</b> | 31 March<br>2019 |
|--|------|------------------------------|------------------|
|  | Note | <b>HK\$'000</b>              | HK\$'000         |
|  |      | <b>(Unaudited)</b>           | (Audited)        |
| <b>EQUITY</b>  |      |                              |                  |
| <b>Capital and reserves attributable to the Company's equity holders</b> |      |                              |                  |
| Share capital  | 18   | <b>112,765</b>               | 110,514          |
| Share premium  | 18   | <b>170,704</b>               | 192,694          |
| Other reserves   |      | <b>(9,862)</b>               | 16,067           |
| Retained earnings  |      | <b>327,045</b>               | 241,469          |
| <b>Total equity</b>  |      | <b>600,652</b>               | 560,744          |
| <b>LIABILITIES</b>   |      |                              |                  |
| <b>Non-current liabilities</b>   |      |                              |                  |
| Deferred income tax liabilities  |      | <b>27,596</b>                | 24,594           |
| Provision for reinstatement costs  |      | <b>5,575</b>                 | 5,598            |
| Lease liabilities  | 19   | <b>144,949</b>               | –                |
|  |      | <b>178,120</b>               | 30,192           |
| <b>Current liabilities</b>   |      |                              |                  |
| Provision for reinstatement costs  |      | <b>1,872</b>                 | 2,306            |
| Trade payables   | 20   | <b>1,119</b>                 | 609              |
| Accruals and other payables  |      | <b>70,965</b>                | 75,025           |
| Lease liabilities  | 19   | <b>80,549</b>                | –                |
| Deferred revenue   |      | <b>119,198</b>               | 116,337          |
| Tax payable  |      | <b>105,301</b>               | 70,220           |
|  |      | <b>379,004</b>               | 264,497          |
| <b>Total liabilities</b>   |      | <b>557,124</b>               | 294,689          |
| <b>Total equity and liabilities</b>                                      |      | <b>1,157,776</b>             | 855,433          |

The notes on pages 21 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 2019

|   | Unaudited  |                       |                   |                            |                  |                                  |   |                   | Total     |
|---|--|-----------------------|-------------------|----------------------------|------------------|----------------------------------|---|-------------------|-----------|
|   | Equity attributable to equity holders of the Company |                       |                   |                            |                  |                                  |   |                   |           |
|   | Share capital  | Share premium         | Statutory reserve | Capital redemption reserve | Exchange reserve | Share-based compensation reserve | Financial assets at fair value through other comprehensive income reserve | Retained earnings |           |
|   | HK\$'000<br>(Note 18)                                | HK\$'000<br>(Note 18) | HK\$'000          | HK\$'000                   | HK\$'000         | HK\$'000                         | HK\$'000  | HK\$'000          | HK\$'000  |
| <b>For the six months ended 30 September 2019</b>   |  |                       |                   |                            |                  |                                  |   |                   |           |
| <b>As at 1 April 2019</b>   | 110,514  | 192,694               | 11,057            | 6,420                      | (6,848)          | 5,664                            | (226)   | 241,469           | 560,744   |
| <b>Comprehensive income</b>   |  |                       |                   |                            |                  |                                  |   |                   |           |
| Profit for the period   | -  | -                     | -                 | -                          | -                | -                                | -   | 242,879           | 242,879   |
| <b>Other comprehensive (losses)/income</b>  |  |                       |                   |                            |                  |                                  |   |                   |           |
| Currency translation differences  | -  | -                     | -                 | -                          | (16,418)         | -                                | -   | -                 | (16,418)  |
| Equity investments at fair value through other comprehensive income   |  |                       |                   |                            |                  |                                  |   |                   |           |
| — Fair value gains taken to reserves  | -  | -                     | -                 | -                          | -                | -                                | 1,231   | -                 | 1,231     |
| — Transfer of gain on disposal of equity investment at fair value through other comprehensive income to retained earnings | -  | -                     | -                 | -                          | -                | -                                | (5,078)   | 5,078             | -         |
| <b>Total comprehensive (loss)/income for the period</b>   | -  | -                     | -                 | -                          | (16,418)         | -                                | (3,847)   | 247,957           | 227,692   |
| <b>Total transactions with owners, recognized directly in equity</b>  |  |                       |                   |                            |                  |                                  |   |                   |           |
| Dividends (Note 10)   | -  | (56,382)              | -                 | -                          | -                | -                                | -   | (162,381)         | (218,763) |
| Issuance of shares upon the exercise of share options   | 2,251  | 34,392                | -                 | -                          | -                | (6,678)                          | -   | -                 | 29,965    |
| Share option scheme — value of employment services  | -  | -                     | -                 | -                          | -                | 1,014                            | -   | -                 | 1,014     |
|   | 2,251  | (21,990)              | -                 | -                          | -                | (5,664)                          | -   | (162,381)         | (187,784) |
| <b>As at 30 September 2019</b>  | 112,765  | 170,704               | 11,057            | 6,420                      | (23,266)         | -                                | (4,073)   | 327,045           | 600,652   |

