



*Annual 2020  
Report*

Stock Code: 1830

**PERFECT SHAPE MEDICAL LIMITED**  
(Incorporated In The Cayman Islands With Limited Liability)

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# CORPORATE INFORMATION

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## 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*

## AUTHORISED REPRESENTATIVES

Mr. So Hin Lung  
Ms. Au-Yeung Wai

## REGISTERED OFFICE

Cricket Square, Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

51st 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  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditor*

## PRINCIPAL SHARE REGISTER AND TRANSFER OFFICE IN CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

## SHARE INFORMATION

Stock code: 1830  
Board lot: 4,000 shares  
Company website: [www.psmedical.com.hk](http://www.psmedical.com.hk)



# FINANCIAL SUMMARY

## RESULTS

	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Revenue	<b>1,240,950</b>	1,197,031	906,275	756,975	879,122
Operating profit	<b>456,195</b>	399,858	251,197	111,874	153,967
Profit for the year attributable to equity holders of the Company	<b>360,157</b>	319,033	194,187	91,356	130,017
Total assets	<b>1,299,244</b>	855,433	818,526	737,989	705,786
Total liabilities	<b>620,248</b>	294,689	348,359	284,267	238,459

# FINANCIAL HIGHLIGHTS

## Selected Financial Data

	FY2020	FY2019	Change (%)
<b>Financial highlight (HK\$'000)</b>			
Revenue	1,240,950	1,197,031	4%
Operating profit	456,195	399,858	14%
Profit before income tax	450,578	404,053	12%
Profit for the year attributable to equity holders of the Company	360,157	319,033	13%
Earnings before interest, tax and depreciation of property, plant and equipment and right-of-use assets	611,019	470,248	30%
Total equity attributable to equity holders	678,996	560,744	21%

## Financial information per share (HK cents)

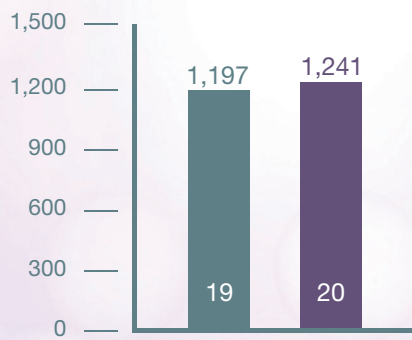
Earnings		
— basic	32.2	28.9
— diluted	32.1	28.7

## Financial ratio

Operating profit margin	37%	33%
Net profit margin	29%	27%
Return on equity	53%	57%
Return on total assets	28%	37%
Current ratio	2.05 times	2.41 times

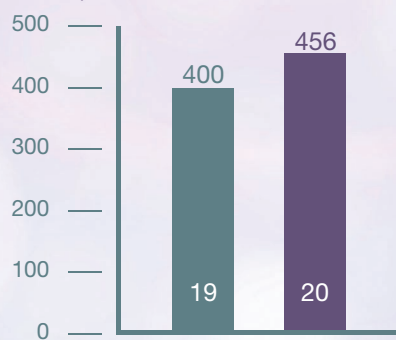
## Revenue

(HK\$'million)



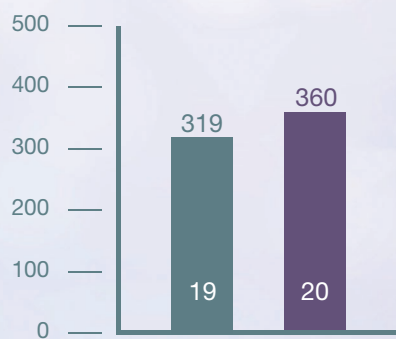
## Operating Profit

(HK\$'million)



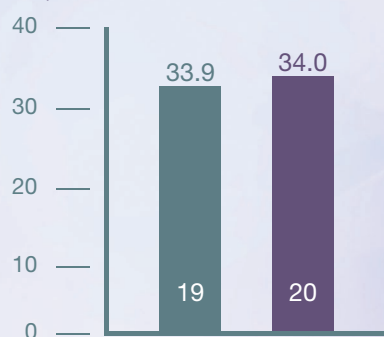
## Net Profit

(HK\$'million)



## Dividend per share

(HK cents)







PERFECT MEDICAL

Perfect Medical



# RELATIONSHIP WITH CUSTOMERS

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- 1/ Build up customers' loyalty
- 2/ Benefit from word-of-mouth referral
- 3/ Deliver a standard and high quality services
- 4/ Explore instinct need of customers
- 5/ Manage by professional team



# CHAIRMAN'S STATEMENT

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## Chairman's Statement

Over the past year, we have witnessed unprecedented events both domestically and around the world. The social unrest in Hong Kong that began in mid-2019 seriously impacted many local businesses while the outbreak of the novel coronavirus ("COVID-19") at the end of 2019, which subsequently became a pandemic by the first quarter of 2020, adversely affected people from all walks of life as well as the global economy. Despite the highly challenging conditions, Perfect Shape Medical Limited ("Perfect Shape" or the "Company", together with its subsidiaries referred to as the "Group") achieved turnover of HK\$1,241 million and profit attributable to shareholders of HK\$360 million for the year ended 31 March 2020 (the "Year"), representing year-on-year increases of 4% and 13% respectively.

In view of the Group's sound financial position, satisfactory business performance during the Year, and commitment to sharing the fruits of its efforts with shareholders, the Board of Directors (the "Board") has resolved to propose a final dividend of HK29.0 cents per share, and a special dividend of HK5.0 cents per share for the fiscal year ended 31 March 2020. The total dividend for the Year therefore amounts to HK34.0 cents per share.

The various obstacles that appeared during the Year have invariably challenged us, but have also inspired and spurred us to seize fresh opportunities. Through careful examination and in-depth evaluation of market conditions by the Board, the Group considers now to be the right time to expand to the overseas markets, and thus has outlined important blueprints which align with this major objective.

With "Global Expansion" being paramount and intrinsic to our development, particularly given the tremendous potential that the overseas markets hold, we will be implementing relevant strategies for growing our global footprint in the coming five years. In particular, we will focus on countries and territories where the local population and market opportunities are significantly greater than at home. Correspondingly we will seek to penetrate close to a dozen nations, including Australia, Canada, the United Kingdom and the United States (the "U.S."), as well as countries in Asia, comprising Singapore, Taiwan, Thailand, Indonesia, Malaysia, the Philippines and Vietnam. With our solid financial position, we will also look into merger and acquisition ("M&A") opportunities in mature markets – apart from greenfield developments, as we see numerous targets at attractive prices caused by the COVID-19 pandemic.

## Chairman's Statement

Already, we have successfully entered Australia with the establishment of our first service centre in Sydney, which has performed favourably since operations commenced in February 2020. Given that the Australian beauty market is approximately 3 times larger than its Hong Kong counterpart, we plan to open more service centres in the country during FY2020/21. Outside of Australia, our next target will be the U.S. Being the world's largest beauty market and with a population of nearly 330 million, or almost 44 times greater than Hong Kong, we see enormous opportunities there, especially with increasing concerns over personal appearance and the resultant growth in demand for professional beauty services. We intend to replicate our successful Hong Kong business model in similar metropolitan centres in the U.S., with our first target being New York.

On the Hong Kong front – our principal market, the impact of COVID-19 has been less severe when compared with other parts of the world. And based on current developments, we expect local consumption to rebound in the not-too-distant future, particularly in respect of beauty-related services which are considered by many to be an essential part of their daily life. We will therefore continue growing our business by offering customers tailored and personalised beauty services and experiences at our one-stop mega service centres.

All in all, in the coming year, we are committed to seeking new prospects around the world that accelerate our growth while concurrently reinforce our business foundation in existing markets. Backed by the sound and healthy financial position of the Group, we will carefully direct funds towards suitable M&A opportunities that are expected to arise from market consolidation driven by the COVID-19 pandemic. In addition to capturing reputable foreign beauty centres made available due to operational difficulties resulting from COVID-19, the Group will also look to capitalise on falling rent to further its organic growth around the globe, leading ultimately to long-term sustainable returns for its shareholders.

## Chairman's Statement

Apart from bolstering our business operations, we have also been actively contributing to society as this aligns with our belief in upholding the highest corporate social responsibility. Such efforts have included contributing RMB2 million to two Mainland China charities to purchase anti-epidemic supplies and face masks for distribution to citizens in need and medical teams. In Hong Kong, we have donated HK\$1 million to The University of Hong Kong Foundation for Educational Development and Research to assist the local R&D team, headed by Dr Yuen Kwok Yung, in expediting development of possible treatments and vaccines against the COVID-19.

### Appreciation

On behalf of the Board, I would like to express my sincere gratitude to the management team and the entire Perfect Shape workforce for their hard work and contributions during the Year. I would also like to extend my heartfelt appreciation to all of our customers, business partners and shareholders for their unwavering trust and support. Through a concerted effort by all parties, I trust that the Group will continue to expand its reach and touch the lives of more people around the world.

Dr. Au-Yeung Kong  
Chairman

Hong Kong, 30 June 2020





# MANAGEMENT DISCUSSION & ANALYSIS

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# Management Discussion and Analysis

## Business overview

Perfect Shape Medical Limited (the “Company”) together with its subsidiaries (collectively, the “Group”) have achieved strong business growth and maintained encouraging results for the year ended 31 March 2020 (the “FY 2020”). This aligns with the strong growth the Group has achieved in recent years due to being a first mover in the provision of premium slimming and non-invasive medical beauty services in Hong Kong, Macau and Mainland China.

The Group will continue to create sustainable value to our stakeholders. The Group continues to focus its deployment of resources in information technology, services and brands to sustain and enhance its competitive advantage as a leader in the market, and further expand its market share in worldwide.

During FY2020, the Group’s revenue increased by 4% year-on-year to HK\$1,241 million (2019: HK\$1,197 million). Profit attributable to equity holders of the Company increased by 13% year-on-year to HK\$360 million (2019: HK\$319 million). The Group has continued to maintain a strong cash position and possesses considerable operating flexibility to address market challenges. Earnings before interest, tax and depreciation of property, plant and equipment and right-of-use assets increased by 30% year-on-year to HK\$611 million (2019: HK\$470 million). Basic earnings per share rose to HK32.2 cents compared with HK28.9 cents for the previous period.

## Hong Kong Business

During FY2020, revenue contributions from the Hong Kong operation increased by 4% year-on-year to HK\$913 million up from HK\$879 million in FY2019. The growth in revenue was, however, affected by the challenging macroeconomic environment resulting from social instability and the outbreak of COVID-19 which greatly affected public movement, hence there was a lower volume of customers capable of, or willing to visit, service centres for treatments. On a positive note, the expected downturn in operations has been relatively less significant than the industry average. This suggests that the Group’s strategies for managing customers and controlling costs have been successful.

In the face of the recent challenges in Hong Kong, the Group has adopted a proactive approach towards client engagement so as to retain loyal local customers. This has involved directing greater efforts towards non-invasive medical beauty services, which have been enthusiastically received by those seeking safe and effective treatments for enhancing their physical appearance and self-esteem.

In the long term, the management remains confident about the Group’s business prospects owing to its exceptional management, which underpins the provision of superior quality services that are essential for tapping the high-potential medical beauty sector. Such potential is expected to only grow, driven by rising concerns about physical appearance and achieving the ideal look that increasingly more middle-class customers seek.

## Overseas Business

After a promising start in FY2020, the Group’s overseas business experienced a contrasting second half year owing to the uncertain macroeconomic environment and a slowdown in global economic growth. In particular, the performance of the overseas operation began to deteriorate during February and March due to the temporary closure of stores across multiple cities in Mainland China, Macau and Australia as a result of the COVID-19.



## Management Discussion and Analysis

Revenue generated from the Mainland China, Macau and Australia markets collectively recorded an increase of 3% year-on-year to HK\$328 million (FY2019: HK\$318 million) in FY2020, and thus accounted for 26% of the Group's total revenue (FY2019: 27%). Despite the impact of COVID-19 on overall consumption sentiment, the Group has maintained stable revenue growth.

Amid the challenging conditions, the Group has remained agile and prudent towards strengthening relations with its customers, and to be in touch with their beauty and slimming needs. Consequently, this has resulted in the provision of services that exceed their expectations. The Group is therefore delighted to see its efforts rewarded with increased patronage.


### Prospects

Despite the difficult business environment in both Hong Kong and Mainland China, the Group was still able to sustain growth as reflected by the rise in profit margins. This can be attributed to a solid customer base and the ability to deliver one-stop slimming and beauty services that not only meet customers' needs, but also are provided all under one roof. Among the signature services of the Group 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 key performance metrics, including business volume, spending per customer and profit. Such performance has provided tremendous encouragement to the Group amid the presently harsh business climate, and serves as testament to the robustness of its business foundation.

### 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 changing consumption patterns and market trends. In recent years, the Group has adopted a more prudent approach towards new store openings, 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, as well as equipping such stores with the latest and most advanced devices and equipment. This has enabled the Group to better cater for all of the beauty and slimming treatment needs of its customers, while concurrently centralise personnel, equipment and resources to raise efficiency and achieve greater economies of scale.

In respect of customer development, the Group considers Mainland Chinese visitors to Hong Kong as an important driver of long-term growth. In particular, many of the visitors who are seeking beauty treatments recognise the sound regulatory regime that is in place in Hong Kong, as well as the generally high professionalism of local practitioners. Moreover, with the rapid growth in size of the Mainland China middle-class population – numbering approximately 400 million people, they represent a vast source of untapped wealth, many of whom are willing to spend considerable amounts of money on quality and effective treatments. Given that they also prefer visiting licensed and reputable professional institutions which are considered to be more hygienic, comfortable and safe as well as skilled, the Group will continue to open, expand or consolidate its medical beauty centres in core shopping areas and along major transportation hubs connecting Hong Kong and Mainland China to capitalise on this important group of potential customers.

A woman with long dark hair, wearing a white sleeveless crop top and a white high-waisted skirt with a high slit, stands with her hands on her hips. She is wearing silver high-heeled sandals. The background is a light blue gradient with several large, iridescent bubbles floating around her.

Another sector that the Group envisages promising growth is the male beauty business. With men placing increasing attention on their personal appearance, the number of men visiting beauty centres will invariably rise. Correspondingly, the Group is actively exploring the feasibility of extending non-invasive medical beauty treatments to men under the “Perfect Men” brand. The management is confident that such treatments can become another growth driver in the near future.

### China Operation

A study on the attitudes of Mainland Chinese middle-class consumers towards beauty services has revealed that visiting beauty salons has become a routine, particularly among people living in cities. As the beauty industry has developed and technologies have improved, the expectations of female consumers in Mainland China have risen as reflected by requirements that extend beyond traditional beauty treatments. New services, including non-invasive medical beauty and slimming treatments, are becoming increasingly popular.

Leveraging Perfect Shape’s strong brand appeal and well-established customer base in Mainland China – the result of a decade’s worth of local services, the Group is well-positioned to accelerate growth of its business in the country by growing its footprint to cities adjacent to locations where it already holds presence. In particular, the Group will look to seize opportunities arising from the Guangdong-Hong Kong-Macao Greater Bay Area by bringing Hong Kong’s world-class medical beauty technologies to this region. True to its pioneering spirit, the Group will capitalise on the tremendous growth prospects by opening Hong Kong-style one-stop mega beauty centres that benefit both the local and expatriate populations. New openings will also involve stores that are conducive to attracting high-spending customers, including those from nearby cities. The Group is also actively exploring suitable locations within the Greater Bay Area that are beyond Guangzhou and Shenzhen, with particular focus on greenfield sites.

# Management Discussion and Analysis

## Global Perspective

The Group's proven business model provides it with quiet confidence in its ability to weather the current storm, as well as continue to attract a steady stream of customers. Although certain customers are adjusting the schedule of their treatments, demand for beauty services remains strong and the Group is in a good position to nurture such demand going forward. What is more, industry consolidation is expected on a global level, hence consumers will likely gravitate towards brands with a long history and solid reputation. Mindful of this, the Group will make "Global Expansion" a major objective in the coming years. With its strong position in the market, the Group is well placed to capture not only business opportunities arising from market consolidation, but also investment opportunities around the world that will drive its growth both organically and through acquisitions. The success of the Group's first beauty centre in Australia is a demonstration of the Global Expansion strategy in action, and the Group has a clear development blueprint that will lead to its further penetration of the global beauty market, while concurrently extending its reach to the United States. The Group is also seeking value-for-money investment opportunities, particularly amid industry consolidation resulting from COVID-19. Its aim is to bolster the Group's business presence and bring long-term sustainable returns to its shareholders.

Besides business expansion, delivering exceptional services is of utmost concern. With over 15 years of hands-on management experience in the slimming and beauty sector, the Group fully appreciates the needs of its customers, which include safe, effective and quality services in a relaxing setting. It will therefore continue to satisfy such needs so that customers enjoy fabulous experiences that go above and beyond their expectations. To further increase customer satisfaction, the Group will also closely monitor the ever-changing market environment and shifting consumer demand, so that valid trends are swiftly translated into relevant services.

In regard to medical aesthetic technology, it has undergone significant change over the past decade, and will continue to evolve as new advances appear. Keeping abreast of the latest technologies and medical innovations is therefore of paramount 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 satisfy the enormous demand. Similarly, it will continue to procure new devices that deliver suitable treatment solutions for its customers, many of whom rely on the management team's depth of experience, expert knowledge and astute judgement.

Looking ahead, the Group will continue to provide top-notch experiences, as well as high-quality services that address the needs of sophisticated and quality-conscious customer from around the world. The Group will also look to build on its achievements in order to create an even stronger position from which to extend its market leadership, with the ultimate goal of raising both its profitability and stature over the long run. In this way, the Group will fulfil its commitment to sustaining strong growth momentum and creating greater value for its shareholders.

## Management Discussion and Analysis

### Financial Review

#### Financial Performance

For FY2020, the Group recorded revenue of HK\$1,240,950,000 representing an increase of 4% from HK\$1,197,031,000 for the last year. Earnings before interest, tax and depreciation of property, plant and equipment and right-of-use assets was HK\$611,019,000, representing a rise of 30% from HK\$470,248,000 for FY2019. Operating profit reached HK\$456,195,000 (FY2019: HK\$399,858,000), representing an increase of 14%. Operating profit margin topped 37%, up from 33% for FY2019. Profit attributable to equity holders of the Company was HK\$360,157,000, up 13% year-on-year (FY2019: HK\$319,033,000). Net profit margin increased from 27% for FY2019 to 29% for FY2020. Basic earnings per share increased by 11% to HK32.2 cents (FY2019: HK28.9 cents).

