



PERFECT MEDICAL

ANNUAL REPORT

20 22

PERFECT MEDICAL HEALTH MANAGEMENT LIMITED

完美醫療健康管理有限公司

(Incorporated in The Cayman Islands with Limited Liability)

Stock Code: 1830



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CORPORATE INFORMATION



Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. So Hin Lung *CPA*

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: 1,000 shares
Company website: www.perfectmedical.com

FINANCIAL SUMMARY



Financial Summary

Results

	2022	2021	2020	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	1,349,971	1,089,768	1,240,950	1,197,031	906,275
Operating profit	392,502	365,892	456,195	399,858	251,197
Profit for the year attributable to equity holders of the Company	305,245	284,634	360,157	319,033	194,187
Total assets	1,281,199	1,480,368	1,299,244	855,433	818,526
Total liabilities	786,933	795,521	620,248	294,689	348,359



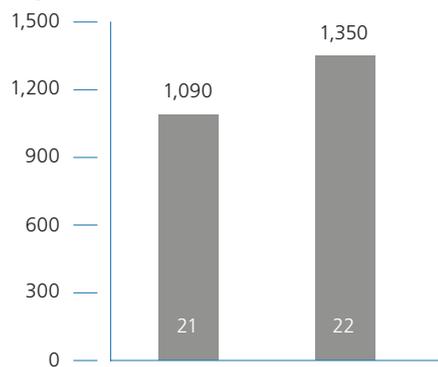
FINANCIAL HIGHLIGHTS

Selected Financial Data

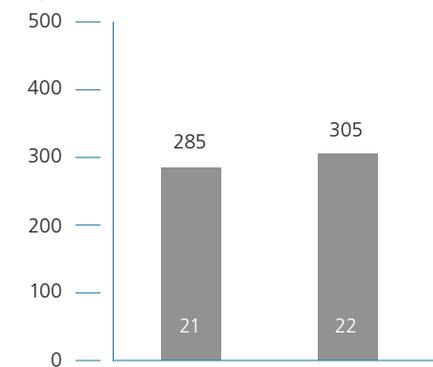
	FY2022	FY2021	Change (%)
Financial highlight (HK\$'000)			
Revenue	1,349,971	1,089,768	23.9%
Operating profit	392,502	365,892	7.3%
Profit before income tax	378,153	358,160	5.6%
Profit for the year attributable to equity holders of the Company	305,245	284,634	7.2%
Earnings before interest, tax and depreciation of property, plant and equipment	469,490	420,993	11.5%
Total equity attributable to equity holders	494,266	684,847	-27.8%
Financial information per share (HK cents)			
Earnings			
— basic	24.8	24.3	
— diluted	24.8	24.3	
Financial ratio			
Operating profit margin	29.1%	33.6%	
Net profit margin	22.6%	26.1%	
Return on equity	61.8%	41.6%	
Return on total assets	23.8%	19.2%	
Current ratio	0.97 times	1.17 times	



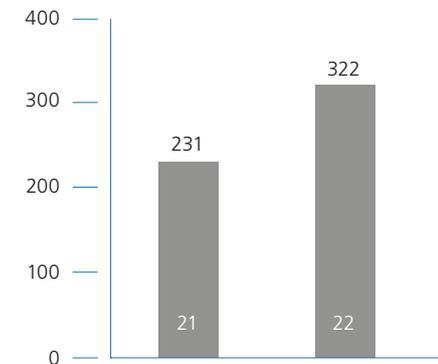
Revenue
(HK\$ million)



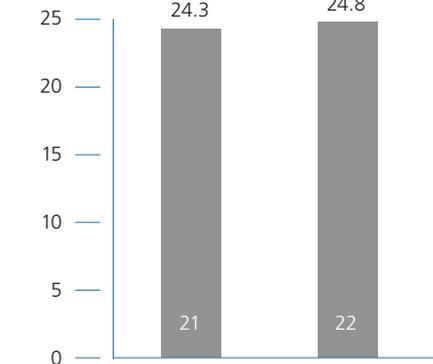
Net Profit
(HK\$ million)



Service Areas
('000 ft²)



Earnings per share
(HK cents)



VISIONS AND MISSIONS

- 1/ Offer our customers the best services and customer experiences
- 2/ Create maximum returns for our shareholders
- 3/ Empower our employees to grow and excel
- 4/ Commit as a socially responsible corporate





RELATIONSHIP WITH CUSTOMERS

- 01 Build up customers' loyalty
- 02 Benefit from word-of-mouth referral
- 03 Deliver a standard and high quality services
- 04 Explore instinct need of customers
- 05 Manage by professional team



CHAIRMAN'S STATEMENT





On behalf of the board (the “Board”) of directors (the “Directors”) of Perfect Medical Health Management Limited (the “Company”) together with its subsidiaries (the “Group”), I hereby present the annual results of the Group for the year ended 31 March 2022 (the “Year”).

LISTING FOR A DECADE

This is indeed a long journey to where we are today! As Perfect Medical celebrates the 11th anniversary year since its listing on the Stock Exchange of Hong Kong Limited on 10 February 2012, we have successfully transformed from a small beauty parlour in Hong Kong into a multinational aesthetic medical corporate, covering Hong Kong, China, Macau, Australia and Singapore. At present, the Group has built a one-stop service platform incorporating a comprehensive aesthetic medical services and value-added medical treatments, fully catered to customers’ needs for personal beauty and health.