Unaudited

Equity attributable to equity holders of the Company

|  | Share capital         | Share premium         | Statutory reserve | Capital redemption reserve | Exchange reserve | Share-based compensation reserve | Financial assets at fair value through other comprehensive income reserve | Retained earnings | Total     |
|--|-----------------------|-----------------------|-------------------|----------------------------|------------------|----------------------------------|---|-------------------|-----------|
|  | HK\$'000<br>(Note 18) | HK\$'000<br>(Note 18) | HK\$'000          | HK\$'000                   | HK\$'000         | HK\$'000                         | HK\$'000  | HK\$'000          | HK\$'000  |
| <b>For the six months ended 30 September 2018</b>                    |                       |                       |                   |                            |                  |                                  |   |                   |           |
| 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                               | —                     | —                     | —                 | —                          | 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   |
| <b>Comprehensive income</b>  |                       |                       |                   |                            |                  |                                  |   |                   |           |
| Profit for the period  | —                     | —                     | —                 | —                          | —                | —                                | —   | 159,959           | 159,959   |
| <b>Other comprehensive losses</b>                                    |                       |                       |                   |                            |                  |                                  |   |                   |           |
| Currency translation differences                                     | —                     | —                     | —                 | —                          | (7,744)          | —                                | —   | —                 | (7,744)   |
| Financial asset at fair value through other comprehensive income     | —                     | —                     | —                 | —                          | —                | —                                | (6,389)   | —                 | (6,389)   |
| — Fair value losses taken to reserves                                | —                     | —                     | —                 | —                          | —                | —                                | (6,389)   | —                 | (6,389)   |
| <b>Total comprehensive (losses)/income for the period</b>            | —                     | —                     | —                 | —                          | (7,744)          | —                                | (6,389)   | 159,959           | 145,826   |
| <b>Total transactions with owners, recognized directly in equity</b> |                       |                       |                   |                            |                  |                                  |   |                   |           |
| 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   |

The notes on pages 21 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 2019

|   | Six months ended<br>30 September |             |
|---|----------------------------------|-------------|
|   | 2019                             | 2018        |
|   | HK\$'000                         | HK\$'000    |
|   | (Unaudited)                      | (Unaudited) |
| Net cash generated from operating activities              | <b>336,605</b>                   | 224,820     |
| Net cash used in investing activities                     | <b>(1,679)</b>                   | (19,754)    |
| Net cash used in financing activities                     | <b>(188,800)</b>                 | (146,892)   |
| <b>Net increase in cash and cash equivalents</b>          | <b>146,126</b>                   | 58,174      |
| Cash and cash equivalents at the beginning of the period  | <b>338,671</b>                   | 299,411     |
| Effect on foreign exchange                                | <b>(18,245)</b>                  | (6,106)     |
| <b>Cash and cash equivalents at the end of the period</b> | <b>466,552</b>                   | 351,479     |

The notes on pages 21 to 44 form an integral part of this condensed consolidated interim financial information.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1 General Information

Perfect Shape Medical 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.

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 2019 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 2019.

## 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 2019 (“2019 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 2019 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) *New and amended standards and interpretation adopted by the Group*

The HKICPA has issued the following new and amended standards and interpretations that are first effective for the current accounting period and relevant to the Group:

|                       |  |
|-----------------------|--|
| HKFRS 16              | Leases   |
| HK (IFRIC) – Int 23   | Uncertainty over income tax treatments               |
| Amendments to HKFRS 9 | Prepayment features with negative compensation       |
| Amendments to HKAS 19 | Plan amendment, curtailment or settlement            |
| Amendments to HKAS 28 | Long-term interests in associates and joint ventures |
| Amendments to HKFRSs  | Annual improvements to HKFRSs 2015-2017 cycle        |

The impact of adoption of HKFRS 16 is disclosed in Note 2.2 below. The other amended standards and interpretation did not have significant impact on the Group’s accounting policies and did not require retrospective adjustments.