Key components of the financial results for FY2020 extracted from the consolidated financial statements as set out on page 60 of this annual report are highlighted as follows:

	% to Revenue	2020 HK\$'000	% to Revenue	2019 HK\$'000
Revenue		1,240,950		1,197,031
Employee benefit and manpower service expenses	29%	(356,136)	28%	(340,736)
Marketing expenses	11%	(136,794)	14%	(169,111)
Expenses related to short-term leases of stores and offices	1%	(16,092)	0%	–
Operating lease rentals	0%	–	8%	(94,093)
Depreciation of property, plant and equipment	4%	(55,436)	6%	(70,390)
Depreciation of right-of-use assets	8%	(99,388)	0%	–
Other operating expenses	9%	(108,345)	10%	(115,387)
Income tax expenses	7%	(90,421)	7%	(85,020)
Profit for the year	29%	360,157	27%	319,033

#### Revenue

The Group achieved a total revenue of HK\$1,240,950,000 for FY2020, representing an increase of 4% as compared to HK\$1,197,031,000 in FY2019. The growth in revenue was affected by the challenging macro economic environment resulting from social instability and the COVID-19 which greatly affected public movement and lower volume of customers capable of, or willing to visit, service centres for treatments.

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

	2020 HK\$'000	2019 HK\$'000
<b>Revenue</b>		
Hong Kong	913,051	878,870
Regions outside Hong Kong	327,899	318,161
<b>Total</b>	<b>1,240,950</b>	<b>1,197,031</b>

# Management Discussion and Analysis

## Employee Benefit and Manpower Service Expenses

These expenses mainly included wages and salaries, pension costs, staff welfare, directors' remunerations and manpower service fee. For FY2020 and FY2019, the Group's employee benefit and manpower service expenses were HK\$356,136,000 and HK\$340,736,000 respectively. The employee benefit and manpower service expenses as a percentage of revenue maintained at the same level. The slight increase was mainly a result of hiring more staff to support the Group's service centres expansion.

## Marketing Expenses

Marketing expenses decreased by HK\$32,317,000 or 19%, from HK\$169,111,000 for FY2019 to HK\$136,794,000 for FY2020. Marketing expenses as a percentage of revenue has decreased to 11% (FY2019: 14%) for this year. Marketing activities mainly focused on boosting brand awareness. During the year under review, the Group adopted a cost effective approach based on existing well established clientele base through word-of-mouth referrals to strategically expand market share.

## Expenses Related to Leases of Stores and Office

This expense related to the leased properties in Hong Kong, Mainland China, Macau and Australia are primarily incurred for the operations of service centres and office premises. Such service centres are located in prime commercial districts for effective market penetration. The Group has applied HKFRS 16 "Leases" ("HKFRS 16"), for first time in the current year. 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) HK\$16.1 million as expenses related to short-term leases of stores and offices; (ii) HK\$99.4 million in depreciation charge; and (iii) HK\$11.9 million in finance cost.

## Operating Lease Rentals

Under previous principles of HKAS 17 "Leases", operating lease rentals increased by HK\$3.4 million, or 3.6%, from HK\$94.1 million in FY2019 to HK\$97.5 million (excluding the effect on the adoption of HKFRS16) in FY2020. The increase was due to newly set-up an Australia service centre and also expansion of service centres in Hong Kong and Macau. Aiming to enhance the future growth of the Group, the Group will periodically review the expansion plan of service area to enhance customers' experience.

## Other Operating Expenses

Other operating expenses decreased by HK\$7,042,000 or 6%, from HK\$115,387,000 for FY2019 to HK\$108,345,000 for FY2020. The decrease was mainly due to the allocation of building management fee of HK\$18,287,000 from other operating expenses to expense related to short-term leases of stores and offices during the year.

## Profit for the year and Margin

Profit for the year attributable to equity holders of the Company reached HK\$360,157,000, posting an increase of 13% as compared to HK\$319,033,000 for FY2019. The Group's net profit margin also improved to 29% for FY2020 from 27% for FY2019. Basic earnings per share increased by 11% to HK32.2 cents (FY2019: HK28.9 cents).

## Management Discussion and Analysis

### Dividend

The Directors recommended a payment of a final dividend equivalent to HK29.0 cents per share and a special dividend of HK5.0 cents per share for FY2020 to the shareholders of the Company (the “Shareholders”) whose names appear on the register of members on 20 August 2020. The total dividend for FY2020 amounted to HK34.0 cents per share (FY2019: HK33.9 cents per share).

The Directors proposed a scrip dividend alternative to the shareholders and these dividends are subject to the approval of the shareholders at the forthcoming annual general meeting of the Company to be held on 7 August 2020 (the “AGM”) and the Stock Exchange’s approval for granting the listing of and permission to deal in the new shares to be issued pursuant to the scrip dividend proposal.

### Liquidity, Financial Resources and Capital Structure

The Group continues to maintain a strong financial position with bank and cash balance of approximately HK\$638 million as at 31 March 2020 (2019: HK\$400 million), without external bank borrowing. The total equity of the Group as at 31 March 2020 was HK\$679 million (2019: HK\$561 million). The Group generally finances its operation with internally generated cash flows. The Group’s gearing ratio as at 31 March 2020 was nil (2019: nil), based on the short-term and long-term interest bearing bank borrowings and the equity attributable to equity holders of the Company. As at 31 March 2020, the Group had net current assets of approximately HK\$404 million (2019: HK\$374 million).

Net cash generated from operating activities in FY2020 was approximately HK\$644 million (FY2019: HK\$453 million). With the healthy bank and cash balances on hand, the Group’s liquidity position remains strong and it has sufficient financial resources to fund its future plans but at the same time to meet its working capital requirement.

### Capital Expenditure

The total capital expenditure incurred by the Group during the year ended 31 March 2020 amounted to HK\$98 million, which were mainly used in leasehold improvement and equipment in connection with the expansion of service network.

### Capital Commitments

As at 31 March 2020 and 2019, the Group had the following capital commitments:

	2020 HK\$'000	2019 HK\$'000
Capital expenditure contracted for but not yet incurred in respect of acquisition of property, plant and equipment	5,634	8,162

### Contingent Liabilities

As at 31 March 2020, the Group did not have any significant contingent liabilities.

## Management Discussion and Analysis

### Foreign Exchange Exposure

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

### Employees and Remuneration Policies

The Group adheres to a strong belief that one of the most valuable assets of a corporation is its employees. The Group values its human resources and recognises the importance of attracting and retaining qualified staff for its continuing success. Maintaining the quality of service from our well-skilled professionals is crucial in strengthening our competitiveness.

The Group employed a total work force of 1,173 employees as at 31 March 2020 (2019: 1,119 employees). The Group’s remuneration policies are in line with the prevailing market practices and are determined on the basis of performance and experience of the individual. The Group has been constantly reviewing staff remuneration package to ensure it is competitive with relevant industries.

### Treasury Policies

The Group adopts a prudent approach in the treasury and investment activities. The Group’s surplus funds are mainly invested in fixed and saving deposits in renowned banks, unit trusts as well as listed equity securities in Hong Kong and United States as long-term investments.

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

### Charges on the Group’s Assets

As at 31 March 2020, 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 as set out in Notes 20 and 26 to the consolidated financial statements.

## Management Discussion and Analysis

### Significant Investments

The information of the Group's significant investments held at 31 March 2020 stated in this annual report is as follow:

#### (a) Listed equity securities in Hong Kong

Stock code	Name of investment	Principal business	Nature of investment	Number of shares	Percentage of total share capital	Investment cost HK\$'000	Fair value as at 31. 3. 2020 HK\$'000	Unrealised loss on change in fair value during the year HK\$'000	Dividend received HK\$'000	Percentage to the Group's total assets
0066	MTR Corporation Limited	Principally engaged in railway operation	Investment in shares	500,000	0.0081%	23,106	20,014	(3,092)	87	1.54%
0011	Hang Seng Bank Limited	Mainly engaged in the banking business	Investment in shares	130,000	0.0068%	21,257	17,218	(4,039)	84	1.33%
						44,363	37,232	(7,131)	171	

#### (b) Unit trusts held by banks

Name of investment	Number of units held	Investment cost HK\$'000	Fair value as at 31.3.2019 HK\$'000	Fair value as at 31. 3. 2020 HK\$'000	Unrealised loss on change in fair value during the year HK\$'000	Dividend received HK\$'000	Percentage to the Group's total assets
Blackrock Asian Tiger Bond Fund	1,048,184	11,520	11,446	10,838	(608)	424	0.84%
HSBC Asian Bond Fund	1,153,589	11,595	11,636	11,101	(535)	459	0.85%
PIMCO Global Investment Grade Credit Fund	112,349	11,965	12,136	11,586	(550)	232	0.89%
		35,080	35,218	33,525	(1,693)	1,115	

### Material Acquisition and Disposal

Save as disclosed in this report, there was no material acquisition and disposal processed by the Group during FY2020.



# Biographical Details of Directors and Senior Management

## Executive Directors

**Dr. Au-Yeung Kong (“Dr. Au-Yeung”)**, aged 48, was appointed as an executive director, the chairman and the chief executive officer of the Company on 11 March 2011. He is also member of each of the remuneration committee and nomination committee of the Company. He is also the director of a number of subsidiaries of the Company. He is principally responsible for the overall management, strategic development and major decision-making. Dr. Au-Yeung founded the Group in 2003 and has accumulated over 15 years of management and operation experience in slimming and high technology beauty industry. Dr. Au-Yeung graduated from The Chinese University of Hong Kong with a bachelor’s degree in medicine and surgery in 1995. Dr. Au-Yeung is a registered practicing medical practitioner in Hong Kong. Dr. Au-Yeung is the brother of Ms. Au-Yeung Wai and Ms. Au-Yeung Hung.

**Ms. Au-Yeung Wai**, aged 51, was appointed as an executive director of the Company on 11 March 2011. She is also member of each of the remuneration committee and nomination committee of the Company. She is also the director of a number of subsidiaries of the Company. She oversees the daily operation of the Company to ensure it is under normal function. Ms. Au-Yeung Wai graduated from City University of Hong Kong with a bachelor degree of arts in accountancy in 1991 and obtained a master’s degree in business studies in the Faculty of Social Sciences at The University of Kent at Canterbury in 1995. Since her graduation, she has accumulated many years of experience in the business field. After joining the Group in 2004 as the general manager, Ms. Au-Yeung Wai has accumulated over 14 years of experience in slimming and high technology beauty industry. Ms. Au-Yeung Wai is the sister of Dr. Au-Yeung and Ms. Au-Yeung Hung.

**Ms. Au-Yeung Hung**, aged 56, was appointed as an executive director of the Company on 11 March 2011. She is also the director of a number of subsidiaries of the Company. Ms. Au-Yeung Hung is principally responsible for the operational management of the service centres of the Group. Ms. Au-Yeung Hung graduated from the University of Southern Queensland with a bachelor degree in business administration in 1992. Ms. Au-Yeung Hung joined the Group in 2005 as the sales and marketing manager, and has accumulated over 11 years of experience in slimming and high technology beauty industry. Ms. Au-Yeung Hung is the sister of Dr. Au-Yeung and Ms. Au-Yeung Wai.

## Independent Non-executive Directors

**Ms. Hsu Wai Man, Helen (“Ms. Hsu”)**, aged 50, was appointed as an independent non-executive director of the Company on 5 December 2011. She is also the chairman of the audit committee of the Company and member of each of the remuneration committee and nomination committee of the Company. Ms. Hsu has more than 21 years’ experience in accounting. Ms. Hsu graduated from The Chinese University of Hong Kong with a bachelor degree in business administration. Ms. Hsu had been working with Ernst & Young for 18 years and was a partner of Ernst & Young before she retired from the firm in February 2011. Ms. Hsu is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants.

## Biographical Details of Directors and Senior Management

Ms. Hsu is currently an independent non-executive director of Richly Field China Development Limited (stock code: 313) and China Display Optoelectronics Technology Holdings Limited (stock code: 334), both of them are listed on the Main Board of the Stock Exchange. Ms. Hsu is also independent non-executive director of Circle International Holdings Limited (Stock code: CCH), which is listed on the National Stock Exchange of Australia (NSX).

Ms. Hsu was an independent non-executive director of BC Technology Group Limited (formerly known as Branding China Group Limited) (stock code: 863) from April 2012 to May 2018, which is listed on the Main Board of the Stock Exchange.

**Mr. Chi Chi Hung, Kenneth (“Mr. Chi”)**, aged 51, was appointed as an independent non-executive director of the Company on 5 December 2011. He is also the chairman of the remuneration committee of the Company and member of each of the audit committee and nomination committee of the Company. Mr. Chi has more than 22 years of experience in accounting and financial control. He holds a Degree of Bachelor of Accountancy from the Hong Kong Polytechnic University and is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom. He is also an associate member of the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrator in the United Kingdom.

Mr. Chi is an independent non-executive director of each of Union Asia Enterprise Holdings Limited (stock code: 8173) and Hong Kong ChaoShang Group Limited (formerly known as Noble Century Investment Holdings Limited) (stock code: 2322), both companies listed on the Main Board of the Stock Exchange.

Mr. Chi was an executive director of each of DeTai New Energy Group Limited (stock code: 559) from January 2010 to March 2020 and TFG International Group Limited (stock code: 542) from October 2010 to June 2017, both companies listed on the Main Board of the Stock Exchange.

Mr. Chi was an independent non-executive director of Greentech Technology International Limited (stock code: 195) from October 2012 to April 2020, which is listed on the Main Board of Stock Exchange.

**Ms. Cho Yi Ping (“Ms. Cho”)**, aged 42, was appointed as an independent non-executive director of the Company on 14 August 2015. She is also the chairman of the nomination committee of the Company, and member of each of the audit committee and remuneration committee of the Company. Ms. Cho is a practicing solicitor in Hong Kong and a partner of Messrs. Wong & Tang Solicitors. She obtained a bachelor degree of laws from The University of Hong Kong in 2000. Ms. Cho is currently the company secretary of DaChan Food (Asia) Limited (stock code: 3999) and was the company secretary of Perfectech International Holdings Limited (stock code: 765) from August 2016 to December 2016, both companies listed on the Main Board of the Stock Exchange.

### Senior Management

**Mr. So Hin Lung (“Mr. So”)**, aged 43, is the chief financial officer and company secretary of the Company and is responsible for overseeing the finance and accounting, internal control, corporate governance and regulatory compliance of the Company. Mr. So joined the Group in March 2011. Mr. So is a member of the Hong Kong Institute of Certified Public Accountants. He has over 17 years of experience in auditing and accounting.

# Corporate Governance Report

The Directors consider that incorporating the elements of good corporate governance in the management structures and internal control procedures of the Group could balance the interests of the Shareholders, customers and employees. The Board has adopted the principles and the code provisions of the Corporate Governance Code and Corporate Governance Report (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

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

During FY2020, the Company has complied with the CG Code as set out in Appendix 14 to the Listing Rules, except the issues mentioned in the following paragraphs:

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separated and should not be performed by the same individual. During FY2020, Dr. Au-Yeung Kong is both the chairman of the Board (the “Chairman”) and the chief executive officer of the Company (the “CEO”); therefore, the Group does not at present separate the roles of the Chairman and the CEO.

The Board considered that Dr. Au-Yeung Kong has in-depth knowledge and experience in the slimming and beauty industry and is the appropriate person to manage the Group. Therefore, the roles of the Chairman and the CEO performed by the same individual, Dr. Au-Yeung Kong, is beneficial to the business prospects and management of the Group. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same individual can provide the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies. Notwithstanding the above, the Board will review the current structure from time to time. If any candidate with suitable leadership, knowledge, skills and experience can be identified within or outside the Group, the Company may consider to make necessary arrangements.

## Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”). Specific enquiry has been made to each of the Directors and all Directors have confirmed that they have complied with the Model Code during the year ended 31 March 2020.

## Board of Directors

### Composition of the Board of Directors

As at 31 March 2020, the Board comprises three executive Directors and three independent non-executive Directors. The composition of the Board was as follows:

#### *Executive Directors*

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

#### *Independent Non-executive Directors*

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

## Corporate Governance Report

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

### Functions of the Board

The principal function of the Board is to consider and approve the overall business plans and strategies of the Group, develop and implement the corporate governance function, monitor the implementation of these policies and strategies and the management of the Company.

### Board Meetings and Board Practices

The Directors can attend meetings in person or through other means of electronic communication or by way of written resolution in accordance with the Company’s articles of association. All minutes of Board meetings were recorded in sufficient detail the matters considered by the Board and the decisions reached.

During the year ended 31 March 2020, the Board passed several written resolutions and held 9 meetings and 2 general meetings. Details of the attendance of Directors are as follows:

	Attendance/ Number of General Meetings entitled to attend	Attendance/ Number of Board Meetings entitled to attend
<b>Executive Directors</b>		
Dr. Au-Yeung Kong ( <i>Chairman and Chief Executive Officer</i> )	1/2	9/9
Ms. Au-Yeung Wai	2/2	9/9
Ms. Au-Yeung Hung	1/2	9/9
<b>Independent Non-executive Directors</b>		
Ms. Hsu Wai Man, Helen	2/2	9/9
Mr. Chi Chi Hung, Kenneth	2/2	9/9
Ms. Cho Yi Ping	2/2	9/9

During the year ended 31 March 2020, the management prepared monthly updates which were circulated to all members of the Board on a monthly basis in accordance with the code provision C.1.2 of the CG Code.

### Directors’ Appointment, Re-election and Removal

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from 10 February 2018, and shall continue thereafter unless and until terminated by not less than three months prior written notice to the other party and subject to the early termination provisions contained therein.

## Corporate Governance Report

Ms. Hsu Wai Man, Helen and Mr. Chi Chi Hung, Kenneth have entered into a letter of appointment with the Company for a term of three years commencing from 10 February 2018 until terminated by not less than three months written notice to the other party and subject to the early termination provisions contained therein.

Ms. Cho Yi Ping has entered into a letter of appointment with the Company for a term of three years commencing from 14 August 2018 until terminated by not less than three months written notice to the other party and subject to the early termination provisions contained therein.

In compliance with the code provision A.4.2 of the CG Code, all Directors appointed to fill a casual vacancy should be subject to election by Shareholders at the first general meeting after appointment. By virtue of article 83(3) of the articles of association of the Company, the Board shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or additional to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

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

### **Independent Non-executive Directors**

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

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

# Corporate Governance Report

## Chairman and Chief Executive Officer

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Dr. Au-Yeung Kong being the Chairman and Chief Executive Officer of the Company provides leadership to the Board ensuring that members of the Board receive accurate, timely and clear information to help them reach well-informed and well-considered decisions.

The Chairman encourages other Directors to make a full and active contribution to the Board's affairs and ensuring that it acts in the best interests of the Group; encourages every Director with different views to voice their concerns; allows sufficient time for discussion of issues and ensuring that Board decision fairly reflect Board consensus; provides effective communication with shareholders and that their views are communicated to the Board as a whole; promotes a culture of openness and debate by facilitating the effective contribution of non-executive Directors in particular; ensures constructive relations between executive Directors and non-executive Directors; ensures good corporate governance practices and procedures are established; and manages the day-to-day business of the Company.

The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same individual can provide the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies. Notwithstanding the above, the Board will review the current structure from time to time. If any candidate with suitable leadership, knowledge, skills and experience can be identified within or outside the Group, the Company may consider to make necessary arrangements.

## Delegation of Powers

The Board delegates day-to-day operations of the Group to executive Directors and management of the Company with department heads responsible for different aspects of the business/functions, while reserving certain key matters in making strategic decision for its approval. When the Board delegates aspects of its management and administration functions to management, it gives clear directions as to the powers of management, in particular, with respect to the circumstances where management need to report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

## Continuing Professional Development

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

## Corporate Governance Report

The Directors confirmed that they have complied with the code provision A.6.5 of the CG Code on the directors' training. During the year ended 31 March 2020, all the Directors have participated in continuous professional development by attending seminars or reading materials on the following topics to develop and refresh their knowledge and skills and provided a record of training to the Company.

<b>Directors</b>	<b>Topic on training covered (Note)</b>
<b>Executive Directors</b>	
Dr. Au-Yeung Kong	(a), (b)
Ms. Au-Yeung Wai	(a), (b)
Ms. Au-Yeung Hung	(a), (b)
<b>Independent Non-executive Directors</b>	
Ms. Hsu Wai Man, Helen	(a), (b), (c), (d)
Mr. Chi Chi Hung, Kenneth	(a), (b), (d)
Ms. Cho Yi Ping	(a), (b), (d)

Note:

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

### Remuneration Paid to Members of Key Management

Details of remuneration paid to members of key management (including all Directors and senior management as disclosed in section headed "Biographical Details of Directors and Senior Management" of this report) for the year ended 31 March 2020 fell within the following bands:

	<b>No. of members of key management</b>
Nil–HK\$1,000,000	3
HK\$1,000,001–HK\$5,000,000	3
Over HK\$5,000,000	1

### Directors' and Officers' Liabilities

The Company has arranged for appropriate insurance covering the liabilities in respect of legal action against the Directors that may arise out in the corporate activities. The insurance coverage is reviewed on an annual basis.

# Corporate Governance Report

## Board Committees

### Audit Committee

The audit committee of the Company (the “Audit Committee”) was established on 5 December 2011 with written terms of reference which was revised on 20 March 2012, 15 January 2016 and 28 December 2018 in compliance with the CG Code and is available on the websites of the Stock Exchange and the Company. The primary duties of the Audit Committee are to review the financial information of the Group, oversee the financial reporting process and risk management and internal control procedures of the Group, and oversee the relationship with the Company’s external auditor.

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

The Audit Committee has reviewed the accounting standards and practices adopted by the Group and discussed with the management about the risk management, internal control and financial reporting matters, including reviewing the financial statements and annual results for the year ended 31 March 2020.

During the year ended 31 March 2020, the Audit Committee has reviewed the audited consolidated financial statements for the year ended 31 March 2019, the unaudited consolidated financial statements for the six months ended 30 September 2019, the internal control and corporate governance issues related to financial reporting of the Company and pre-audit issue for the financial year 2020 and also recommended to the Board for the re-appointment of the auditor of the Company for the Year. The Audit Committee held 3 meetings. Details of the attendance of members of the Audit Committee meetings are as follows:

	<b>Attendance</b>
Ms. Hsu Wai Man, Helen ( <i>Chairman</i> )	3/3
Mr. Chi Chi Hung, Kenneth	3/3
Ms. Cho Yi Ping	3/3

### Remuneration Committee

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

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



## Corporate Governance Report

During the year ended 31 March 2020, the Remuneration Committee held 2 meetings to review and make recommendations on the grant of options to the Directors and the remuneration packages of all the Directors. Details of the attendance of members of the Remuneration Committee meeting are as follows:

	<b>Attendance</b>
Mr. Chi Chi Hung, Kenneth ( <i>Chairman</i> )	2/2
Ms. Hsu Wai Man, Helen	2/2
Ms. Cho Yi Ping	2/2
Dr. Au-Yeung Kong	2/2
Ms. Au-Yeung Wai	2/2

### **Remuneration Policy for Directors and Senior Management**

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

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

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

The Company believes that by offering the eligible persons a shareholding stake in the Company, the interests of the eligible persons and the Company become aligning, thereby providing the eligible persons with additional incentives to improve the Company's performance.

# Corporate Governance Report

## Nomination Committee

The nomination committee of the Company (the “Nomination Committee”) was established on 5 December 2011 with written terms of reference which was revised on 20 March 2012, 25 June 2013 and 28 December 2018 respectively in compliance with the CG Code and is available on the websites of the Stock Exchange and the Company. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and management of the Board succession, assess the independence of independent non-executive Directors and review the board diversity policy of the Company (the “Board Diversity Policy”).

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

During the year ended 31 March 2020, the Nomination Committee held 1 meeting to review the structure, size, composition and diversity of the Board, review the Board Diversity Policy, assess the independence of independent non-executive Director, review the re-election of retiring Directors, and discuss the roles of the Chairman and the CEO. Details of the attendance of members of the Nomination Committee are as follows:

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

## Director Nomination Policy

Director Nomination Policy of the Group (“Nomination Policy”) is in place and was adopted in writing in the year taking into consideration the revised Listing Rules effective from 28 December 2018. The Nomination Policy sets out the procedures, process, and criteria for identifying and recommending candidates for election to the Board.

## Board Diversity Policy

During the year ended 31 March 2020, the Nomination Committee had reviewed the Board Diversity Policy. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance.

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

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

## Corporate Governance Report

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

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

### Accountability and Audit

#### Directors' and Auditor's Responsibilities for the Financial Statements

The Board acknowledges its responsibility to prepare the Group's financial statements for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 March 2020, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

A statement by the auditor of the Company regarding their reporting responsibilities is set out on pages 53 to 59 of this annual report.

#### Auditor's Remuneration

During the year ended 31 March 2020, there is no remuneration paid or payable to the Company's auditor, PricewaterhouseCoopers in respect of non-audit services. The remuneration paid or payable to the Company's auditor in respect of the audit services is as follow:

	<b>HK\$'000</b>
Audit services	2,000

### Corporate Governance Functions

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

- to develop and review the Company's policies and practices on corporate governance and make recommendations on changes and updating;
- to review and monitor the training and continuous professional development of Directors and senior management;

## Corporate Governance Report

- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;
- to review the Company compliance with the CG Code and disclosure in the corporate governance report; and
- such other corporate governance duties and functions set out in the CG Code (as amended from time to time) for which the Board are responsible.

During the year ended 31 March 2020, the Board had reviewed the policies and practices of the Company relating to the CG Code and the corporate governance report of the Company.

### **Risk Management and Internal Control**

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

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

During the Year, the Group appointed APEC Risk Management Limited (the "APEC") to:

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

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

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

# Corporate Governance Report

## **Our Enterprise Risk Management Framework**

The Group has established its enterprise risk management framework in 2016. While the Board has the overall responsibility to ensure that sound and effective internal controls are maintained, management is responsible for designing and implementing an internal control system to manage all kinds of risks faced by the Group.

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

## **Our Risk Control Mechanism**

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

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

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

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

## Corporate Governance Report

### Company Secretary

Mr. So has been appointed as the company secretary of the Company since March 2011 and he has taken no less than 15 hours of relevant professional training for the year ended 31 March 2020.

### Investors and Shareholders Relations

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

1. By mail to the Company's principal place of business at 51st Floor, Langham Place Office Tower, 8 Argyle Street, Mong Kok, Kowloon, Hong Kong; or
2. By email at [ir@perfectshape.com.hk](mailto:ir@perfectshape.com.hk)

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

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

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

## Corporate Governance Report

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

If a Shareholder wishes to propose a person (the “Candidate”) for election as a Director at a general meeting, he/she shall deposit a written notice (the “Notice”) at the Company’s head office in Hong Kong at 51st Floor, Langham Place Office Tower, 8 Argyle Street, Mong Kok, Kowloon, Hong Kong. The Notice (i) must include the personal information of the Candidate as required by Rule 13.51(2) of the Listing Rules and his/her contact details; and (ii) must be signed by the Shareholder concerned including the information/documents to verify the identity of the Shareholder and signed by the Candidate indicating his/her willingness to be elected and consent of publication of his/her personal data. The period for lodgment of the Notice shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such meeting. In order to ensure the Shareholders have sufficient time to receive and consider the proposal of election of the Candidate as a Director without adjourning the general meeting, Shareholders are urged to submit and lodge the Notice as soon as practicable, say at least 15 business days prior to the date of the general meeting appointed for such election.

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

In order to promote effective communication, the Company also maintains website ([www.psmmedical.com.hk](http://www.psmmedical.com.hk)) which include the latest information relating to the Group and its businesses.

Save as disclosed elsewhere in this annual report, there was no significant changes in the Company’s constitutional documents for the year ended 31 March 2020.

# Directors' Report

The Directors submit herewith their annual report together with the audited consolidated financial statements for the year ended 31 March 2020.

## Principal Place of Business in Hong Kong

The Company is a limited liability company incorporated in the Cayman Islands and its principal place of business in Hong Kong is 51st Floor, Langham Place Office Tower, 8 Argyle Street, Mong Kok, Kowloon, Hong Kong.

## Principal Activities

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are the provision of slimming and high technology beauty services. Other particulars of the subsidiaries of the Company are set out in Note 38 to the consolidated financial statements.

## Results

The profit of the Group for the year ended 31 March 2020 and the financial position of the Company and of the Group as at that date are set out in the consolidated financial statements on pages 60 to 134.

## Dividend

The Directors recommended a payment of a final dividend equivalent to HK29.0 cents per Share and a special dividend of HK5.0 cents per Share for the year ended 31 March 2020 subject to the approval of the Shareholders at the AGM to the Shareholders whose names appear on the register of members of the Company on Thursday, 20 August 2020. No interim dividend was paid or declared during the year (2019: HK14.5 cents).

The Directors proposed that the Shareholders be given the option to receive the final dividend and special dividend in new shares in lieu of cash. The scrip dividend proposal is subject to: (1) the approval of the proposed final dividend at the AGM to be held on 7 August 2020; and (2) The Stock Exchange of Hong Kong Limited ("Stock Exchange") granting the listing of and permission to deal in the new shares to be issued pursuant to the scrip dividend proposal.

A circular containing details of the scrip dividend proposal will be despatched to the Shareholders together with the form of election for scrip dividend on or about Tuesday, 1 September 2020. It is expected that the final dividend and special dividend warrants and share certificates for the scrip dividend will be despatched to the Shareholders on or about Tuesday, 6 October 2020.

## Dividend Policy

The Company has adopted a dividend policy which aims sets out principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its net profits as dividends to the shareholders of the Company.

The Board shall also take into account the following factors of the Group when considering the declaration and payment of dividends:



## Directors' Report

- financial results;
- cash flow situation;
- business conditions and strategies;
- future operations and earnings;
- capital requirements and expenditure plans;
- interests of shareholders;
- any restrictions on payment of dividends; and
- any other factors that the Board may consider relevant.

Any dividend unclaimed shall be forfeited and shall revert to the Company in accordance with the Company's articles of association.

## Business Review and Commentary

### Business Review

The business review, including an analysis of the Group's performance during the Year using financial key performance indicators and an indication of likely future development in the Group's business, is set out in the "Management Discussion and Analysis" on pages 14 to 23 of this annual report. This discussion forms part of this "Directors' Report".

### Compliance with Relevant Laws and Regulations

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

During the year ended 31 March 2020, the Group has complied with the provisions of the Personal Data (Privacy) Ordinance to ensure that all personal data collected will be treated confidentially and for specific purposes only. As far as the Board is aware, there was no material breach of or non-compliance with the applicable laws and regulations that have a significant impact on the Group's business and operation by the Group.

### Principal Risks and Uncertainties

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

## Directors' Report

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

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

### **Environmental Protection Policy and Performance**

The Group recognises its responsibility to the long term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Group has adopted effective measures to achieve efficient use of resources, energy saving and waste reduction. Green initiatives and measures have been implemented in the Group's offices and beauty centres. Details on Perfect Shape's strategies, efforts and performance with respect to environmental, social and governance (ESG) for the year ended 31 March 2020 are available in the Group's ESG Report, which will be published within three months after the publication of this annual report on the websites of the Company and the Stock Exchange.

### **Relationships with Key Stakeholders**

#### **Employees**

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

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

#### **Customers**

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

#### **Suppliers**

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

## Directors' Report

### Closure of Register of Members

The register of members of the Company will be closed from Tuesday, 4 August 2020 to Friday, 7 August 2020 (both dates inclusive) during which period no transfer of Shares will be registered. In order to attend and vote at the AGM, all transfers of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, 3 August 2020.

The proposed final dividend and special dividend are subject to the approval of the Shareholders at the AGM. The record date for the proposed final dividend and special dividend are at the close of business on Tuesday, 25 August 2020. For determining the entitlement to the proposed final dividend and special dividend, the register of members of the Company will be closed from Friday, 21 August 2020 to Tuesday, 25 August 2020 (both dates inclusive), during which period no transfer of Shares will be registered. In order to qualify for the proposed final dividend and special dividend, all relevant transfer document(s) and share certificate(s) must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 20 August 2020.

### Major Customers and Suppliers

The Group's top five customers accounted for approximately 1.3% of the total sales. The top five suppliers accounted for approximately 25.7% of the total purchases for the Year. In addition, the Group's largest customer accounted for approximately 0.5% of the total sales and the Group's largest supplier accounted for approximately 8.6% of the total purchases for the Year.

During the year ended 31 March 2020, none of the Directors, or any of their close associates or any Shareholder (which to the knowledge of the Directors own more than 5% of the Company's share capital) had beneficial interests in the Group's top five customers and suppliers.

### Distributable Reserves

As at 31 March 2020, the Company's reserves available for distribution represent the share premium and retained earnings amounting to approximately HK\$355,347,000.

The Directors recommend a payment of a final dividend equivalent to HK29.0 cents per Share and a special dividend of HK5.0 cents per Share for the year ended 31 March 2020.

### Property, Plant and Equipment

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

### Share Capital

Details of the share capital of the Company are set out in Note 28 to the consolidated financial statements.

### Directors

The Directors during the year ended 31 March 2020 and up to the date of this report were:

#### Executive Directors

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

#### Independent Non-executive Directors

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

By virtue of article 84 of the articles of association of the Company at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation, and every Director shall be subject to retirement by rotation at annual general meeting at least once every three years. Accordingly, Dr. Au-Yeung Kong and Mr. Chi Chi Hung, Kenneth, shall retire from office by rotation. Both Dr. Au-Yeung Kong and Mr. Chi Chi Hung, Kenneth, being eligible, will offer themselves for re-election at the AGM.

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

### Directors' Service Agreement

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from 10 February 2018 and shall continue thereafter unless and until terminated by not less than three months prior written notice to the other party and subject to the early termination provisions contained therein.

Ms. Hsu Wai Man, Helen and Mr. Chi Chi Hung, Kenneth, the independent non-executive Directors have entered into their respective letter of appointment with the Company for a term of three years commencing from 10 February 2018 until terminated by not less than three months written notice to the other party and subject to the early termination provisions contained therein.

Ms. Cho Yi Ping, an independent non-executive Director, has entered into a letter of appointment with the Company for a term of three years commencing from 14 August 2018 until terminated by not less than three months written notice to the other party and subject to the early termination provisions contained therein.

None of the Directors proposed for re-election at the forthcoming annual general meeting of the Company has a service contract which is not determinable by the Group within 1 year without payment of compensation (other than statutory compensation).

# Directors' Report

## Equity-linked Agreement

Details of the equity-linked agreement entered into during the year ended 31 March 2020 or subsisting at the end of the year are set out below:

### Share Option Scheme

The following is a summary of principal terms of the share option scheme of the Company (the "Share Option Scheme") adopted by the Shareholders by way of written resolution passed on 6 January 2012 (the "Adoption Date"). The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

#### (a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide the people and the parties working for the interests of the Group with an opportunity to obtain an equity interest in the Company, thus linking their interest with the interests of the Group and thereby providing them with an incentive to work better for the interests of the Group.

#### (b) Participants of the Share Option Scheme

The Board may, at its absolute discretion, grant all Directors (including executive, non-executive or independent non-executive Directors), any employee (full-time or part-time), any consultant or adviser of or to the Company or the Group (on an employment or contractual or honorary basis and paid or unpaid), who, in the absolute opinion of the Board, have contributed to the Company or the Group.

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

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

As at the date of this annual report, the outstanding number of options available for issue under the Share Option Scheme is 110,220,800 Shares, representing 9.88% of the issued Shares.

#### (d) The maximum entitlement of each participant under the Share Option Scheme

The total number of Shares issued and to be issued upon exercise of options granted to each participant (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

## Directors' Report

Where the Board proposes to grant any option to a participant who is a substantial shareholder or an independent non-executive Director (or its subsidiaries), or any of their respective associates, and such option which if exercised in full, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted pursuant to the Share Option Scheme and other Share Option Schemes of the Company (including option exercised, cancelled, and outstanding) to such participant in the 12-month period up to and including the date of grant being proposed by the Board (the "Relevant Date") (i) representing in aggregate more than 0.1% of the total issued Shares at the Relevant Date; and (ii) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Relevant Date, in excess of HK\$5,000,000, such proposed grant of options shall be approved by the shareholders of the Company in general meeting as required under the Listing Rules.

### **(e) Timing for exercising option**

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant in its absolute discretion.

### **(f) Payment of acceptance of option**

The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK\$1.

### **(g) Period of acceptance of option**

An offer for the grant of options must be accepted within 28 days from the day on which such offer was made.

### **(h) The basis of determining the exercise price of option**

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price determined by the Board and notified to a participant and shall be at least the highest of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day;
- (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five consecutive business days immediately preceding the date of grant of the option; and
- (iii) the nominal value of the Share.

### **(i) Duration of the Share Option Scheme**

The Share Option Scheme will remain in force for a period of ten years commencing from the Adoption Date.