## 2 Basis of Preparation and Accounting Policies — continued

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

(b) *New and amended standards issued but not yet adopted by the Group*

The followings are new standards and amendments which have been issued but are not effective and have not been early adopted. The Group plans to adopt these new standards and amendments when they become effective:

|  |   | Effective for<br>accounting periods<br>beginning on or after |
|--|---|--|
| HKFRS 3 (Amendments)                                 | Definition of a Business  | 1 January 2020   |
| HKFRS 10 and HKAS 28<br>(Amendments)                 | Sale or Contribution of Assets<br>between an Investor and its<br>Associate or Joint Venture | To be determined   |
| HKFRS 17   | Insurance Contracts   | 1 January 2021   |
| HKAS 1 and HKAS 8                                    | Definition of Material  | 1 January 2020   |
| Conceptual Framework for<br>Financial Reporting 2018 | Revised Conceptual Framework for<br>Financial Reporting                                     | 1 January 2020   |

The Group has not early adopted the above new standards and amendments and is in the process of assessing the impact of those new standards and amendments on the Group's accounting policies and financial statements.



## 2 Basis of Preparation and Accounting Policies — continued

### 2.2 Changes in accounting policies upon adoption of new HKFRS

#### *Changes In Accounting Policies*

This note explains the impact of the adoption of HKFRS 16 “Leases” on the Group’s interim financial information and discloses the new accounting policies that have been applied from 1 April 2019 in Note 2.2(a) and (b) below.

The Group has adopted HKFRS 16 from mandatory adoption date of 1 April 2019 and applied the simplified transition approach and did not restate comparative amounts for the year prior to first adoption. Right-of-use assets for leases were measured on transition at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments.

#### (a) Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of HKAS 17 “Leases”. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 April 2019. The lessee’s incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 5.13% for HK and Macau, and 4.75% for PRC.

## 2 Basis of Preparation and Accounting Policies — continued

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

#### Changes In Accounting Policies — continued

##### (a) Adjustments recognised on adoption of HKFRS 16 — continued

|  | HK\$'000       |
|--|----------------|
| Operating lease commitment disclosed as at 31 March 2019 (Audited)   | 254,096        |
| (Less): short-term lease recognised on a straight-line basis as expenses   | (16,583)       |
|  | <b>237,513</b> |
| <b>Lease liabilities discounted using the lessee's incremental borrowing rate at the date of initial recognition, 1 April 2019 (Unaudited)</b> | <b>215,963</b> |
| Of which are:  |                |
| Current lease liabilities  | 72,847         |
| Non-current lease liabilities  | 143,116        |
|  | <b>215,963</b> |

The associated right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated balance sheet as at 31 March 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

## 2 Basis of Preparation and Accounting Policies — continued

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

#### Changes In Accounting Policies — continued

##### (a) Adjustments recognised on adoption of HKFRS 16 — continued

The carry amounts of right-of-use assets by class of underlying asset are as below:

|            | <b>30 September<br/>2019<br/>HK\$'000<br/>(Unaudited)</b> | 1 April<br>2019<br>HK\$'000<br>(Unaudited) |
|------------|---|--|
| Properties | <b>222,928</b>  | 215,963                                    |

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-Int4 Determining whether an Arrangement contains a Lease.

## 2 Basis of Preparation and Accounting Policies — continued

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

#### *Changes In Accounting Policies — continued*

(b) The Group's leasing activities and how these are accounted for

The Group leases various offices and stores. Rental contracts are typically made for fixed periods of 2 to 6 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until 31 March 2019, leases of properties were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. If the lease transfers ownership of the underlying assets to the Group by the end of the lease term or if the cost of the right-of-use assets reflect that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date of the lease to the end of the useful life of the underlying assets. Otherwise, right-of-use assets are depreciated over the shorter of the assets' useful lives and their lease terms on a straight-line basis.

## 2 Basis of Preparation and Accounting Policies — continued

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

#### *Changes In Accounting Policies — continued*

(b) The Group's leasing activities and how these are accounted for — continued

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

## 2 Basis of Preparation and Accounting Policies — continued

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

#### *Changes In Accounting Policies — continued*

- (b) The Group's leasing activities and how these are accounted for — continued

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

#### *Termination options*

Termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of termination options are exercisable only by the Group as lessee and not by the respective lessor.

#### *Judgements in determining the lease term and discount rate*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to not exercise a termination option. Periods after termination options are only included in the lease term if the lease is reasonably certain to be not terminated.