## Directors' Report

Details of the share options movements during the year ended 31 March 2020 under the Share Option Scheme are as follows:

Name or category of grantees	Date of grant of share options	Exercise price (HK\$)	Exercise period	Number of share options					
				Balance as at 01.04.2019	Granted during the Year	Exercised during the Year	Lapsed during the Year	Cancelled during the Year	Balance as at 31.03.2020
<b>Directors</b>									
Dr. Au-Yeung Kong	27/04/2017 (Note 2)	HK\$0.82	27/04/2017-26/04/2020 (Note 5)	2,032,000	—	2,032,000	—	—	—
	16/08/2019 (Note 4)	HK\$3.45	16/08/2019-15/08/2022 (Note 6)	—	1,448,000	1,448,000	—	—	—
Ms. Au-Yeung Wai	27/04/2015 (Note 1)	HK\$1.72	27/04/2018-26/04/2025	2,900,000	—	2,900,000	—	—	—
	27/04/2017 (Note 2)	HK\$0.82	27/04/2017-26/04/2020 (Note 5)	2,032,000	—	2,032,000	—	—	—
	27/04/2018 (Note 3)	HK\$1.09	27/04/2018-26/04/2021 (Note 6)	4,584,000	—	4,584,000	—	—	—
Ms. Au-Yeung Hung	27/04/2015 (Note 1)	HK\$1.72	27/04/2018-26/04/2025	2,900,000	—	2,900,000	—	—	—
	27/04/2017 (Note 2)	HK\$0.82	27/04/2017-26/04/2020 (Note 5)	2,032,000	—	2,032,000	—	—	—
	27/04/2018 (Note 3)	HK\$1.09	27/04/2018-26/04/2021 (Note 6)	4,584,000	—	4,584,000	—	—	—
<b>Total</b>				<b>21,064,000</b>	<b>1,448,000</b>	<b>22,512,000</b>	<b>—</b>	<b>—</b>	<b>—</b>

Notes:

- The closing price of the shares immediately before 27 April 2015, on which those options were granted, was HK\$1.72.
- The closing price of the Shares immediately before 27 April 2017, on which those options were granted, was HK\$0.82.
- The closing price of the Shares immediately before 27 April 2018, on which those options were granted, was HK\$1.09.
- The average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding 16 August 2019, on which those options were granted, was HK\$3.45.
- (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.
- The options shall be exercisable immediately on the Date of Grant.

## Directors' Report

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

As at 31 March 2020, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required to be recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Directors	Nature of interest	Number of ordinary shares	Number of underlying shares held pursuant to share options	Percentage of the issued share capital of the Company (Note 2)
Dr. Au-Yeung Kong	Beneficial owner	45,104,000 (L)	—	66.79%
	Interest of controlled corporation (Note 1)	700,000,000 (L)		
Ms. Au-Yeung Wai	Beneficial owner	19,132,000 (L)	—	64.46%
	Interest of controlled corporation (Note 1)	700,000,000 (L)		
Ms. Au-Yeung Hung	Beneficial owner	19,132,000 (L)	—	64.46%
	Interest of controlled corporation (Note 1)	700,000,000 (L)		

(L): Long position

Notes:

- The 700,000,000 Shares are held by Sure Sino Investments Limited, among which 137,500,000 Shares are held through its wholly-owned subsidiary Market Event Holdings Limited and 180,000,000 Shares are held through its wholly-owned subsidiary Earlson Holdings Limited, respectively. Dr. Au-Yeung Kong, Ms. Au-Yeung Wai and Ms. Au-Yeung Hung beneficially own the entire issued share capital of Sure Sino Investments Limited. By virtue of the SFO, Dr. Au-Yeung Kong, Ms. Au-Yeung Wai and Ms. Au-Yeung Hung are deemed to be interested in the 700,000,000 Shares held by Sure Sino Investments Limited.
- The percentage represents the number of Shares interested divided by the number of the issued Shares as at 31 March 2020 (i.e. 1,115,516,000 Shares).

Save as disclosed above, as at 31 March 2020, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



## Directors' Report

### Directors' Right to Acquire Shares or Debentures

At no time during the year ended 31 March 2020 was the Company, or any of its holding companies, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company (including their spouses and children under 18 years of age) to hold any interest or short positions in the shares, or underlying shares, or debentures, of the Company or its associated corporations (within the meaning of Part XV of the SFO).

### Competing Interest

During the year ended 31 March 2020, none of the Directors, management shareholders and substantial shareholders of the Company, or their respective associate (as defined in the Listing Rules) had any interest in any business which compete or may cooperate with the business of the Group. Confirmations were provided by or obtained from the Directors and the controlling Shareholders to ensure that none of them was engaged in the competing business. The Directors and the controlling Shareholders had participated in training or reading materials to understand their obligations with respect to the competing business. The independent non-executive Directors also reviewed the controlling Shareholders' compliance with the non-competition undertakings.

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

As at 31 March 2020, other than the interests of certain Directors and chief executive of the Company as disclosed under the section headed "Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above, the interests or short positions of person in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholders	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company (Note 2)
Sure Sino Investments Limited	Beneficial owner	382,500,000 (L)	34.29%
	Interest of controlled corporation (Note 1)	317,500,000 (L)	28.46%
Earlson Holdings Limited (Note 1)	Beneficial owner	180,000,000 (L)	16.14%
Market Event Holdings Limited (Note 1)	Beneficial owner	137,500,000 (L)	12.32%

(L): Long position

## Directors' Report

Note:

1. Sure Sino Investments Limited beneficially owns the entire issued share capital of Earlson Holdings Limited and Market Event Holdings Limited. By virtue of the SFO, Sure Sino Investments Limited is deemed to be interested in the 180,000,000 Shares held by Earlson Holdings Limited and 137,500,000 Shares held by Market Event Holdings Limited, respectively.
2. The percentage represents the number of Shares interested divided by the number of the issued Shares as at 31 March 2020 (i.e. 1,115,516,000 Shares).

Save as disclosed above, as at 31 March 2020, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) who had an interest or short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

### Sufficiency of Public Float

From information publicly available to the Company and within the knowledge of the Directors, during the year ended 31 March 2020, the Company maintained the public float required by the Listing Rules.

### Donation

The Group made a donation of HK\$3,287,000 during the year ended 31 March 2020 (2019: HK\$678,000).

### Directors' Interests in Contracts

No contract of significance to which the Company, its holding companies, or any of its subsidiaries was a party, and in which a Director had a material interest, either directly or indirectly, subsisted at 31 March 2020 or at any time during the year ended 31 March 2020.

### Management Contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 March 2020.

### Directors' Interests in Competing Business

As at 31 March 2020, none of the Directors or their respective associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

## Directors' Report

### **Directors' Material interests in Transactions, Arrangements and Contracts**

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company's subsidiaries or its parent company was a party and in which a Director had a material interest, where directly or indirectly, subsisted at 31 March 2020 or at any time during the year ended 31 March 2020.

### **Related Party Transactions**

Details of the related party transactions undertaken during the year ended 31 March 2020 are provided under Note 36 to the consolidated financial statements. These related party transactions did not fall under the definition of connected transaction or continuing connected transaction as defined in the Listing Rules.

### **Retirement Benefits Schemes**

Particulars of retirement benefits schemes of the Group are set out in Note 14 to the consolidated financial statements.

### **Confirmation of Independence**

The Company has received from each of the independent non-executive Directors a confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considered all the independent non-executive Directors to be independent.

### **Pre-Emptive Rights**

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

### **Indemnity of Directors**

The Company has maintained appropriate directors and officers liability insurance and such permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year ended 31 March 2020.

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

- (a) During the year ended 31 March 2020, the Company repurchased 12,136,000 of its own shares. The total amount paid for this repurchase was HK\$41,959,000 and was charged to share premium within shareholders' equity. All of the repurchased 12,136,000 shares were cancelled during the year.

Month of repurchase	Number of ordinary Shares repurchased	Purchase price paid per Share		Aggregate consideration paid (including transaction costs) HK\$
		Highest HK\$	Lowest HK\$	
November 2019	8,136,000	3.71	3.40	29,092,000
December 2019	3,000,000	3.64	3.42	10,737,000
March 2020	1,000,000	2.15	1.98	2,130,000
	12,136,000			41,959,000

- (b) During the year ended 31 March 2020, the Company issued 22,512,000 (2019: 19,136,000) shares for proceeds of approximately HK\$29,964,000 (2019: HK\$19,983,000), as a result of the exercise of share options. The weighted average exercise price was approximately HK\$1.331 per share (2019: HK\$1.044 per share). As a result, HK\$2,251,000 (2019: HK\$1,914,000) was credited to the share capital account and HK\$27,713,000 (2019: HK\$18,069,000), being proceeds received net of the nominal value of the issued shares were credited to the share premium account. An amount of HK\$6,678,000 (2019: HK\$4,381,000) previously included in share-based compensation reserve was reclassified to the share premium account upon the issuance of share options.

Save as disclosed above, during the year ended 31 March 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

# Directors' Report

## Corporate Governance

The Company maintains a high standard of corporate governance practices. Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 26 to 38. The Directors believe the long term financial performance as opposed to short term rewards is a corporate governance objective. The Board would not take undue risks to make short term gains at the expense of the long term objectives.

## Five-Year Financial Summary

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

## Auditor

The consolidated financial statements for the years ended 31 March 2018, 31 March 2019 and 31 March 2020 were audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment upon conclusion of the forthcoming annual general meeting of the Company. A resolution for the re-appointment of PricewaterhouseCoopers as the auditor of the Company is to be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

**Au-Yeung Kong**

*Chairman*

Hong Kong, 30 June 2020

# Independent Auditor's Report



羅兵咸永道

To the Shareholders of Perfect Shape Medical Limited  
(incorporated in the Cayman Islands with limited liability)

## Opinion

### What we have audited

The consolidated financial statements of Perfect Shape Medical Limited (the “Company”) and its subsidiaries (together as the “Group”) set out on pages 60 to 134, which comprise:

- the consolidated balance sheet as at 31 March 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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*PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong*  
*T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

# Independent Auditor’s Report

## **Basis for Opinion**

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

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

## **Independence**

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

## **Key Audit Matters**

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

## Independent Auditor's Report

### Key Audit Matters – continued

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

#### Key Audit Matter

#### How our audit addressed the Key Audit Matter

Revenue recognition for the sale of services

*(Refer to Note 2.17(a) to the consolidated financial statements)*

During the year ended 31 March 2020, revenue from service contracts of approximately HK\$1,240,950,000 was recognised in the Group's consolidated statement of comprehensive income. As at 31 March 2020, the Group had deferred revenue of approximately HK\$158,701,000.

As described in the accounting policies in Note 2.17(a) to the consolidated financial statements, revenue from the provision of slimming and beauty services are recognised when the services have been rendered to customers. Receipt of proceeds in respect of treatment packages for which the relevant services have not been rendered are deferred and recognised as deferred revenue in the consolidated balance sheet.

The Group implements a six-month expiry policy for all service contracts. Customers may not utilise all of their contractual rights within the service period and these unutilised treatments are referred to as "breakage". An expected amount of breakage is estimated by management based on the historical data of customers' utilisation and expected future utilisation pattern of the Group's prepaid packages and is recognised as revenue in proportion to the pattern of treatments used by customers.

Our audit procedures performed on revenue recognition for the sale of services included:

- We understood and evaluated the key controls of the Group in respect of revenue recognition for the sale of services, including the recording of proceeds received in respect of treatment packages as deferred revenue, the recognition of revenue based on the number of treatment services rendered, the recognition of breakage in proportion to the pattern of treatments used by customers, and the recognition of any residual deferred revenue as revenue upon the expiry of the treatment service contracts;
- We tested, on a sample basis, the key controls over revenue recognition for the sale of services;
- We tested, on a sample basis, the calculation of the amount of revenue recognised during the reporting period and the amount of revenue deferred as at the end of the reporting period with reference to the treatment service contracts, proceeds received and underlying treatment service records. This mainly involved:
  - a. Agreeing the contract sums stipulated in the treatment service contracts to the bank receipt records;
  - b. Agreeing the number and type of treatments stipulated in the treatment service contracts to the treatment service records;
  - c. Checking the number and type of utilised treatments shown in the treatment service records to the corresponding documents acknowledged by the respective customers;



# Independent Auditor's Report

## Key Audit Matters – continued

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>After the recognition of revenue from treatments provided and breakage, any residual deferred revenue at the end of the relevant service period are fully recognised as revenue in the consolidated statement of comprehensive income.</p> <p>We focused on this area because the estimation of breakage is inherently subjective and requires significant management judgment; and significant audit resources were allocated to perform the audit procedures on revenue recognition for the sale of services due to the magnitude of revenue transactions that occurred.</p>	<ul style="list-style-type: none"><li>d. Recalculating the amount of revenue recognised based on the number and type of treatments utilised;</li><li>e. Recalculating the amount of breakage recognised based on the proportion of treatments used by customers; and</li><li>f. Recalculating the amount of unutilised treatments for those expired contracts as at the end of the reporting period that should be recognised as revenue based on the terms of the corresponding treatment service contracts.</li></ul> <ul style="list-style-type: none"><li>• We assessed the reasonableness of management's estimate on breakage by performing the following procedures:<ul style="list-style-type: none"><li>a. Testing, on a sample basis, the accuracy of the historical data of customers' utilisation used by management to develop the estimate; and</li><li>b. Assessing the appropriateness of the key assumptions of expected future utilisation rate by comparing the expected future utilisation rate to the historical utilisation rate and evaluating whether the basis of their differences, if any, are reasonable.</li></ul></li></ul>

Based upon the above procedures, we found that the recognition of revenue from the sale of services was supported by the available evidence.

## Other Information

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

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

## Independent Auditor's Report

### Other Information – continued

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

## Independent Auditor's Report

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements – continued**

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

## Independent Auditor's Report

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements** **– continued**

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

The engagement partner on the audit resulting in this independent auditor's report is Ng Hiu Tung.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 30 June 2020

# Consolidated Statement Of Comprehensive Income

For the year ended 31 March 2020

	Note	2020 HK\$'000	2019 HK\$'000
Revenue	6	1,240,950	1,197,031
Other income	7	5,466	3,495
Other (losses)/gains - net	8	(3,062)	2,649
Cost of inventories and consumables		(14,968)	(13,600)
Employee benefit and manpower service expenses	14	(356,136)	(340,736)
Marketing expenses		(136,794)	(169,111)
Depreciation of property, plant and equipment	17	(55,436)	(70,390)
Depreciation of right-of-use assets	18	(99,388)	-
Expenses related to short-term leases of stores and offices	18	(16,092)	-
Operating lease rentals		-	(94,093)
Other operating expenses	9	(108,345)	(115,387)
<b>Operating profit</b>		<b>456,195</b>	<b>399,858</b>
Finance (costs)/income - net	10	(5,617)	4,195
<b>Profit before income tax</b>		<b>450,578</b>	<b>404,053</b>
Income tax expenses	11	(90,421)	(85,020)
<b>Profit for the year attributable to equity holders of the Company</b>		<b>360,157</b>	<b>319,033</b>
<b>Other comprehensive (losses)/income:</b>			
<i>Item that have been reclassified or may be reclassified subsequently to profit or loss:</i>			
Currency translation differences		(14,100)	(7,667)
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Equity investments at fair value through other comprehensive income:			
— Fair value gains/(losses) taken to reserves		1,941	(446)
<b>Total other comprehensive losses for the year, net of tax</b>		<b>(12,159)</b>	<b>(8,113)</b>
Total comprehensive income for the year attributable to equity holders of the Company		347,998	310,920
<b>Earnings per share attributable to equity holders of the Company for the year</b>			
— basic	13	HK32.2 cents	HK28.9 cents
— diluted		HK32.1 cents	HK28.7 cents

The notes on pages 65 to 134 are an integral part of these consolidated financial statements.

# Consolidated Balance Sheet

As at 31 March 2020

	Note	2020 HK\$'000	2019 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	17	142,162	108,486
Right-of-use assets	18	246,386	–
Deposits and prepayments	24	33,396	29,268
Financial assets at fair value through other comprehensive income	19	37,232	70,277
Deferred income tax assets	30	52,213	9,255
		<b>511,389</b>	217,286
<b>Current assets</b>			
Inventories	22	1,783	2,651
Trade receivables	23	74,666	153,570
Other receivables, deposits and prepayments	24	40,313	47,202
Financial assets at fair value through profit or loss	20	33,525	35,218
Term deposits with initial terms of over three months	25	71,116	56,814
Pledged bank deposits	26	2,861	4,021
Cash and cash equivalents	27	563,591	338,671
		<b>787,855</b>	638,147
<b>Total assets</b>		<b>1,299,244</b>	855,433
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	28	111,552	110,514
Reserves	29	567,444	450,230
<b>Total equity</b>		<b>678,996</b>	560,744

## Consolidated Balance Sheet

As at 31 March 2020

	Note	2020 HK\$'000	2019 HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities	30	69,982	24,594
Provision for reinstatement costs	31	8,342	5,598
Lease liabilities	18	158,507	–
		<b>236,831</b>	30,192
<b>Current liabilities</b>			
Provision for reinstatement costs	31	2,769	2,306
Trade payables	32	736	609
Accruals and other payables	33	69,132	75,025
Lease liabilities	18	93,497	–
Deferred revenue	34	158,701	116,337
Tax payables		58,582	70,220
		<b>383,417</b>	264,497
<b>Total liabilities</b>		<b>620,248</b>	294,689
<b>Total equity and liabilities</b>		<b>1,299,244</b>	855,433

The notes on pages 65 to 134 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 60 to 134 were approved by the Board of Directors on 30 June 2020 and were signed on its behalf.

**Au-Yeung Kong**  
Director

**Au-Yeung Wai**  
Director

# Consolidated Statement Of Changes In Equity

For the year ended 31 March 2020

	Equity attributable to equity holders of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Statutory reserve HK\$'000	Capital redemption reserve HK\$'000	Exchange reserve HK\$'000	Share-based compensation reserve HK\$'000	Financial assets at fair value through other comprehensive income reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
<b>For the year ended 31 March 2020</b>									
At 1 April 2019	110,514	192,694	11,057	6,420	(6,848)	5,664	(226)	241,469	560,744
<b>Comprehensive income</b>									
Profit for the year	-	-	-	-	-	-	-	360,157	360,157
<b>Other comprehensive (losses)/income</b>									
Currency translation differences	-	-	-	-	(14,100)	-	-	-	(14,100)
Equity investments at fair value through other comprehensive income:									
– Fair value gains taken to reserves	-	-	-	-	-	-	1,941	-	1,941
– Fair value gains recycled to retained earnings upon disposal of the relevant financial assets	-	-	-	-	-	-	(8,846)	8,846	-
<b>Total comprehensive (losses)/income</b>	-	-	-	-	(14,100)	-	(6,905)	369,003	347,998
<b>Total transactions with owners, recognised directly in equity</b>									
Issuance of shares upon the exercise of share options (Note 28(a))	2,251	34,391	-	-	-	(6,678)	-	-	29,964
Repurchase and cancellation of ordinary shares (Note 28(b))	(1,213)	(41,959)	-	1,213	-	-	-	-	(41,959)
Share-based payment (Note 15)	-	-	-	-	-	1,014	-	-	1,014
Dividends (Note 12)	-	(56,383)	-	-	-	-	-	(162,382)	(218,765)
Appropriation (Note 29(b))	-	-	564	-	-	-	-	(564)	-
	1,038	(63,951)	564	1,213	-	(5,664)	-	(162,946)	(229,746)
At 31 March 2020	111,552	128,743	11,621	7,633	(20,948)	-	(7,131)	447,526	678,996
<b>For the year ended 31 March 2019</b>									
At 1 April 2018, previously reported	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
At 1 April 2018, as restated	108,600	225,501	11,021	6,420	819	6,898	-	194,556	553,815
<b>Comprehensive income</b>									
Profit for the year	-	-	-	-	-	-	-	319,033	319,033
<b>Other comprehensive losses</b>									
Currency translation differences	-	-	-	-	(7,667)	-	-	-	(7,667)
Equity investments at fair value through other comprehensive income:									
– Fair value losses taken to reserves	-	-	-	-	-	-	(446)	-	(446)
– Fair value losses recycled to retained earnings upon disposal of the relevant financial assets	-	-	-	-	-	-	220	(220)	-
<b>Total comprehensive (losses)/income</b>	-	-	-	-	(7,667)	-	(226)	318,813	310,920
<b>Total transactions with owners, recognised directly in equity</b>									
Issuance of shares upon the exercise of share options (Note 28(a))	1,914	22,450	-	-	-	(4,381)	-	-	19,983
Share-based payment (Note 15)	-	-	-	-	-	3,147	-	-	3,147
Dividends (Note 12)	-	(55,257)	-	-	-	-	-	(271,864)	(327,121)
Appropriation (Note 29(b))	-	-	36	-	-	-	-	(36)	-
	1,914	(32,807)	36	-	-	(1,234)	-	(271,900)	(303,991)
At 31 March 2019	110,514	192,694	11,057	6,420	(6,848)	5,664	(226)	241,469	560,744

The notes on pages 65 to 134 are an integral part of these consolidated financial statements.



# Consolidated Statement Of Cash Flows

For the year ended 31 March 2020

	Note	2020 HK\$'000	2019 HK\$'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	37(a)	736,241	510,129
Interest received		6,257	4,084
Income tax paid		(98,143)	(60,798)
Net cash generated from operating activities		644,355	453,415
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(96,437)	(53,174)
Proceeds from disposal of property, plant and equipment	37(b)	3,995	17,482
Reinstatement costs paid for leased premises	31	(953)	(1,713)
Purchase of financial assets at fair value through other comprehensive income	19	(89,187)	(73,485)
Proceeds from disposal of financial assets at fair value through other comprehensive income	19	121,945	2,762
Dividend income from financial assets at fair value through profit or loss	7	1,115	–
Dividend income from financial assets at fair value through other comprehensive income	7	1,037	–
(Increase)/decrease in term deposits with initial terms of over three months		(14,581)	13,394
Net cash used in investing activities		(73,066)	(94,734)
<b>Cash flows from financing activities</b>			
Dividends paid	12	(218,765)	(327,121)
Repurchase of ordinary shares	28(b)	(41,959)	–
Payments of principal element of lease liabilities	37(c)	(87,796)	–
Payments of interest element of lease liabilities	37(c)	(11,898)	–
Issuance of shares upon the exercise of share options	28(a)	29,964	19,983
Net cash used in financing activities		(330,454)	(307,138)
<b>Net increase in cash and cash equivalents</b>		<b>240,835</b>	<b>51,543</b>
<b>Cash and cash equivalents at 1 April</b>		<b>338,671</b>	<b>299,411</b>
Effect of foreign exchange rate changes		(15,915)	(12,283)
<b>Cash and cash equivalents at 31 March</b>		<b>563,591</b>	<b>338,671</b>

The notes on pages 65 to 134 are an integral part of these consolidated financial statements.

# Notes To The Consolidated Financial Statements

## 1 General information

Perfect Shape Medical Limited (the “Company”) and its subsidiaries (together, the “Group”) are principally engaged in the provision of slimming and high technology beauty services in Hong Kong (“HK”), the People’s Republic of China (the “PRC”), Macau and Australia.

The Company was incorporated in the Cayman Islands on 11 March 2011 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company’s shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 10 February 2012.

These consolidated financial statements are presented in Hong Kong dollars (“HK\$”), unless otherwise stated, and have been approved for issue by the Board of Directors on 30 June 2020.

## 2 Summary of significant accounting policies

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

### 2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income which are carried at fair value.

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

# Notes To The Consolidated Financial Statements

## 2 Summary of significant accounting policies – continued

### 2.1 Basis of preparation – continued

#### (a) *New standard, amendments and interpretation to existing standards adopted by 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
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015 - 2017 Cycle

The Group has been impacted by HKFRS 16 in relation to the accounting treatment of leases. Details of the changes in accounting policies are disclosed in Note 2.2. The adoption of other amendments and interpretation listed above did not have material impact on the Group's accounting policies and consolidated financial statements.

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

HKFRS 17	Insurance Contracts <sup>(3)</sup>
Amendments to HKFRS 3	Definition of a Business <sup>(1)</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>(4)</sup>
Amendments to HKFRS 16	Covid-19-Related Rent Concessions <sup>(2)</sup>
Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>(1)</sup>
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Hedge accounting <sup>(1)</sup>
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting <sup>(1)</sup>

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

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

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

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

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

## Notes To The Consolidated Financial Statements

### 2 Summary of significant accounting policies – continued

#### 2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 on the Group's consolidated financial statements.

The Group has adopted HKFRS 16 retrospectively from 1 April 2019, but has not restated comparatives for the year ended 31 March 2019, as permitted under the simplified transition provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening consolidated balance sheet as at 1 April 2019. The new accounting policies are disclosed in Note 2.18.

##### (a) Measurement of lease liabilities

On 1 April 2019, 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 weighted average lessee's incremental borrowing rate applied to the lease liabilities as at 1 April 2019 was 4.93%.

	HK\$'000
Operating lease commitments disclosed as at 31 March 2019	254,096
Less: Short-term leases with remaining lease terms of less than 12 months as at 1 April 2019 recognised on a straight-line basis as expenses pursuant to a practical expedient permitted by HKFRS 16	(16,583)
	237,513
Lease liabilities discounted using the lessee's incremental borrowing rate as at 1 April 2019	216,072
Of which are:	
Current lease liabilities	72,847
Non-current lease liabilities	143,225
	216,072

# Notes To The Consolidated Financial Statements

## 2 Summary of significant accounting policies – continued

### 2.2 Changes in accounting policies – continued

#### (b) Measurement of right-of-use assets

The associated right-of-use assets were measured at the amounts equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to those leases recognised in the consolidated balance sheet as at 31 March 2019. The restoration cost of those leases recognised as property, plant and equipment in the consolidated balance sheet as at 31 March 2019 were reclassified to right-of-use assets. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets as at 1 April 2019.

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

	1 April 2019 HK\$'000
Properties	217,909

#### (c) Practical expedients applied

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; and
- the accounting for operating leases with remaining lease terms 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)-Int 4 Determining whether an Arrangement contains a Lease.

## 2 Summary of significant accounting policies – continued

### 2.2 Changes in accounting policies – continued

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

The adoption of HKFRS 16 affected the following items in the consolidated balance sheet as at 1 April 2019:

- right-of-use assets – increased by approximately HK\$217,909,000;
- deferred income tax assets – increased by approximately HK\$40,483,000;
- property, plant and equipment – decreased by approximately HK\$1,837,000;
- lease liabilities – increased by approximately HK\$216,072,000; and
- deferred income tax liabilities – increased by approximately HK\$40,483,000.

The adoption of HKFRS 16 does not have any impact on the retained earnings of the Group as at 1 April 2019.

### 2.3 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 March 2020.

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

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

# Notes To The Consolidated Financial Statements

## 2 Summary of significant accounting policies – continued

### 2.3 Consolidation – continued

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

Acquisition-related costs are expensed as incurred.

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

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

The Group did not have any non-controlling interest.

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

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

### 2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the directors of the Company who make strategic decisions.

## 2 Summary of significant accounting policies – continued

### 2.5 Foreign currency translation

#### (i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is Chinese Renminbi ("RMB"). Its consolidated financial statements are presented in HK\$, which is the presentation currency of the Group and the Company.

#### (ii) *Transactions and balances*

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

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

#### (iii) *Group companies*

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

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

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



# Notes To The Consolidated Financial Statements

## 2 Summary of significant accounting policies – continued

### 2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisitions of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost of each asset to their residual values (if any) over their estimated useful lives, as follows:

Machinery and equipment	20% to 30%
Furniture and fixtures	20% to 30%
Office equipment	30%
Motor vehicles	20%
Leasehold improvements	2% or over the unexpired lease term, whichever is shorter
Land and building	3%

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

### 2.7 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash-generating units"). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

## 2 Summary of significant accounting policies – continued

### 2.8 Financial assets

#### *2.8.1 Classifications*

The Group classifies its financial assets in the following measurement categories:

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

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

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

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

#### *2.8.2 Recognition and measurement*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

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

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

# Notes To The Consolidated Financial Statements

## 2 Summary of significant accounting policies – continued

### 2.8 Financial assets – continued

#### *2.8.2 Recognition and measurement – continued*

##### *Equity instruments*

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

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

#### *2.8.3 Impairment of financial assets*

The Group's financial assets measured at amortised cost are subject to HKFRS 9's expected credit loss model. The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1(b) sets out the details on how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of trade receivables. The provision matrix is determined based on historical observed default rates over the expected life of trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

For other receivables and deposits, the Group measures the impairment as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of the other receivables and deposits has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

## 2 Summary of significant accounting policies – continued

### 2.8 Financial assets – continued

#### *2.8.4 Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

### 2.9 Inventories

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

### 2.10 Receivables

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

### 2.11 Cash and cash equivalents

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

### 2.12 Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. Financial liabilities (as disclosed in Note 21) are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. An equity instrument is any contract that does not meet the definition of financial liability and evidences a residual interest in the assets of the Group after deducting all of its liabilities.

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

# Notes To The Consolidated Financial Statements

## 2 Summary of significant accounting policies – continued

### 2.13 Current and deferred income tax

The income tax expenses for the year comprise current and deferred tax. Income tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

#### (a) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the places where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

#### (b) *Deferred income tax*

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

#### (c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## 2 Summary of significant accounting policies – continued

### 2.14 Employee benefits

#### (a) Pension obligations

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

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

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

#### (b) Bonus plan

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

### 2.15 Share-based payments

#### *Equity-settled share-based payment transactions*

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

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

# Notes To The Consolidated Financial Statements

## 2 Summary of significant accounting policies – continued

### 2.15 Share-based payments – continued

#### *Equity-settled share-based payment transactions – continued*

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

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

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

### 2.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in provision due to the passage of time is recognised as interest expense.

## 2 Summary of significant accounting policies – continued

### 2.17 Revenue and income recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of products and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, service refunds, discounts and after eliminating sales within the Group.

The Group does not have any contracts where the period between the transfer of the promised services to the customers and the payment by the customer exceeds one year. Therefore, the Group does not adjust any of the transaction prices for the time value of money.

Incremental costs of obtaining contracts with customers such as sales commissions paid or payable to staff may be capitalised as deferred costs in the Group's consolidated balance sheet if the Group expects to recover those costs. If capitalised, these deferred costs are recognised in the consolidated statement of comprehensive income in the period in which the deferred revenue that they relate is recognised as revenue. The Group has applied the practical expedient of directly recognising these incremental costs as expenses when incurred since the amortisation period of the assets that the Group otherwise would have recognised will be less than one year.

Revenue is recognised when specific criteria have been met for the Group's activities as described below:

#### (a) *Sales of services*

Revenue from the provision of slimming and beauty services are recognised in the accounting period when the services have been rendered to customers. Receipt of proceeds in respect of treatment packages for which the relevant services have not been rendered are deferred and recognised as "deferred revenue" in the consolidated balance sheet.

The Group implements a contractual six-month expiry policy for all service contracts. The customers may not utilise all of their contractual rights within the service period and these unutilised treatments are referred to as "breakage". An expected amount of breakage is estimated by management based on the historical data of customers' utilisation and expected future utilisation pattern of the Group's prepaid packages and is recognised as revenue in proportion to the pattern of treatments used by customers. After the recognition of revenue from treatments provided and breakage, any residual deferred revenue at the end of the relevant service period are fully recognised as revenue in the consolidated statement of comprehensive income.

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



# Notes To The Consolidated Financial Statements

## 2 Summary of significant accounting policies – continued

### 2.17 Revenue and income recognition – continued

#### (b) Sales of products

Revenue from the sales of slimming and beauty products is recognised when control of the products has transferred, which generally coincides with the time when the products are delivered to the customers.

#### (c) Interest income

Interest income is recognised using the effective interest method.

#### (d) Dividend income

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

### 2.18 Leases

As explained in Note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in Note 2.2.

Until 31 March 2019, leases in which a significant portion of the risks and rewards of ownership were retained by lessor were classified as 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.

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 payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

## 2 Summary of significant accounting policies – continued

### 2.18 Leases – continued

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal 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.

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.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and all 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.

# Notes To The Consolidated Financial Statements

## 2 Summary of significant accounting policies – continued

### 2.19 Government subsidies

Subsidies from the government are recognised at their fair value where there is a reasonable assurance that the incentives will be received and the Group will comply with all attached conditions.

Government subsidies relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government subsidies relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

### 2.20 Dividend distributions

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

## 3 Financial risk management

### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk, cash-flow and fair value interest-rate risks and price risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

#### (a) *Foreign exchange risk*

The Group operates in Hong Kong, Macau, the PRC and Australia with most of the transactions denominated and settled in HK\$, Macau Patacas ("MOP"), RMB and Australian dollar ("AUD") respectively. The Company does not use any derivative financial instruments to hedge its exposure to foreign exchange risk. In respect of transactions settled in RMB, MOP and AUD, the Group did not have significant exposure to foreign exchange rate risk during the year due to the transactions being generally denominated in the functional currency of the respective group companies (2019: Nil).

## 3 Financial risk management – continued

### 3.1 Financial risk factors – continued

#### (b) Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of cash at banks, term deposits, pledged bank deposits, trade receivables, deposits and other receivables included in the consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to its financial assets.

The Group has two types of financial asset that is subject to the expected credit loss models:

- Trade receivables
- Other financial assets carried at amortised cost

#### *Trade receivables*

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Future cash flows for each group of receivables are estimated on the basis of historical default rates, adjusted to reflect the effects of existing market conditions as well as forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivable. Trade receivables with known insolvencies are assessed individually for impairment allowances and are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments.

Trade receivables of the Group represent amounts due from various financial institutions as a result of credit cards and instalment payment arrangement. Taking into account the high credit rating of these counterparties, who also has no recent history of default and that the Group is not contractually exposed to the risk of default by the ultimate customer arising from these payment arrangements, management assessed that the expected credit loss rate of these trade receivables is close to zero. Therefore, the loss allowance provision for these balances was not material and no provision was recognised.

# Notes To The Consolidated Financial Statements

## 3 Financial risk management – continued

### 3.1 Financial risk factors – continued

#### (b) Credit risk – continued

##### *Other financial assets carried at amortised cost*

The Group's other financial assets carried at amortised cost include cash and cash equivalents, deposits and other receivables in the consolidated balance sheet. The impairment loss of other financial assets carried at amortised cost is measured based on the 12-month expected credit loss. The 12-month expected credit loss is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within twelve months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit loss.

Management considered the credit risk of deposits and other receivables as low as counterparties have a strong capacity to meet their contractual cash flow obligations in the near term.

The majority of the Group's cash at banks, term deposits and pledged bank deposits are deposited in major financial institutions located in Hong Kong, Macau, the PRC and Australia, which are of high credit rating. Management does not expect any losses arising from non-performance by these counterparties.

The majority of the Group's rental deposits are placed with various landlords in Hong Kong, Macau, the PRC and Australia, and are due to refund upon the expiry of the tenancy agreement and handover of the leased premises. The Group has not experienced any defaults by the landlords.

Therefore, the Group has assessed that the expected credit losses for these financial assets carried at amortised costs were close to zero under 12-month expected losses method, and therefore no provision was recognised.

#### (c) Liquidity risk

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

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

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents and adequate amount of committed credit facilities to meet its liquidity requirements in the short and long term.

## Notes To The Consolidated Financial Statements

### 3 Financial risk management – continued

#### 3.1 Financial risk factors – continued

##### (c) Liquidity risk – continued

During the years ended 31 March 2020 and 2019, the credit terms with other financial institutions on instalment and credit card sales arrangement generally ranged from 3 days to 180 days. Generally, a relatively low proportion of the Group's total sales contracts was entered into through instalment sales arrangement with credit terms exceeding 120 days.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity grouping based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying values as the impact of discounting is not significant.

	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Total HK\$'000
<b>At 31 March 2020</b>				
Trade payables	736	–	–	736
Accruals and other payables	30,279	–	–	30,279
Lease liabilities	106,852	78,446	90,183	275,481
<b>Total</b>	<b>137,867</b>	<b>78,446</b>	<b>90,183</b>	<b>306,496</b>
<b>At 31 March 2019</b>				
Trade payables	609	–	–	609
Accruals and other payables	45,273	–	–	45,273
<b>Total</b>	<b>45,882</b>	<b>–</b>	<b>–</b>	<b>45,882</b>

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

The Group does not have any significant interest bearing financial assets or liabilities except for term deposits, pledged bank deposits and cash at banks, details of which are disclosed in Notes 25, 26 and 27 to the consolidated financial statements respectively. Management considers that interest-rate risk exposure of the Group is insignificant and no sensitivity analysis is therefore presented thereon.

# Notes To The Consolidated Financial Statements

## 3 Financial risk management – continued

### 3.1 Financial risk factors – continued

#### (e) Price risk

The Group's main market price risk exposures as at 31 March 2020 and 2019 relate to financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income which comprised listed equity securities and unlisted fund investments.

As at 31 March 2020, if the market price of the financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income had increased/decreased by 5%, the Group's equity would have been approximately HK\$3,538,000 higher/lower (2019: HK\$5,275,000 higher/lower), mainly as a result of the gains/losses on financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

The Group closely monitors the price movement and changes in market conditions that may have an impact on the value of these financial assets.

### 3.2 Fair value estimation

The following table presents the Group's financial instruments that are measured at fair value at 31 March 2020 and 2019. The different levels have been defined as follows:

- (i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- (ii) Inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- (iii) Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs) (level 3).