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

In determining the discount rate, the Group is required to exercise considerable judgement taking into account the nature of the underlying assets and the terms and conditions of the leases at the commencement date.

## 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 2019.

There has been no changes in the risk management policies since the year ended 31 March 2019.

#### 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.

During the six months ended 30 September 2019 and 2018, 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<br>30 September |             |
|-------------------|----------------------------------|-------------|
|                   | 2019                             | 2018        |
|                   | HK\$'000                         | HK\$'000    |
|                   | (Unaudited)                      | (Unaudited) |
| Hong Kong         | 512,734                          | 437,909     |
| The PRC and Macau | 195,320                          | 152,463     |
|                   | <b>708,054</b>                   | 590,372     |

#### 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:

|                   | <b>As at</b>        |           |
|-------------------|---------------------|-----------|
|                   | <b>30 September</b> | 31 March  |
|                   | <b>2019</b>         | 2019      |
|                   | <b>HK\$'000</b>     | HK\$'000  |
|                   | <b>(Unaudited)</b>  | (Audited) |
| Hong Kong         | <b>283,272</b>      | 117,740   |
| The PRC and Macau | <b>72,701</b>       | 20,014    |
|                   | <b>355,973</b>      | 137,754   |

#### 5 Other Income

|  | <b>Six months ended</b> |             |
|--|-------------------------|-------------|
|  | <b>30 September</b>     |             |
|  | <b>2019</b>             | 2018        |
|  | <b>HK\$'000</b>         | HK\$'000    |
|  | <b>(Unaudited)</b>      | (Unaudited) |
| Government subsidies   | <b>2,598</b>            | 1,869       |
| Dividend income from financial assets at fair value through profit or loss | <b>626</b>              | 604         |
| Others   | <b>344</b>              | 517         |
|  | <b>3,568</b>            | 2,990       |



## 6 Other (Losses)/Gains — Net

|   | Six months ended<br>30 September |             |
|---|----------------------------------|-------------|
|   | 2019                             | 2018        |
|   | HK\$'000                         | HK\$'000    |
|   | (Unaudited)                      | (Unaudited) |
| (Losses)/gains on disposal of property,<br>plant and equipment                        | (1,443)                          | 3,735       |
| Net exchange (losses)/gains   | (653)                            | 316         |
| Fair value gains/(losses) on financial assets at<br>fair value through profit or loss | 1,004                            | (1,062)     |
| Other (losses)/gains — net  | (1,092)                          | 2,989       |

## 7 Finance (expense)/Income — Net

|                                       | Six months ended<br>30 September |             |
|---------------------------------------|----------------------------------|-------------|
|                                       | 2019                             | 2018        |
|                                       | HK\$'000                         | HK\$'000    |
|                                       | (Unaudited)                      | (Unaudited) |
| Interest income on bank deposits      | 2,197                            | 2,192       |
| Interest expense on lease liabilities | (5,563)                          | —           |
| Finance (expense)/income — net        | (3,366)                          | 2,192       |

## 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% (FY2018/19 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% (FY2018/19 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 2018 and 2019.

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

|                               | Six months ended<br>30 September |             |
|-------------------------------|----------------------------------|-------------|
|                               | 2019                             | 2018        |
|                               | HK\$'000                         | HK\$'000    |
|                               | (Unaudited)                      | (Unaudited) |
| Current income taxation       |                                  |             |
| — Hong Kong                   | <b>30,702</b>                    | 20,153      |
| — PRC and Macau               | <b>24,341</b>                    | 16,694      |
| Total current income taxation | <b>55,043</b>                    | 36,847      |
| Deferred taxation             | <b>3,299</b>                     | 2,761       |
|                               | <b>58,342</b>                    | 39,608      |

## 9 Earnings per Share

### *Basic*

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

|   | <b>Six months ended</b> |                    |
|---|-------------------------|--------------------|
|   | <b>30 September</b>     |                    |
|   | <b>2019</b>             | <b>2018</b>        |
|   | <b>HK\$'000</b>         | <b>HK\$'000</b>    |
|   | <b>(Unaudited)</b>      | <b>(Unaudited)</b> |
| Profit attributable to equity holders of the Company  | <b>242,879</b>          | 159,959            |
| Weighted average number of ordinary shares for the purposes of basic earnings per share (thousand of share) | <b>1,112,474</b>        | 1,101,645          |
| Basic earnings per share (HK cents per share)   | <b>21.8</b>             | 14.5               |

### *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 2019, 1,448,000 share options were granted to the Company's executive directors.