## Notes To The Consolidated Financial Statements

### 3 Financial risk management – continued

#### 3.2 Fair value estimation – continued

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>At 31 March 2020</b>				
Financial assets at fair value through other comprehensive income				
– Listed equity investments	37,232	–	–	37,232
Financial assets at fair value through profit or loss				
– Unlisted fund investments	–	33,525	–	33,525
<b>At 31 March 2019</b>				
Financial assets at fair value through other comprehensive income				
– Listed equity investments	70,277	–	–	70,277
Financial assets at fair value through profit or loss				
– Unlisted fund investments	–	35,218	–	35,218

The fair value of unlisted fund investments that are not traded in an active market is determined by using valuation techniques, which include the use of quoted prices from the relevant financial institutions. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

There were no transfers between levels 1, 2 and 3 during the years ended 31 March 2020 and 2019.

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



# Notes To The Consolidated Financial Statements

## 3 Financial risk management – continued

### 3.3 Capital risk management

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

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

The Group also monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as "equity", as shown in the consolidated balance sheet, plus net debt. The Group's strategy was to maintain a minimal gearing ratio. Management consider that the Group's capital risk is minimal as the Group has cash and cash equivalents of approximately HK\$563,591,000 as at 31 March 2020 (2019: HK\$338,671,000), and has no outstanding bank loans, overdrafts or other borrowings at 31 March 2020 (2019: Nil).

## 4 Critical accounting estimates and judgments

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

### (a) Breakage in revenue recognition

As explained in Note 2.17, the Group's revenue recognition from provision of services involves the element of breakage which is estimated by the Group's management based on the historical data of customers' utilisation and expected future utilisation pattern and is recognised as revenue in proportion to the pattern of rights exercised by the customers. The actual subsequent utilisation by the customers may be higher or lower than the amount of breakage estimated at the end of each reporting period, which would affect the revenue and profit recognised in current and future years.

## 4 Critical accounting estimates and judgments – continued

### (b) Provision for refund policy

Except for the specific refundable service programmes as described in Note 2.17, the Group generally adopts a non-refundable service policy as contractually stipulated in all service contracts. Nevertheless, the Group may, depending on facts and circumstances for each case, accommodate certain amount of refunds upon customers' complaints and claims against treatment outcome. Taking into account the historical pattern of refund and actual amount incurred with respect to sales volume, management assesses any provision required at each balance sheet date.

### (c) Current and deferred income tax

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

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

## 5 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. As the Group is principally engaged in the provision of slimming and high technology 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 component, 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 years ended 31 March 2020 and 2019, all of the Group's revenue is from contracts with customers and is recognised at a point in time.

## Notes To The Consolidated Financial Statements

### 5 Segment information – continued

The Group commenced its operation in Australia since February 2020, and now primarily operates in Hong Kong as well as, the PRC, Macau and Australia (the “Regions outside Hong Kong”). Its revenue was derived from the following regions:

	2020 HK\$'000	2019 HK\$'000
Hong Kong	913,051	878,870
Regions outside Hong Kong	327,899	318,161
	<b>1,240,950</b>	<b>1,197,031</b>

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

	2020 HK\$'000	2019 HK\$'000
Hong Kong	264,239	226,586
Regions outside Hong Kong	186,339	177,467
	<b>450,578</b>	<b>404,053</b>

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

	2020 HK\$'000	2019 HK\$'000
Hong Kong	337,853	117,740
Regions outside Hong Kong	84,091	20,014
	<b>421,944</b>	<b>137,754</b>

## Notes To The Consolidated Financial Statements

### 5 Segment information – continued

The Group's capital expenditures were incurred in the following regions based on where the assets were located:

	2020 HK\$'000	2019 HK\$'000
Hong Kong	79,437	52,232
Regions outside Hong Kong	18,178	3,955
	<b>97,615</b>	<b>56,187</b>

### 6 Revenue

	2020 HK\$'000	2019 HK\$'000
Revenue from treatment service contracts (Note 34(b))	1,240,950	1,197,031

### 7 Other income

	2020 HK\$'000	2019 HK\$'000
Government subsidies (Note)	3,148	1,961
Dividend income from financial assets at fair value through profit or loss	1,115	1,243
Dividend income from financial assets at fair value through other comprehensive income	1,037	101
Others	166	190
	<b>5,466</b>	<b>3,495</b>

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

## Notes To The Consolidated Financial Statements

### 8 Other (losses)/gains – net

	2020 HK\$'000	2019 HK\$'000
(Losses)/gains on disposal of property, plant and equipment	(1,459)	2,557
Net exchange gains/(losses)	90	(46)
Fair value (losses)/gains on financial assets at fair value through profit or loss	(1,693)	138
	<b>(3,062)</b>	<b>2,649</b>

### 9 Other operating expenses

Included in other operating expenses are the following:

	2020 HK\$'000	2019 HK\$'000
Doctor consultation fee	2,108	730
Building management fee	–	18,553
Auditor's remuneration	2,000	2,450
Credit card and instalment arrangement commissions	56,797	54,615
Other tax and surcharges	1,499	1,463
Printing, stationeries and general office expenses	4,104	5,365
Utility charges	2,739	3,068
Courier, postages and delivery charges	1,567	2,439
Travelling expenses	1,684	2,193
Other expenses	35,847	24,511
	<b>108,345</b>	<b>115,387</b>

### 10 Finance (costs)/income – net

	2020 HK\$'000	2019 HK\$'000
Interest income on bank deposits	6,281	4,195
Interest expenses on lease liabilities	(11,898)	–
Finance (costs)/income – net	<b>(5,617)</b>	<b>4,195</b>

## Notes To The Consolidated Financial Statements

### 11 Income tax expenses

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% (2019: 16.5%) for the year on the estimated assessable profits arising in or derived from Hong Kong. Companies established and operating in the PRC are subject to PRC corporate income tax at the rate of 25% (2019: 25%). Companies incorporated and operating in Macau are subject to Macau complementary tax, under which taxable income of up to MOP600,000 is exempted from taxation with amounts beyond this amount to be taxed at a fixed rate of 12% for the years ended 31 March 2020 and 2019. Company incorporated in Australia is subject to Australian income tax at the rate of 30%.

	2020 HK\$'000	2019 HK\$'000
Current income taxation		
– Hong Kong profits tax	41,652	37,988
– PRC corporate income tax	35,788	36,285
– Macau income tax	5,859	3,887
	<b>83,299</b>	78,160
Under/(over)-provision in prior years		
– Hong Kong profits tax	628	(1,373)
Total current income taxation	<b>83,927</b>	76,787
Deferred taxation (Note 30)	<b>6,494</b>	8,233
	<b>90,421</b>	85,020

## Notes To The Consolidated Financial Statements

### 11 Income tax expenses – continued

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

	2020 HK\$'000	2019 HK\$'000
Profit before income tax	450,578	404,053
Tax calculated at the applicable domestic tax rates (Note a)	83,831	77,685
Income not subject to tax	(498)	(163)
Expenses not deductible	44	74
Tax effect of unrecognised tax losses	3,032	3,531
Utilisation of tax losses previously not recognised	(3,146)	(510)
Effect of PRC withholding taxes	7,170	6,435
Tax credit (Note b)	(552)	(571)
Under/(over)-provision in prior years	628	(1,373)
Others	(88)	(88)
<b>Tax charge</b>	<b>90,421</b>	<b>85,020</b>

Notes:

- (a) The weighted average applicable tax rate for the year ended 31 March 2020 was 18.6% (2019: 19.2%).
- (b) Pursuant to the arrangement between Mainland China and Hong Kong tax authorities on the Avoidance of Double Taxation on Income, the Group is entitled to a Hong Kong profit tax credit for the withholding income tax paid in relation to the royalty income from its PRC companies.

### 12 Dividends

	2020 HK\$'000	2019 HK\$'000
Interim, paid, of nil (2019: HK14.5 cents) per ordinary share (notes i and iii)	–	160,245
Final, proposed, of HK29.0 cents (2019: HK14.4 cents) per ordinary share (notes ii and iv)	323,500	162,382
Special, proposed, of HK5.0 cents (2019: HK5.0 cents) per ordinary share (notes ii and iv)	55,775	56,383
	<b>379,275</b>	<b>379,010</b>

## Notes To The Consolidated Financial Statements

### 12 Dividends – continued

Notes:

- (i) At a board meeting held on 28 November 2018, the directors declared an interim dividend for the year ended 31 March 2019 of HK14.5 cents per ordinary share, totalling HK\$160,245,000, which was paid on 15 January 2019 and was reflected as an appropriation of retained earnings for the year ended 31 March 2019.
- (ii) At a board meeting held on 24 June 2019, the directors recommended the payment of a final and special dividend of HK14.4 cents and HK5.0 cents per ordinary share, totalling HK\$162,382,000 and HK\$56,383,000 respectively, which was paid on 16 September 2019 and was reflected as an appropriation of retained earnings and share premium for the year ended 31 March 2020.
- (iii) The directors did not recommend any interim dividend for the year ended 31 March 2020.
- (iv) At a board meeting held on 30 June 2020, the directors recommended the payment of a final and special dividend of HK29.0 cents and HK5.0 cents per ordinary share, totalling HK\$323,500,000 and HK\$55,775,000 respectively. The directors proposed a scrip dividend alternative to all shareholders of the Company in respect of these dividend. The dividend, with scrip dividend alternative was not reflected as dividends payable in these consolidated financial statements, but will be reflected as an appropriation of retained earnings and share premium for the year ending 31 March 2021 respectively after receiving the shareholders' approval at the forthcoming annual general meeting and the Stock Exchange's approval for granting the listing of and permission to deal in the new shares to be issued pursuant to the scrip dividend proposal.

### 13 Earnings per share

#### Basic

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

	2020	2019
Profit attributable to equity holders of the Company (HK\$'000)	360,157	319,033
Weighted average number of ordinary shares for the purposes of basic earnings per share (thousands of shares)	1,116,866	1,103,388
Basic earnings per share (HK cents)	32.2	28.9



## Notes To The Consolidated Financial Statements

### 13 Earnings per share – continued

#### 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 years ended 31 March 2020 and 2019, share options were granted to the Company's executive directors as set out in Note 15.

For the year ended 31 March 2020, the calculation of diluted earnings per share was based on the profit attributable to equity holders of the Company divided by the diluted weighted average number of ordinary shares of 1,121,075,000 in issue during the year (2019: 1,112,252,000). The diluted earnings per share is HK32.1 cents (2019: HK28.7 cents).

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

	2020 Number of shares (in thousand)	2019 Number of shares (in thousand)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,116,866	1,103,388
Adjustments for calculation of diluted earnings per share:		
– Effect of exercise of share options granted on 27 April 2015	843	753
– Effect of exercise of share options granted on 27 April 2016	–	86
– Effect of exercise of share options granted on 27 April 2017	1,356	4,054
– Effect of exercise of share options granted on 27 April 2018	2,010	3,971
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	1,121,075	1,112,252

## Notes To The Consolidated Financial Statements

### 14 Employee benefit and manpower service expenses

	2020 HK\$'000	2019 HK\$'000
Wages and salaries	328,974	312,913
Pension costs – defined contribution plans (Note a)	12,598	12,028
Share-based payment expenses	1,014	3,147
Other staff welfares	13,411	12,063
Total employee benefit expenses (including directors' remunerations)	355,997	340,151
Manpower service expenses (Note b)	139	585
	<b>356,136</b>	<b>340,736</b>

#### (a) Pension costs – defined contribution plans

##### *Hong Kong*

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

##### *The PRC*

As stipulated under the relevant rules and regulations in the PRC, the subsidiaries operating in the PRC contribute to state-sponsored retirement plans for its employees. Depending on the provinces of their registered residences and their current regions of work, the employees contribute approximately 0% to 11% (2019: 0% to 11%) of their basic salaries, while the subsidiaries contribute approximately 19% to 31% (2019: 15% to 31%) of the basic salaries of its employees and have no further obligations for the actual payment of pensions or post-retirement benefits beyond the contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to the retired employees.

#### (b) Manpower service expenses

During the years ended 31 March 2020 and 2019, the Group entered into certain manpower service arrangements with several external manpower service organisations in the PRC. Under these arrangements, certain of the Group's manpower requirements were fulfilled by these organisations at agreed service fees whereas the human resources provided were directly employed by the relevant service organisations. The individuals providing services to the Group do not have any employment relationship with the Group.

# Notes To The Consolidated Financial Statements

## 15 Share-based payment

The Company has a share option scheme approved and adopted on 6 January 2012 (“Share Option Scheme”), pursuant to which share options may be granted to directors (including executive, non-executive or independent non-executive directors), any employee (full-time or part-time), any consultant or adviser of or to the Company or the Group (on an employment or contractual or honorary basis and paid or unpaid) to subscribe for the shares of the Company, subject to a maximum of 10% of the total number of shares in issue as at the listing date or such maximum number as approved by the shareholders.

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

The exercise price shall be at least the highest of (i) the closing price of the Company’s shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the shares as stated in the Stock Exchange’s daily quotations sheets for the five consecutive business days immediately preceding the date of grant of the option; and (iii) the nominal value of the share.

The terms and conditions of the share options granted and effective during the years ended 31 March 2020 and 2019 are as follows:

### (a) Share options granted to directors on 27 April 2015

On 27 April 2015, the Company granted 2,900,000 share options to each of its three executive directors, amounting to a total of 8,700,000 share options granted. The exercise price is HK\$1.72 per share option, being the closing price of the Company’s shares on the grant date. These share options granted will be vested and exercisable after three years from the grant date. These options granted have a contractual option term of eight years and will be expired on 26 April 2025. The Company does not have a legal or constructive obligation to repurchase or settle the options in cash. During the year ended 31 March 2019, all share options out of the 8,700,000 share options were exercisable and 2,900,000 share options were exercised. During the year ended 31 March 2020, the remaining 5,800,000 share options were exercised.

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

## 15 Share-based payment – continued

### (b) Share options granted to directors on 27 April 2016

On 27 April 2016, the Company granted 5,552,000 share options to each of its three executive directors, amounting to a total of 16,656,000 share options granted. The exercise price is HK\$0.90 per share option, being the closing price of the Company's shares on the grant date. Each grantee may exercise no more than one third of his/her respective share options vested during the period from 27 April 2016 to 26 April 2017, no more than two third of share options vested during the period from 27 April 2017 to 26 April 2018, and all vested share options during the period from 27 April 2018 to 26 April 2019. These options granted have a contractual option term of three years and will be expired on 26 April 2019. The Company does not have a legal or constructive obligation to repurchase or settle the options in cash. During the year ended 31 March 2018, 11,104,000 share options out of the 16,656,000 share options were exercisable and 11,100,000 share options were exercised. During the year ended 31 March 2019, the remaining 5,556,000 share options were exercised.

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

### (c) Share options granted to directors on 27 April 2017

On 27 April 2017, the Company granted 6,096,000 share options to each of its three executive directors, amounting to a total of 18,288,000 share options granted. The exercise price is HK\$0.82 per share option, being the closing price of the Company's shares on the grant date. Each grantee may exercise no more than one third of his/her respective share options vested during the period from 27 April 2017 to 26 April 2018, no more than two third of share options vested during the period from 27 April 2018 to 26 April 2019, and all vested share options during the period from 27 April 2019 to 26 April 2020. These options granted have a contractual option term of three years and will be expired on 26 April 2020. The Company does not have a legal or constructive obligation to repurchase or settle the options in cash. During the year ended 31 March 2018, 6,096,000 share options out of the 18,288,000 share options were exercisable and exercised. During the year ended 31 March 2019, 12,192,000 share options out of the 18,288,000 share options were exercisable and 12,192,000 share options were exercised. During the year ended 31 March 2020, the remaining 6,096,000 share options were exercised.

The fair values of these share options granted determined using the Binominal Option Pricing Model were ranging from HK\$0.1362 to HK\$0.1435 per option. The significant inputs into the model were the exercise price of HK\$0.82 at the grant date, volatility of 48.1470%, dividend yield of 12.44% and an annual risk-free interest rate of 0.94%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last three years.

# Notes To The Consolidated Financial Statements

## 15 Share-based payment – continued

### (d) Share options granted to directors on 27 April 2018

On 27 April 2018, the Company granted 4,584,000 share options to each of its three executive directors, amounting to a total of 13,752,000 share options granted. The exercise price is HK\$1.09 per share option, being the closing price of the Company's shares on the grant date. These share options are exercisable immediately on the date of grant. These options granted have a contractual option term of three years and will be expired on 26 April 2021. The Company does not have a legal or constructive obligation to repurchase or settle the options in cash. During the year ended 31 March 2019, all of the 13,752,000 share options were exercisable and 4,584,000 share options were exercised. During the year ended 31 March 2020, the remaining 9,168,000 share options were exercised.

The fair values of these share options granted determined using the Binominal Option Pricing Model was HK\$0.1829 per option. The significant inputs into the model were the exercise price of HK\$1.09 at the grant date, volatility of 41.37%, dividend yield of 12.28% and an annual risk-free interest rate of 2.00%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last three years.

### (e) Share options granted to a director on 16 August 2019

On 16 August 2019, the Company granted 1,448,000 share options to an executive director. The exercise price is HK\$3.45 per share option, being the average closing price per share as stated in the Stock Exchange's daily quotation sheets for the five consecutive business days immediately preceding the date of grant. These share options are exercisable immediately on the date of grant. These options granted have a contractual option term of three years and will be expired on 15 August 2022. The Company does not have a legal or constructive obligation to repurchase or settle the options in cash. During the year ended 31 March 2020, all of the 1,448,000 share options were exercisable and exercised.

The fair values of these share options granted determined using the Binominal Option Pricing Model was HK\$0.6791 per option. The significant inputs into the model were the exercise price of HK\$3.45 at the grant date, volatility of 46.28%, dividend yield of 10.69% and an annual risk-free interest rate of 1.41%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last three years.

## Notes To The Consolidated Financial Statements

### 15 Share-based payment – continued

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

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

	2020		2019	
	Average exercise price in HK\$ per share option	Number of share options (thousands)	Average exercise price in HK\$ per share option	Number of share options (thousands)
At 1 April	1.19	21,064	1.13	26,448
Granted during the year	3.45	1,448	1.09	13,752
Exercised during the year	1.33	(22,512)	1.04	(19,136)
At 31 March	–	–	1.19	21,064

As at 31 March 2020, there were no outstanding options that were exercisable. As at 31 March 2019, 14,968,000 options out of the 21,064,000 outstanding options were exercisable.

Share options outstanding as at 31 March 2019 have the following expiry dates and exercise prices:

	Exercise price in HK\$ per share option	Number of share options (thousands) 2019
Expiry date – 26 April 2025	1.72	5,800
Expiry date – 26 April 2020	0.82	6,096
Expiry date – 26 April 2021	1.09	9,168
		21,064

# Notes To The Consolidated Financial Statements

## 16 Directors' and senior management's remunerations

### (a) Remunerations of directors and chief executive officer

	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Housing allowance HK\$'000	Estimated other benefit (Note) HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	Remunerations paid or receivable in respect of office as director HK\$'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the company or its subsidiary undertaking HK\$'000	Total HK\$'000
Year ended 31 March 2020									
<b>Executive directors</b>									
Dr. Au-Yeung Kong (Chief executive officer)	16,500	-	-	-	994	-	-	-	17,494
Ms. Au-Yeung Hung	3,600	-	-	-	10	-	-	-	3,610
Ms. Au-Yeung Wai	3,600	-	-	-	10	-	-	-	3,610
<b>Independent non-executive directors</b>									
Ms. Hsu Wai Man, Helen	180	-	-	-	-	-	-	-	180
Mr. Chi Chi Hung, Kenneth	180	-	-	-	-	-	-	-	180
Ms. Cho Yi Ping	180	-	-	-	-	-	-	-	180
	24,240	-	-	-	1,014	-	-	-	25,254

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

## Notes To The Consolidated Financial Statements

### 16 Directors' and senior management's remunerations – continued

#### (a) Remunerations of directors and chief executive officer – continued

	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Housing allowance HK\$'000	Estimated other benefit (Note) HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	Remunerations paid or receivable in respect of office as director HK\$'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking HK\$'000	Total HK\$'000
Year ended 31 March 2019									
<b>Executive directors</b>									
Dr. Au-Yeung Kong (Chief executive officer)	12,000	-	-	-	1,049	-	-	-	13,049
Ms. Au-Yeung Hung	3,600	-	-	-	1,049	-	-	-	4,649
Ms. Au-Yeung Wai	3,600	-	-	-	1,049	-	-	-	4,649
<b>Independent non-executive directors</b>									
Ms. Hsu Wai Man, Helen	180	-	-	-	-	-	-	-	180
Mr. Chi Chi Hung, Kenneth	180	-	-	-	-	-	-	-	180
Ms. Cho Yi Ping	180	-	-	-	-	-	-	-	180
	19,740	-	-	-	3,147	-	-	-	22,887

No directors waived or agreed to waive any emoluments during the years ended 31 March 2020 and 2019.



## Notes To The Consolidated Financial Statements

### 16 Directors' and senior management's remunerations – continued

#### (b) Five highest paid individuals

The five individuals whose remunerations were the highest in the Group are as follows:

	Number of individuals	
	2020	2019
Directors	3	3
Employees	2	2
	5	5

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

	2020	2019
	HK\$'000	HK\$'000
Basic salaries	4,002	5,489
Pension costs – defined contribution plans	36	36
	4,038	5,525

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

	Number of non-directors	
	2020	2019
HK\$1,500,001 to HK\$2,500,000	2	1
HK\$2,500,001 to HK\$3,500,000	–	1

During the years ended 31 March 2020 and 2019, no emoluments had been paid to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

## Notes To The Consolidated Financial Statements

### 17 Property, plant and equipment

	Land and building HK\$'000	Leasehold improvements HK\$'000	Machinery and equipment HK\$'000	Office equipment, furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>At 1 April 2018</b>						
Cost	7,056	145,453	277,293	38,985	8,085	476,872
Accumulated depreciation and impairment	(195)	(113,152)	(189,847)	(32,738)	(2,548)	(338,480)
<b>Net book amount</b>	<b>6,861</b>	<b>32,301</b>	<b>87,446</b>	<b>6,247</b>	<b>5,537</b>	<b>138,392</b>
<b>Year ended 31 March 2019</b>						
Opening net book amount	6,861	32,301	87,446	6,247	5,537	138,392
Additions	-	12,424	31,009	8,046	5,272	56,751
Disposals	-	(1,121)	(12,446)	(59)	(1,299)	(14,925)
Depreciation	(212)	(19,550)	(43,769)	(5,053)	(1,806)	(70,390)
Exchange differences	-	(600)	(592)	(150)	-	(1,342)
<b>Closing net book amount</b>	<b>6,649</b>	<b>23,454</b>	<b>61,648</b>	<b>9,031</b>	<b>7,704</b>	<b>108,486</b>
<b>At 31 March 2019</b>						
Cost	7,056	127,183	291,547	45,374	9,614	480,774
Accumulated depreciation	(407)	(103,729)	(229,899)	(36,343)	(1,910)	(372,288)
<b>Net book amount</b>	<b>6,649</b>	<b>23,454</b>	<b>61,648</b>	<b>9,031</b>	<b>7,704</b>	<b>108,486</b>

Additions of leasehold improvements during the year ended 31 March 2019 included the estimated cost of reinstatement obligation upon the closure or relocation of shop or office premises.

## Notes To The Consolidated Financial Statements

### 17 Property, plant and equipment – continued

	Land and building HK\$'000	Leasehold improvements HK\$'000	Machinery and equipment HK\$'000	Office equipment, furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>At 1 April 2019</b>						
Cost, as previously presented	7,056	127,183	291,547	45,374	9,614	480,774
Reclassification of reinstatement costs to right-of-use assets pursuant to the adoption of HKFRS 16 (Note 2.2)	-	(7,947)	-	-	-	(7,947)
Cost, as restated	7,056	119,236	291,547	45,374	9,614	472,827
Accumulated depreciation, as previously presented	(407)	(103,729)	(229,899)	(36,343)	(1,910)	(372,288)
Reclassification of reinstatement costs to right-of-use assets pursuant to the adoption of HKFRS 16 (Note 2.2)	-	6,110	-	-	-	6,110
Accumulated depreciation, as restated	(407)	(97,619)	(229,899)	(36,343)	(1,910)	(366,178)
<b>Net book amount, as restated</b>	<b>6,649</b>	<b>21,617</b>	<b>61,648</b>	<b>9,031</b>	<b>7,704</b>	<b>106,649</b>
<b>Year ended 31 March 2020</b>						
Opening net book amount, as restated	6,649	21,617	61,648	9,031	7,704	106,649
Additions	9,460	27,035	53,257	5,912	1,951	97,615
Disposals	-	-	(2,781)	(107)	(2,566)	(5,454)
Depreciation	(495)	(12,582)	(35,893)	(5,037)	(1,429)	(55,436)
Exchange differences	-	(493)	(576)	(143)	-	(1,212)
<b>Closing net book amount</b>	<b>15,614</b>	<b>35,577</b>	<b>75,655</b>	<b>9,656</b>	<b>5,660</b>	<b>142,162</b>
<b>At 31 March 2020</b>						
Cost	16,516	140,728	337,937	49,845	8,057	553,083
Accumulated depreciation	(902)	(105,151)	(262,282)	(40,189)	(2,397)	(410,921)
<b>Net book amount</b>	<b>15,614</b>	<b>35,577</b>	<b>75,655</b>	<b>9,656</b>	<b>5,660</b>	<b>142,162</b>

## Notes To The Consolidated Financial Statements

### 18 Right-of-use assets and lease liabilities

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

The Group leases various stores and offices. Rental contracts are typically made for fixed periods of 2 to 5 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.

(b) Movement of right-of-use assets

	2020 HK\$'000
Adoption of HKFRS 16 at 1 April 2019 (Note 2.2)	217,909
Acquisition of leases	135,303
Depreciation of right-of-use assets	(99,388)
Lease modification due to rent concession	(3,756)
Exchange differences	(3,682)
	<b>246,386</b>

(c) Amounts recognised in the consolidated balance sheet

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

	31 March 2020 HK\$'000	1 April 2019 HK\$'000
<b>Right-of-use assets</b>		
Properties	246,386	217,909
<b>Lease liabilities</b>		
Non-current	158,507	143,225
Current	93,497	72,847
	<b>252,004</b>	216,072

## Notes To The Consolidated Financial Statements

### 18 Right-of-use assets and lease liabilities – continued

(d) Amounts recognised in the consolidated statement of comprehensive income

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

	2020 HK\$'000
Depreciation of right-of-use assets Properties	99,388
Interest expenses on leases liabilities (Note 10)	11,898
Expenses related to short-term leases of stores and offices	16,092

(e) During the year ended 31 March 2020, the total cash outflows for leases were analysed as below:

	2020 HK\$'000
<b>Cash flows from operating activities (Note)</b>	
Payments for short-term leases in respect of stores and offices	16,092
<b>Cash flows from financing activities</b>	
Payments of interest element of lease liabilities	11,898
Payments of principal element of lease liabilities	87,796
	99,694

Note:

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.

## Notes To The Consolidated Financial Statements

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

	2020 HK\$'000	2019 HK\$'000
At 1 April	70,277	–
Additions	89,187	73,485
Fair value gains/(losses) taken to reserves	1,941	(446)
Disposals	(121,945)	(2,762)
Exchange differences	(2,228)	–
<b>At 31 March</b>	<b>37,232</b>	<b>70,277</b>

	2020 HK\$'000	2019 HK\$'000
Equity investments listed in Hong Kong	37,232	29,608
Equity investments listed in the United States of America (“USA”)	–	40,669
	<b>37,232</b>	<b>70,277</b>

As at 31 March 2020 and 2019, financial assets at fair value through other comprehensive income comprise equity investments which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

During the year ended and as at 31 March 2019, certain equity investments listed in USA were pledged for certain Group’s banking facilities in respect of credit card and instalment sales arrangement as set in Note 36.

## Notes To The Consolidated Financial Statements

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

	2020 HK\$'000	2019 HK\$'000
Unlisted fund investments, at fair value, in Hong Kong	33,525	35,218

Financial assets at fair value through profit or loss are all held for trading and represent the unlisted fund investments.

During the year ended 31 March 2020, fair value losses of financial assets at fair value through profit or loss amounting to HK\$1,693,000 (2019: fair value gains amounting to HK\$138,000) were recognised in profit or loss. Information about the Group's exposure to price risk is provided in Note 3.1(e). Information about the methods and assumptions used in determining fair value is provided in Note 3.2.

During the years ended and as at 31 March 2020 and 2019, these unlisted fund investments were pledged for the Group's certain banking facilities in respect of credit card and instalment sales arrangement as set out in Note 36.

### 21 Financial instruments by category

	Financial assets at amortised cost HK\$'000	Financial assets at fair value through other comprehensive income HK\$'000	Financial assets at fair value through profit or loss HK\$'000	Total HK\$'000
<b>Assets included in the consolidated balance sheet</b>				
At 31 March 2020				
Trade receivables	74,666	-	-	74,666
Financial assets at fair value through other comprehensive income	-	37,232	-	37,232
Financial assets at fair value through profit or loss	-	-	33,525	33,525
Other receivables and deposits	56,080	-	-	56,080
Term deposits with initial terms of over three months	71,116	-	-	71,116
Pledged bank deposits	2,861	-	-	2,861
Cash and cash equivalents	563,591	-	-	563,591
	768,314	37,232	33,525	839,071

## Notes To The Consolidated Financial Statements

### 21 Financial instruments by category – continued

	Financial assets at amortised cost HK\$'000	Financial assets at fair value through other comprehensive income HK\$'000	Financial assets at fair value through profit or loss HK\$'000	Total HK\$'000
<b>Assets included in the consolidated balance sheet</b>				
At 31 March 2019				
Trade receivables	153,570	–	–	153,570
Financial assets at fair value through other comprehensive income	–	70,277	–	70,277
Financial assets at fair value through profit or loss	–	–	35,218	35,218
Other receivables and deposits	53,346	–	–	53,346
Term deposits with initial terms of over three months	56,814	–	–	56,814
Pledged bank deposits	4,021	–	–	4,021
Cash and cash equivalents	338,671	–	–	338,671
	606,422	70,277	35,218	711,917

	<b>Financial liabilities at amortised cost</b>	
	2020 HK\$'000	2019 HK\$'000
<b>Liabilities included in the consolidated balance sheet</b>		
Trade payables	736	609
Accruals and other payables (excluding accrued salaries and other taxes payables)	30,279	45,273
Lease liabilities	252,004	–
	283,019	45,882



## Notes To The Consolidated Financial Statements

### 22 Inventories

	2020 HK\$'000	2019 HK\$'000
Trading merchandises and consumables	1,783	2,651

### 23 Trade receivables

	2020 HK\$'000	2019 HK\$'000
Trade receivables	74,666	153,570

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

	2020 HK\$'000	2019 HK\$'000
HK\$	72,419	146,684
RMB	1,348	2,885
MOP	899	4,001
	74,666	153,570

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

## Notes To The Consolidated Financial Statements

### 23 Trade receivables – continued

The credit terms of the Group's trade receivables generally range from 3 days to 180 days (2019: 3 days to 180 days). The ageing analysis of trade receivables by the dates on which the relevant invoices are issued is as follows:

	2020 HK\$'000	2019 HK\$'000
Less than 60 days	40,253	79,392
60 days to 90 days	13,991	24,545
91 days to 120 days	11,368	18,193
121 days to 180 days	9,054	31,440
	<b>74,666</b>	<b>153,570</b>

As at 31 March 2020, trade receivables of approximately HK\$4,231,000 (2019: HK\$6,025,000) were past due but not impaired because they were mainly related to a number of financial institutions of high individual credit ratings with no recent history of default. The ageing analysis of these trade receivables by the days of overdue repayment is as follows:

	2020 HK\$'000	2019 HK\$'000
Less than 60 days	4,231	6,025

The credit quality of trade receivables neither past due nor impaired has been assessed by reference to historical information about the counterparty default rates. The existing counter-parties do not have significant defaults in the past.

As at 31 March 2020 and 2019, no collateral was received from these counterparties.

As at 31 March 2020 and 2019 and during the years then ended, no trade receivables was impaired.

## Notes To The Consolidated Financial Statements

### 24 Other receivables, deposits and prepayments

	2020 HK\$'000	2019 HK\$'000
<b>Current</b>		
Prepayments	15,194	19,524
Deposits	23,648	27,174
Other receivables	1,471	504
	<b>40,313</b>	47,202
<b>Non-current</b>		
Prepayments for the acquisition of property, plant and equipment	2,435	3,600
Rental and utility deposits	30,961	25,668
	<b>33,396</b>	29,268
	<b>73,709</b>	76,470

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

	2020 HK\$'000	2019 HK\$'000
HK\$	43,721	39,890
RMB	11,412	13,015
MOP	944	441
AUD	3	-
	<b>56,080</b>	53,346

## Notes To The Consolidated Financial Statements

### 25 Term deposits with initial terms of over three months

As at 31 March 2020, the weighted average effective interest rate of the Group's term deposits with initial terms of over three months was 1.39% (2019: 2.75%).

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

	2020 HK\$'000	2019 HK\$'000
HK\$	60,000	10,000
RMB	10,905	46,604
MOP	211	210
	<b>71,116</b>	<b>56,814</b>

The Group's term deposits with initial terms of over three months balances denominated in RMB were deposited with banks in the PRC. The conversion of the RMB-denominated balances into foreign currencies and the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the Government of the People's Republic of China.

### 26 Pledged bank deposits

As at 31 March 2020 and 2019, certain of the Group's bank deposits were pledged to certain financial institutions based in Hong Kong to secure banking facilities in respect of credit card and instalment sales arrangements (Note 36). As at 31 March 2020, the weighted average effective interest rate of these deposits was 0.23% (2019: 0.69%).

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

	2020 HK\$'000	2019 HK\$'000
HK\$	2,017	4,021
AUD	844	-
	<b>2,861</b>	<b>4,021</b>

## Notes To The Consolidated Financial Statements

### 27 Cash and cash equivalents

	2020 HK\$'000	2019 HK\$'000
Cash at banks	365,040	211,450
Cash on hand	1,162	469
Term deposits with initial terms of less than three months	197,389	126,752
	<b>563,591</b>	338,671

Cash and cash equivalents were denominated in the following currencies:

	2020 HK\$'000	2019 HK\$'000
HK\$	265,421	153,335
RMB	232,934	175,653
United States dollars ("US\$")	51,891	3,335
MOP	9,334	6,348
AUD	4,011	–
	<b>563,591</b>	338,671

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

## Notes To The Consolidated Financial Statements

### 28 Share capital

	Number of shares (in thousand)	Nominal value HK\$'000
Issued and fully paid:		
Ordinary shares of HK\$0.10 each		
At 1 April 2018	1,086,004	108,600
Issuance of shares (Note a)	19,136	1,914
At 31 March 2019	1,105,140	110,514
Issuance of shares (Note a)	22,512	2,251
Cancellation of shares (Note b)	(12,136)	(1,213)
At 31 March 2020	1,115,516	111,552

Notes:

- (a) During the year ended 31 March 2020, the Company issued 22,512,000 (2019: 19,136,000) shares of the Company for proceeds of approximately HK\$29,964,000 (2019: HK\$19,983,000), as a result of exercise of share options. The weighted average exercise price was approximately HK\$1.331 per share (2019: HK\$1.044 per share). As a result, HK\$2,251,000 (2019: HK\$1,914,000) were credited to the share capital account and HK\$27,713,000 (2019: HK\$18,069,000), being proceeds received net of the nominal value of the issued shares were credited to the share premium account. An amount of HK\$6,678,000 (2019: HK\$4,381,000) previously included in share-based compensation reserve were reclassified to the share premium account upon the issuance of share options.
- (b) During the year ended 31 March 2020, the Company repurchased 12,136,000 of its own shares. The total amount paid to repurchase was approximately HK\$41,959,000 and was charged to share premium within shareholders' equity. All of the repurchased 12,136,000 shares were cancelled during the year ended 31 March 2020.