For the period ended 30 September 2019, 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 1,120,892,000 in issue during the period. The diluted EPS is HK21.7 cents (FY2018/19 interim: 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:

|  | <b>2019</b><br><b>Number of</b><br><b>shares</b><br><b>(in thousand)</b> | 2018<br>Number of<br>shares<br>(in thousand) |
|--|--|--|
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share   | <b>1,112,474</b>   | 1,101,645                                    |
| Adjustments for calculation of diluted earnings per share:   |  |  |
| — Effect of exercise of share options granted on 27 April 2015   | <b>1,686</b>   | –  |
| — Effect of exercise of share options granted on 27 April 2016   | –  | 570  |
| — Effect of exercise of share options granted on 27 April 2017   | <b>2,712</b>   | 3,390  |
| — Effect of exercise of share options granted on 27 April 2018   | <b>4,020</b>   | 5,450  |
| Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share | <b>1,120,892</b>   | 1,111,055                                    |

## 10 Dividends

At a meeting held on 24 June 2019, the Directors recommended the payment of a final dividend for the year ended 31 March 2019 of HK14.4 cents (2018: HK10.1 cents) per ordinary share and a special final dividend of HK5.0 cents (2018: HK5.0 cents) per ordinary share, totaling HK\$218,763,000 (2018: HK\$166,876,000), which was paid on 13 September 2019 and has been reflected as an appropriation of retained earnings and share premium for the six months ended 30 September 2019.

The Directors do not recommend to declare interim dividend for the six months ended 30 September 2019 (FY2018/19 interim: HK14.5 cents).

## 11 Property, Plant and Equipment

|  | Total<br>HK\$'000<br>(Unaudited) |
|--|----------------------------------|
| <b>Net book amount as at 1 April 2019</b>      | <b>108,486</b>                   |
| Additions                                      | <b>28,032</b>                    |
| Disposal                                       | <b>(1,497)</b>                   |
| Depreciation                                   | <b>(30,897)</b>                  |
| Exchange differences                           | <b>(816)</b>                     |
| <b>Net book amount as at 30 September 2019</b> | <b>103,308</b>                   |
| <b>Net book amount as at 1 April 2018</b>      | 138,392                          |
| Additions                                      | 34,992                           |
| Disposal                                       | (12,657)                         |
| Depreciation                                   | (36,022)                         |
| Exchange differences                           | (1,704)                          |
| <b>Net book amount as at 30 September 2018</b> | 123,001                          |

## 12 Financial assets at fair value through other comprehensive income

|                          | 30 September<br>2019<br>HK\$'000<br>(Unaudited) | 31 March<br>2019<br>HK\$'000<br>(Audited) |
|--------------------------|---|---|
| Non-current              |   |   |
| Listed equity securities |   |   |
| — Hong Kong              | <b>70,602</b>                                   | 29,608                                    |
| — Overseas               | —   | 40,669                                    |
|                          | <b>70,602</b>                                   | 70,277                                    |

### 13 Financial assets at fair value through profit or loss

|   | <b>30 September<br/>2019<br/>HK\$'000<br/>(Unaudited)</b> | 31 March<br>2019<br>HK\$'000<br>(Audited) |
|---|---|---|
| Unlisted fund investments, at fair value,<br>in Hong Kong (Note 22) | <b>36,222</b>   | 35,218                                    |

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

|                                     | HK\$'000 |
|-------------------------------------|----------|
| At 1 April 2018 (audited)           | 35,080   |
| Net fair value changes              | 138      |
| As at 31 March 2019 (audited)       | 35,218   |
| Net fair value changes              | 1,004    |
| As at 30 September 2019 (unaudited) | 36,222   |

## 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:

|                      | <b>As at</b>        |           |
|----------------------|---------------------|-----------|
|                      | <b>30 September</b> | 31 March  |
|                      | <b>2019</b>         | 2019      |
|                      | <b>HK\$'000</b>     | HK\$'000  |
|                      | <b>(Unaudited)</b>  | (Audited) |
| Less than 60 days    | <b>65,520</b>       | 79,392    |
| 60 days to 90 days   | <b>19,605</b>       | 24,545    |
| 91 days to 120 days  | <b>20,762</b>       | 18,193    |
| 121 days to 180 days | <b>29,173</b>       | 31,440    |
|                      | <b>135,060</b>      | 153,570   |

The carrying amounts of trade receivables approximate their fair values.

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

As at 30 September 2019, the weighted average effective interest rate of the Group's term deposits with initial terms of over three months was 3.5% (as at 31 March 2019: 2.8%).

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

|               | <b>As at</b>        |           |
|---------------|---------------------|-----------|
|               | <b>30 September</b> | 31 March  |
|               | <b>2019</b>         | 2019      |
|               | <b>HK\$'000</b>     | HK\$'000  |
|               | <b>(Unaudited)</b>  | (Audited) |
| HK\$          | –                   | 10,000    |
| RMB           | <b>27,470</b>       | 46,604    |
| Macau Patacas | <b>211</b>          | 210       |
|               | <b>27,681</b>       | 56,814    |

## 16 Pledged Bank Deposits

As at 30 September 2019 and 31 March 2019, 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 22. As at 30 September 2019, the weighted average effective interest rate of these pledged bank deposits is 0.50% (as at 31 March 2019: 0.69%).

## 17 Cash and Cash Equivalents

|   | <b>As at</b>        |           |
|---|---------------------|-----------|
|   | <b>30 September</b> | 31 March  |
|   | <b>2019</b>         | 2019      |
|   | <b>HK\$'000</b>     | HK\$'000  |
|   | <b>(Unaudited)</b>  | (Audited) |
| Cash at banks   | <b>293,533</b>      | 211,450   |
| Cash on hand  | <b>142</b>          | 469       |
| Term deposits with initial terms of<br>less than three months | <b>172,877</b>      | 126,752   |
|   | <b>466,552</b>      | 338,671   |
| Denominated in:   |                     |           |
| Hong Kong dollars   | <b>218,203</b>      | 153,335   |
| Chinese Renminbi  | <b>184,797</b>      | 175,653   |
| Macau Patacas   | <b>13,855</b>       | 6,348     |
| United States dollars   | <b>47,508</b>       | 3,335     |
| Australian dollars  | <b>2,189</b>        | –         |
|   | <b>466,552</b>      | 338,671   |

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<br>shares<br>'000 | Ordinary<br>shares<br>HK\$'000 | Share<br>premium<br>HK\$'000 | Total<br>HK\$'000 |
|-----------------------------|-----------------------------|--------------------------------|------------------------------|-------------------|
| <b>At 1 April 2019</b>      | 1,105,140                   | 110,514                        | 192,694                      | 303,208           |
| Issuance of share (Note)    | 22,512                      | 2,251                          | 34,392                       | 36,643            |
| Special dividend paid       | –                           | –                              | (56,382)                     | (56,382)          |
| <b>At 30 September 2019</b> | 1,127,652                   | 112,765                        | 170,704                      | 283,469           |

Note: During the six months ended 30 September 2019, the Company issued 22,512,000 shares of the Company for proceeds of HK\$29,965,000, as a result of exercise of share options. The weighted average exercise price was approximately HK\$1.331 per share. As a result, HK\$2,251,000 were credited to the share capital account and the balance of HK\$27,714,000 were credited to the share premium account.

## 19 Right-of-use Assets and Lease Liabilities

### (a) Amounts recognised in the condensed consolidated balance sheet

The condensed consolidated balance sheet shows the following amounts relating to leases:

|                             | <b>30 September<br/>2019<br/>HK\$'000<br/>(Unaudited)</b> |
|-----------------------------|---|
| <b>Right-of-use assets*</b> |   |
| Properties                  | <b>222,928</b>  |
|                             | <b>222,928</b>  |

\* Upon adoption of HKFRS 16, on 1 April 2019, the Group recognized right-of-use assets of approximately HK\$215,963,000 regarding lease on premises. During the six months ended 30 September 2019, the Group entered into a new lease on premises and recognized right-of-use assets of approximately HK\$47,008,000. As at 30 September 2019, the carrying amounts of right-of-use assets was HK\$222,928,000 in respect of the lease on premises.