### 29 Reserves

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

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

## Notes To The Consolidated Financial Statements

### 30 Deferred taxation

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

	2020 HK\$'000	2019 HK\$'000
Deferred income tax assets		
Deferred income tax assets to be recovered after more than 12 months	52,213	9,255
Deferred income tax liabilities		
Deferred income tax liabilities to be settled after more than 12 months	(3,849)	(5,225)
Deferred income tax liabilities to be settled within 12 months	(66,133)	(19,369)
	(69,982)	(24,594)
Deferred income tax liabilities – net	(17,769)	(15,339)

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

	2020 HK\$'000	2019 HK\$'000
At 1 April	(15,343)	(10,965)
Charged to profit or loss (Note 11)	(6,494)	(8,233)
Payment during the year	4,285	4,087
Exchange differences	(217)	(228)
At 31 March	(17,769)	(15,339)

## Notes To The Consolidated Financial Statements

### 30 Deferred taxation – continued

The movement in deferred income tax assets and liabilities prior to offsetting of balances within the same taxation jurisdiction is as follows:

#### Deferred income tax assets

	Tax losses		Decelerated tax depreciation		PRC advertising expenses		PRC accrued expenses		Lease liabilities		Total	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
At 1 April	47	21	6,303	7,670	(515)	(472)	3,420	3,837	-	-	9,255	11,056
Upon adoption of HKFRS 16 (Note 2.2)	-	-	-	-	-	-	-	-	40,483	-	40,483	-
At 1 April, as restated (Charged)/credited to profit or loss	47	21	6,303	7,670	(515)	(472)	3,420	3,837	40,483	-	49,738	11,056
Exchange differences	(47)	26	(1,681)	(1,365)	(76)	(47)	(280)	(183)	5,678	-	3,594	(1,569)
At 31 March	-	47	4,620	6,303	(557)	(515)	2,904	3,420	45,246	-	52,213	9,255

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. As at 31 March 2020, the Group did not recognise certain deferred income tax assets of approximately HK\$6,365,000 (2019: HK\$6,702,000) in respect of accumulated tax losses amounting to approximately HK\$28,950,000 (2019: HK\$36,294,000) that can be carried forward against future taxable income. The tax losses of the PRC subsidiaries will expire in 5 years, while the tax losses of the Company and the other non-PRC subsidiaries do not have an expiry date.



## Notes To The Consolidated Financial Statements

### 30 Deferred taxation – continued

#### Deferred income tax assets – continued

As at 31 March 2020 and 2019, the expiry dates for the Group's unused tax losses are as follows:

	2020 HK\$'000	2019 HK\$'000
Expiry in		
2020	–	1,201
2021	323	345
2022	316	338
2023	6,097	6,514
2024	6,606	–
No expiry date	15,615	27,896
	<b>28,957</b>	<b>36,294</b>

#### Deferred income tax liabilities

	Accelerated tax depreciation		PRC withholding taxes		Right-of-use assets		Total	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
At 1 April	(5,229)	(5,000)	(19,369)	(17,021)	–	–	(24,598)	(22,021)
Upon adoption of HKFRS 16 (Note 2.2)	–	–	–	–	(40,483)	–	(40,483)	–
At 1 April, as restated	(5,229)	(5,000)	(19,369)	(17,021)	(40,483)	–	(65,081)	(22,021)
Credited/(charged) to profit or loss	1,380	(229)	(7,170)	(6,435)	(4,298)	–	(10,088)	(6,664)
Reversal of deferred income tax liability upon distribution of profits and remittance of royalties from subsidiaries	–	–	4,285	4,087	–	–	4,285	4,087
Exchange differences	–	–	–	–	902	–	902	–
At 31 March	<b>(3,849)</b>	<b>(5,229)</b>	<b>(22,254)</b>	<b>(19,369)</b>	<b>(43,879)</b>	<b>–</b>	<b>(69,982)</b>	<b>(24,598)</b>

As at 31 March 2020, total unremitted earnings and unremitted royalty income of PRC subsidiaries amounted to approximately HK\$427,500,000 (2019: HK\$367,903,000).

## Notes To The Consolidated Financial Statements

### 31 Provision for reinstatement costs

The movement of provision for reinstatement costs is as follows:

	2020 HK\$'000	2019 HK\$'000
At 1 April	7,904	7,935
Provision during the year	4,020	564
Actual costs paid	(953)	(1,713)
Under-provision	232	1,205
Exchange differences	(92)	(87)
At 31 March	11,111	7,904
Represented by:		
– Non-current	8,342	5,598
– Current	2,769	2,306
	11,111	7,904

### 32 Trade payables

Payment terms with majority of the suppliers are on open account. Certain suppliers grant credit period ranging from 30 days to 180 days (2019: 30 days to 180 days).

At 31 March 2020 and 2019, the ageing analysis of trade payables based on invoice date is as follows:

	2020 HK\$'000	2019 HK\$'000
Less than 60 days	379	208
60 days to 120 days	8	9
Over 120 days	349	392
	736	609

## Notes To The Consolidated Financial Statements

### 32 Trade payables – continued

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

	2020 HK\$'000	2019 HK\$'000
HK\$	379	208
RMB	357	401
	<b>736</b>	<b>609</b>

### 33 Accruals and other payables

	2020 HK\$'000	2019 HK\$'000
Accrued operating expenses	58,254	68,012
Other payables	10,878	7,013
	<b>69,132</b>	<b>75,025</b>

Accruals and other payables were denominated in the following currencies:

	2020 HK\$'000	2019 HK\$'000
HK\$	56,699	59,855
RMB	11,717	15,042
MOP	433	128
AUD	283	–
	<b>69,132</b>	<b>75,025</b>

## Notes To The Consolidated Financial Statements

### 34 Deferred revenue

	2020 HK\$'000	2019 HK\$'000
Deferred revenue on prepaid treatment packages	158,701	116,337

The movement of deferred revenue is as follows:

	2020 HK\$'000	2019 HK\$'000
Beginning of the year	116,337	100,324
Sales contracts entered into during the year (Note a)	1,289,895	1,219,301
Revenue from treatment service contracts (Note b)	(1,240,950)	(1,197,031)
Refunds of treatment packages (Note c)	(5,029)	(4,817)
Exchange differences	(1,552)	(1,440)
At the end of the year	158,701	116,337

Notes:

- (a) The amounts represent the receipts from sales of slimming and beauty services to customers during the year which were to be settled via credit cards, electronic payment system, cheques, instalment payment arrangements or cash.
- (b) The amounts represent revenue from treatment service contracts, of which an amount of HK\$845.8 million (2019: HK\$914.9 million) is recognised during the year upon the provision of services, whereas the remaining amount represents revenue recognised for services not utilised by customers during the contractual service period.
- (c) The amounts represent refunds of treatment packages as a result of certain customers' complaints and claims in relation to treatment outcome assessed with reference to individual physical conditions and treatment progress on a case-by-case basis.

As at 31 March 2020 and 2019, the entire balance of deferred revenue was aged within one year from the date when the respective sales contracts were entered into.

## Notes To The Consolidated Financial Statements

### 35 Commitments

#### (a) Operating lease commitments

As at 31 March 2019, the Group had future aggregate minimum lease payments in respect of stores and offices under non-cancellable operating leases as follows:

	2019 HK\$'000
Not later than one year	98,741
Later than one year and not later than five years	155,355
	254,096

Upon the adoption of HKFRS 16, the Group has recognised right-of-use assets and lease liabilities for these leases, except for those with remaining lease terms of less than 12 months as at 1 April 2019 which were classified as short-term leases and recognised on a straight-line basis as expenses pursuant to a practical expedient permitted by HKFRS 16 (Note 2.2).

#### (b) Capital commitments

	2020 HK\$'000	2019 HK\$'000
Capital expenditure contracted for but not yet incurred in respect of acquisition of property, plant and equipment	5,634	8,162

## Notes To The Consolidated Financial Statements

### 36 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 or joint control.

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

- (a) During the years ended 31 March 2020 and 2019, certain of the Group's banking facilities in respect of credit card and instalment sales arrangement were secured by (i) personal guarantee provided by a director; (ii) a property owned by a director; (iii) the pledged bank deposits as at 31 March 2020 and 2019 as set out in Note 26; (iv) certain listed equity securities as at 31 March 2019 as set out in Note 19; and (v) certain unlisted fund investments as at 31 March 2020 and 2019 as set out in Note 20 respectively.
- (b) Details of key management compensations are disclosed in Note 16 to the consolidated financial statements.

## Notes To The Consolidated Financial Statements

### 37 Notes to consolidated statement of cash flows

#### (a) Cash generated from operations

	2020 HK\$'000	2019 HK\$'000
Profit before income tax	450,578	404,053
Adjustments for:		
– Depreciation of property, plant and equipment	55,436	70,390
– Depreciation of right-of-use assets	99,388	–
– Losses/(gains) on disposal of property, plant and equipment	1,459	(2,557)
– Dividend income from financial assets at fair value through profit or loss	(1,115)	–
– Dividend income from financial assets at fair value through other comprehensive income	(1,037)	–
– Fair value losses/(gains) on financial assets at fair value through profit or loss	1,693	(138)
– Under-provision for reinstatement costs	232	1,205
– Interest income	(6,281)	(4,195)
– Interest expenses	11,898	–
– Share-based payment expenses	1,014	3,147
	613,265	471,905
Changes in working capital:		
– Inventories	855	(643)
– Trade receivables	78,754	12,145
– Other receivables, deposits and prepayments	1,228	(9,954)
– Trade payables, accruals and other payables	(2,847)	(2,898)
– Deferred revenue	43,916	17,453
– Pledged bank deposits	1,070	22,121
Cash generated from operations	736,241	510,129

## Notes To The Consolidated Financial Statements

### 37 Notes to consolidated statement of cash flows – continued

- (b) In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	2020 HK\$'000	2019 HK\$'000
Net book amount disposed (Note 17)	5,454	14,925
(Losses)/gains on disposal of property, plant and equipment (Note 8)	(1,459)	2,557
Proceeds from disposal of property, plant and equipment	3,995	17,482

- (c) Reconciliation of liabilities arising from financing activities

This section sets out the movement in liabilities arising from financing activities for the year presented.

	Lease Liabilities HK\$'000
Adoption of HKFRS 16 at 1 April 2019 (Note 2.2)	216,072
Acquisition of leases	131,283
Interest expenses on lease liabilities	11,898
Payments of principal element of leases liabilities	(87,796)
Payments of interest element of lease liabilities	(11,898)
Lease modification due to rent concession	(3,756)
Exchange difference	(3,799)
As at 31 March 2020	252,004



# Notes To The Consolidated Financial Statements

## 38 Particulars of principal subsidiaries

As at 31 March 2020 and 2019, the Company had the following principal subsidiaries:

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

## Notes To The Consolidated Financial Statements

### 38 Particulars of principal subsidiaries – continued

Name of subsidiary	Place of incorporation/ establishment	Principal activities and place of operation	Registered/ issued and fully paid up capital	Effective interest held by the Group
<b>Indirect interests: – continued</b>				
New Beauty Medical Limited (formerly known as New Beauty Management Limited)	Hong Kong	Provision of slimming and high technology beauty services in Hong Kong	HK\$10,000	100%
New Beauty Group Limited (formerly known as Dr. Paris Group Limited)	Hong Kong	Provision of slimming and high technology beauty services in Hong Kong	HK\$10,000	100%
Perfect Shape & Skin (Macau) Limited	Macau	Provision of slimming and high technology beauty services in Macau	MOP100,000	100%
Perfect Medical Limited (formerly known as Perfect Medical Beauty Group Limited)	Hong Kong	Provision of slimming and high technology beauty services in Hong Kong	HK\$10,000	100%
Hong Kong Doctor Healthcare Limited (formerly known as Beauty Home Group Limited)	Hong Kong	Provision of slimming and high technology beauty services in Hong Kong	HK\$10,000	100%
Perfect Shape & Spa (TST) Limited	Hong Kong	Provision of slimming and high technology beauty services in Hong Kong	HK\$10,000	100%
Perfect Shape (Holdings) Limited	Hong Kong	Provision of management services to group companies in Hong Kong	HK\$10,000	100%
My Beauty Spa Group Limited	Hong Kong	Provision of slimming and high technology beauty services in Hong Kong	HK\$10,000	100%
Perfect Shape Investment (Shanghai) Limited	Hong Kong	Investment holding in the PRC	HK\$10,000	100%
Perfect App Technology Limited	Hong Kong	Provision of slimming and high technology beauty services in Hong Kong	HK\$10,000	100%
Dr. Au Yeung Kong and Associates Limited	Hong Kong	Provision of slimming and high technology beauty services in Hong Kong	HK\$10,000	100%

# Notes To The Consolidated Financial Statements

## 38 Particulars of principal subsidiaries — continued

Name of subsidiary	Place of incorporation/ establishment	Principal activities and place of operation	Registered/ issued and fully paid up capital	Effective interest held by the Group
<b>Indirect interests: – continued</b>				
Perfect Beauty Group Limited	Hong Kong	Provision of slimming and high technology beauty services in Hong Kong	HK\$20,000	100%
Treasure Green Investment Limited	Hong Kong	Provision of slimming and high technology beauty services in Hong Kong	HK\$1	100%
Loyal Fortunate Limited	The British Virgin Island	Investment holding in Hong Kong	1 shares of US\$1 each	100%
Perfect Shape Medical Beauty Australia Pty Ltd	Australia	Provision of slimming and high technology beauty services in Australia	AUD10	100%
廣州必瘦站纖體美容有限公司 (Guangzhou Perfect Shape Limited) <sup>®</sup>	The PRC	Provision of slimming and high technology beauty services in the PRC	RMB1,000,000	100%
必瘦站企業管理諮詢(深圳)有限公司 (Perfect Shape Consultancy Shenzhen Limited) <sup>®</sup>	The PRC	Investment holding in the PRC	RMB1,000,000	100%
廣州瘦必站纖體美容有限公司 (Guangzhou Shape Perfect Limited) <sup>®</sup>	The PRC	Provision of slimming and high technology beauty services in the PRC	RMB1,000,000	100%
北京纖麗佳企業管理諮詢有限公司 (Beijing Slimming Beauty Limited) <sup>®</sup>	The PRC	Provision of slimming and high technology beauty services in the PRC	RMB1,000,000	100%
深圳瘦必站美容纖體有限公司 (Shenzhen Shape Perfect Limited) <sup>®</sup>	The PRC	Provision of slimming and high technology beauty services in the PRC	RMB1,000,000	100%
上海慕詩企業管理諮詢有限公司 (Shanghai Mushi Consultancy Limited) <sup>®</sup>	The PRC	Provision of slimming and high technology beauty services in the PRC	RMB1,000,000	100%

## Notes To The Consolidated Financial Statements

### 38 Particulars of principal subsidiaries – continued

Name of subsidiary	Place of incorporation/ establishment	Principal activities and place of operation	Registered/ issued and fully paid up capital	Effective interest held by the Group
<b>Indirect interests: – continued</b>				
上海必瘦站企業管理諮詢有限公司 (Shanghai Perfect Shape Consultancy Limited) <sup>®</sup>	The PRC	Provision of slimming and high technology beauty services in the PRC	RMB1,000,000	100%
上海愛瑪企業管理諮詢有限公司 (Shanghai Emma Consultancy Limited) <sup>®</sup>	The PRC	Provision of corporate management services and slimming and high technology beauty services in the PRC	RMB1,000,000	100%
必瘦站投資管理諮詢(上海)有限公司 (Shanghai Perfect Shape Investment Management Limited) <sup>#</sup>	The PRC	Investment holding in the PRC	RMB1,000,000	100%
上海必瘦站美容服務有限公司 (Shanghai Perfect Shape Cosmetic Limited) <sup>®</sup>	The PRC	Provision of slimming and high technology beauty services in the PRC	RMB10,000,000	100%
深圳瘦必站醫療美容診所 (Shenzhen Perfect Shape Cosmetic Limited) <sup>®</sup>	The PRC	Provision of slimming and high technology beauty services in the PRC	RMB200,000	100%
廣州羅紹淼醫療美容診所有限公司 (Guangzhou Luo Shao Miao Cosmetic Clinic Limited) <sup>®</sup>	The PRC	Provision of slimming and high technology beauty services in the PRC	RMB1,000,000	100%

<sup>#</sup> The company is established as a wholly foreign-owned enterprise in the PRC.

<sup>®</sup> The company is established as a limited liability company in the PRC.

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

## Notes To The Consolidated Financial Statements

### 39 Balance sheet of the Company

	2020 HK\$'000	2019 HK\$'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Interests in subsidiaries	22,035	22,035
Amounts due from subsidiaries	457,452	320,128
	<b>479,487</b>	<b>342,163</b>
<b>Current assets</b>		
Prepayments and other receivables	129	368
Cash and cash equivalents	12,118	676
	<b>12,247</b>	<b>1,044</b>
<b>Total assets</b>	<b>491,734</b>	<b>343,207</b>
<b>EQUITY</b>		
Share capital	111,552	110,514
Reserves (Note (a))	380,152	232,673
<b>Total equity</b>	<b>491,704</b>	<b>343,187</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accruals and other payables	30	20
<b>Total equity and liabilities</b>	<b>491,734</b>	<b>343,207</b>

The balance sheet of the Company was approved by the Board of Directors on 30 June 2020 and was signed on its behalf.

\_\_\_\_\_  
**Au-Yeung Kong**  
Director

\_\_\_\_\_  
**Au-Yeung Wai**  
Director

## Notes To The Consolidated Financial Statements

### 39 Balance sheet of the Company – continued

Note (a) Reserve movement of the Company

	Share premium HK\$'000	Retained earnings HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Share-based compensation reserve HK\$'000	Exchange reserve HK\$'000	Total HK\$'000
At 1 April 2018	225,501	7,572	22,015	6,420	6,898	(27)	268,379
Profit for the year	-	272,749	-	-	-	-	272,749
Dividends (Note 12)	(55,257)	(271,864)	-	-	-	-	(327,121)
Currency translation differences	-	-	-	-	-	(2,550)	(2,550)
Share-based payment (Note 15)	-	-	-	-	3,147	-	3,147
Issuance of shares upon the exercise of share options (Note 28(a))	22,450	-	-	-	(4,381)	-	18,069
At 31 March 2019 and 1 April 2019	192,694	8,457	22,015	6,420	5,664	(2,577)	232,673
Profit for the year	-	380,529	-	-	-	-	380,529
Dividends (Note 12)	(56,383)	(162,382)	-	-	-	-	(218,765)
Currency translation differences	-	-	-	-	-	(2,266)	(2,266)
Share-based payment (Note 15)	-	-	-	-	1,014	-	1,014
Issuance of shares upon the exercise of share options (Note 28(a))	34,391	-	-	-	(6,678)	-	27,713
Repurchase and cancellation of ordinary shares (Note 28(b))	(41,959)	-	-	1,213	-	-	(40,746)
At 31 March 2020	128,743	226,604	22,015	7,633	-	(4,843)	380,152

Note:

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

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

# Notes To The Consolidated Financial Statements

## 40 Benefits and interests of directors

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

Details of directors' emolument were disclosed in Note 16.

**(b) Directors' retirement benefits and termination benefits**

None of the directors received or will receive any retirement benefits or termination benefits during the year (2019: Nil).

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

During the year ended 31 March 2020, the Company did not pay consideration to any third parties for making available directors' services (2019: Nil).

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

As at 31 March 2020, there were no loans, quasi-loans and other dealings in favour of the directors, controlled bodies corporate by and connected entities with such directors (2019: Nil).

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

Save as disclosed in Note 36 to the consolidated financial statements, there were no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 March 2020 (2019: Nil).