## 19 Right-of-use Assets and Lease Liabilities — continued

### (a) Amounts recognised in the condensed consolidated balance sheet — continued

|                          | 30 September<br>2019<br>HK\$'000<br>(Unaudited) |
|--------------------------|---|
| <b>Lease liabilities</b> |   |
| Non-current portion      | 144,949   |
| Current portion          | 80,549  |
|                          | <b>225,498</b>                                  |

### (b) Amounts recognised in the condensed consolidated statement of comprehensive income

The condensed consolidated statement of comprehensive income shows the following amounts relating to leases:

|   | Six months<br>ended<br>30 September<br>2019<br>HK\$'000<br>(Unaudited) |
|---|--|
| <b>Depreciation charge of right-of-use assets</b>                     |  |
| Properties  | 40,473   |
|   | <b>40,473</b>  |
| Finance costs on leases   | 5,563  |
| Rental expenses of short-term leases in respect of stores and offices | 8,967  |

## 19 Right-of-use Assets and Lease Liabilities — continued

### (c) Amounts recognised in the condensed consolidated statement of cash flows

During the six months ended 30 September 2019, the total cash outflows for leases were analysed as below:

|   | 2019<br>HK\$'000 |
|---|------------------|
| <b>Cash flows from operating activities*</b>                    |                  |
| Payments for short-term leases in respect of stores and offices | <b>8,967</b>     |
| <b>Cash flows from financing activities</b>                     |                  |
| Payment of interest element of lease liabilities                | <b>5,563</b>     |
| Payment of principal element of lease liabilities               | <b>45,096</b>    |
| The total cash outflow of leases                                | <b>59,626</b>    |

\* Payments for short-term leases were not shown separately, but included in the line of "profit before income tax" in respect of the net cash generated from operations using the indirect method.

## 20 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 2019, the aging analysis of trade payables based on invoice date is as follows:

|                     | <b>As at</b>        |           |
|---------------------|---------------------|-----------|
|                     | <b>30 September</b> | 31 March  |
|                     | <b>2019</b>         | 2019      |
|                     | <b>HK\$'000</b>     | HK\$'000  |
|                     | <b>(Unaudited)</b>  | (Audited) |
| Less than 60 days   | <b>849</b>          | 208       |
| 60 days to 120 days | <b>14</b>           | 9         |
| Over 120 days       | <b>256</b>          | 392       |
|                     | <b>1,119</b>        | 609       |

The carrying amounts of trade payables approximate their fair values.

## 21 Commitments

The Group had the following capital commitments not provided for:

|  | <b>As at</b>        |           |
|--|---------------------|-----------|
|  | <b>30 September</b> | 31 March  |
|  | <b>2019</b>         | 2019      |
|  | <b>HK\$'000</b>     | HK\$'000  |
|  | <b>(Unaudited)</b>  | (Audited) |
| Capital expenditure contracted for but not yet incurred in respect of acquisition of property, plant and equipment | <b>3,995</b>        | 8,162     |

## 22 Pledge of Assets

During the period ended 30 September 2019, 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:

|                                     | <b>As at</b>        |           |
|-------------------------------------|---------------------|-----------|
|                                     | <b>30 September</b> | 31 March  |
|                                     | <b>2019</b>         | 2019      |
|                                     | <b>HK\$'000</b>     | HK\$'000  |
|                                     | <b>(Unaudited)</b>  | (Audited) |
| Bank deposits (Note 16)             | <b>7,946</b>        | 4,021     |
| Unlisted fund investments (Note 13) | <b>36,222</b>       | 35,218    |
|                                     | <b>44,168</b>       | 39,239    |

## 23 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 2019 and 2018, 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 22.
- (b) Details of key management compensations are disclosed as below:

|                             | <b>Six months ended</b> |             |
|-----------------------------|-------------------------|-------------|
|                             | <b>30 September</b>     |             |
|                             | <b>2019</b>             | 2018        |
|                             | <b>HK\$'000</b>         | HK\$'000    |
|                             | <b>(Unaudited)</b>      | (Unaudited) |
| Salaries and other benefits | <b>12,586</b>           | 9,600       |
| Share-based payment         | <b>1,014</b>            | 1,686       |
|                             | <b>13,600</b>           | 11,286      |

## **INTERIM DIVIDEND**

The Board does not recommend any interim dividend for the six months ended 30 September 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 2019.

## 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 2019, 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 | Percentage of the issued share capital of the Company |
|-------------------|---|---------------------------|--|---|
| Dr. Au-Yeung Kong | Beneficial owner                            | 45,104,000 (L)            | —  | 66.07%  |
|                   | Interest of controlled corporation (Note 1) | 700,000,000 (L)           | —  |   |
| Ms. Au-Yeung Wai  | Beneficial owner                            | 19,132,000 (L)            | —  | 63.77%  |
|                   | Interest of controlled corporation (Note 1) | 700,000,000 (L)           | —  |   |
| Ms. Au-Yeung Hung | Beneficial owner                            | 19,132,000 (L)            | —  | 63.77%  |
|                   | Interest of controlled corporation (Note 1) | 700,000,000 (L)           | —  |   |

(L): Long position

Note:

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

## **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 2019, 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 2019 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 2019, 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<br>issued ordinary<br>shares held | Percentage of<br>the issued<br>share capital<br>of the Company<br>(Note 1) |
|--------------------------------------|---|---|--|
| Sure Sino Investments Limited        | Beneficial owner                            | 382,500,000 (L)                             | 33.92%   |
|                                      | Interest of controlled corporation (Note 2) | 317,500,000 (L)                             | 28.15%   |
| Earlson Holdings Limited (Note)      | Beneficial owner                            | 180,000,000 (L)                             | 15.96%   |
| Market Event Holdings Limited (Note) | Beneficial owner                            | 137,500,000 (L)                             | 12.19%   |

(L): Long position

Notes:

1. The calculation of percentage is based on the total number of shares of the Company as at 30 September 2019, which was 1,127,652,000.
2. 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 2019, 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 2019 under the Share Option Scheme are as follows:

| Name or category of grantees | Date of grant of share options | Exercise price (HK\$) | Exercise period                   | Number of share options  |                           |                             |                          |                            | Balance as at 30.09.2019 |
|------------------------------|--------------------------------|-----------------------|-----------------------------------|--------------------------|---------------------------|-----------------------------|--------------------------|----------------------------|--------------------------|
|                              |                                |                       |                                   | Balance as at 01.04.2019 | Granted during the period | Exercised during the period | Lapsed during the period | Canceled during the period |                          |
| <b>Directors</b>             |                                |                       |                                   |                          |                           |                             |                          |                            |                          |
| Dr. Au-Yeung Kong            | 27/04/2017<br>(Note 2)         | HK\$0.82              | 27/04/2017–26/04/2020<br>(Note 5) | 2,032,000                | —                         | 2,032,000                   | —                        | —                          | —                        |
|                              | 16/08/2019<br>(Note 4)         | HK\$3.45              | 16/08/2019–15/08/2022<br>(Note 6) | —                        | 1,448,000                 | 1,448,000                   | —                        | —                          | —                        |
| Ms. Au-Yeung Wai             | 27/04/2015<br>(Note 1)         | HK\$1.72              | 27/04/2018–26/04/2025             | 2,900,000                | —                         | 2,900,000                   | —                        | —                          | —                        |
|                              | 27/04/2017<br>(Note 2)         | HK\$0.82              | 27/04/2017–26/04/2020<br>(Note 5) | 2,032,000                | —                         | 2,032,000                   | —                        | —                          | —                        |
|                              | 27/04/2018<br>(Note 3)         | HK\$1.09              | 27/04/2018–26/04/2021<br>(Note 6) | 4,584,000                | —                         | 4,584,000                   | —                        | —                          | —                        |
| Ms. Au-Yeung Hung            | 27/04/2015<br>(Note 1)         | HK\$1.72              | 27/04/2018–26/04/2025             | 2,900,000                | —                         | 2,900,000                   | —                        | —                          | —                        |
|                              | 27/04/2017<br>(Note 2)         | HK\$0.82              | 27/04/2017–26/04/2020<br>(Note 5) | 2,032,000                | —                         | 2,032,000                   | —                        | —                          | —                        |
|                              | 27/04/2018<br>(Note 3)         | HK\$1.09              | 27/04/2018–26/04/2021<br>(Note 6) | 4,584,000                | —                         | 4,584,000                   | —                        | —                          | —                        |
| <b>Total</b>                 |                                |                       |                                   | 21,064,000               | 1,448,000                 | 22,512,000                  | —                        | —                          | —                        |

## 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 2017, on which those options were granted, was HK\$0.82.
3. The closing price of the Shares immediately before 27 April 2018, on which those options were granted, was HK\$1.09.
4. The closing price of the Shares immediately before 16 August 2019, on which those options were granted, was HK\$3.41.
5. (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.
6. 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 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## 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.

## 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 2019 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 2019, Dr. Au-Yeung Kong has been performed as 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 the latest written terms of reference which were revised on 28 December 2018 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 2019.

### **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 the latest written terms of reference which were revised on 28 December 2018 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 and the policy for the nomination of Directors 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.

## Changes of Directors’ Information

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

Mr. Chi Chi Hung, Kenneth has been appointed as an independent non-executive director of Union Asia Enterprise Holdings Limited (stock code: 8173) on 13 November 2019.

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

Hong Kong, 28 November 2019

*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.*