With our dedication to serving as the customers’ beauty consultant since our inception, our revenue, profit and market capitalisation witnessed an increase of about 254.1%, 344.3% and 583.4% respectively since we went public.

RISE TO THE CHALLENGE

For the year under review, the Group continued to rise to the challenge under the disruption of the COVID-19. We are proud to achieve a historical high revenue of HK\$1,350.0 million, representing a year-on-year growth of 23.9%, thanks to the new service centre expansion and the organic growth in our non-invasive aesthetic medical services. Through our vigorous cost mitigation measures, we are able to deliver a satisfactory net profit at HK\$305.2 million. After adjusting for the one-off government subsidies in both years, the Group has delivered a 29.8% growth in our adjusted net profit.

The Board has proposed a final dividend of HK7.1 cents per share. Together with the interim dividend of HK17.7 cents per share, the total dividend per share is expected to be HK24.8 cents per share for the full year, representing a total dividend payout ratio of 100%.

Chairman's Statement

STRATEGIC DEVELOPMENT IN SHOP EXPANSION

This year, taking advantage of the reasonable rental reversion, the Group has been expanding rapidly in Hong Kong and globally to extend our geographical coverage to broader regions. The total service area expanded to 322,000 square feet this year, representing a year-on-year growth of 39%. We expect this strategic development will bear fruit in the upcoming years when the COVID-19 continued to normalize and operations resumed normal.

As we have been deeply involved in the medical services field in the past few years, we are now ready to introduce and strengthen our healthcare offerings. Having launched in February 2021, the hair growth treatment business has demonstrated a particular success this year, further enhancing our confidence in the future development of the medical services. We expect such development will help reduce customer acquisition costs and improve sales efficiency in the long run.

LOOKING AHEAD

Looking forward, the uncertainties triggered by the COVID-19 will continue to impact on the global economy. That said, with our dedication in serving the Greater China regions and the relentless effort to expand globally, we are confident that our evolution in global footprint would materialise in future.

Chairman's Statement**APPRECIATION**

On behalf of the Board, I would like to express my gratitude to members of our management team and all staff of Perfect Medical for their unflagging determination, diligence and contributions during the Year. I would also like to thank all of the Group's customers, business partners and Shareholders for their longstanding trust and support. As we strive for further progress in the coming years, we will look forward to everyone's confidence and support of Perfect Medical.

Dr. Au-Yeung Kong
Chairman

Hong Kong, 30 June 2022



MANAGEMENT DISCUSSION & ANALYSIS



Management Discussion and Analysis

Perfect Medical Health Management Limited (the “Company”) together with its subsidiaries (collectively, the “Group”) is pleased to announce its annual results for the year ended 31 March 2022.

The world economy was never the same since the first outbreak of the unprecedented Coronavirus Disease 2019 (the “pandemic” or “COVID-19”) in early 2020. In the past two years, government around the world have introduced various counter measures to contain the pandemic, including the long-awaited vaccination program, which on one hand successfully led to a reduction in human activities, but on the other hand, it also caused major disruption to almost every business activity in our everyday’s life. The recent outbreak of the fifth wave of Omicron variant in Hong Kong and China has presented major challenges to our operations. Whilst in the overseas countries such as Singapore and Australia, we began to see a gradual re-opening of border and the resumption in daily social activities in the recent months. There is no sign that the pandemic would fade out in anytime soon.

Despite multiple waves of the pandemic outbreak, the strategy of focusing on the core aesthetic medical and the extension to the medical businesses has enhanced our operating efficiency and strengthened our business presence in our operating regions. As one of the largest aesthetic medical company in Hong Kong since our establishment in 2003, the Group primarily focuses on non-invasive aesthetic medical services and medical services with a mega shop operation mode that offers a broad spectrum of professional services with assurance of utmost safety and efficacy. Our operation encompasses a diversified portfolio of treatments catered to every parts of customers’ body, with a high quality and standardized service that one can enjoy in every of our shops across Hong Kong, China, Macau, Singapore and Australia. At the time of the pandemic, the Group has been expanding strategically in Hong Kong and elsewhere through (i) service centre expansion, (ii) continual organic development of the core aesthetic medical services and (iii) introduction of supplementary and complementary medical services in order to enhance the lifetime value of the customers.

The pandemic outbreak since early 2020 might have dampened every aspects of the economy, but by and large it created a window opportunity to expand into premium locations at reasonable rent that are otherwise not available in last few years. During the year, the Group has geared up its service centre expansion pace in Hong Kong, China and overseas to broaden our scope of operation. Currently, the Group has expanded its penetration in strategic locations at office premises and shopping malls covering a total of 322,000 square feet.

Management Discussion and Analysis

Service Areas:

	Year ended 31 March	
	2022 ft ²	2021 ft ²
Hong Kong	198,000	132,000
Regions outside Hong Kong	124,000	99,000
	322,000	231,000

At the forefront of our operations, the Group has been stepping up its internal cleaning and disinfection measures to create a safe working environment. In order to protect the health of the staff and boost the confidence of its customers, the Group has distributed Rapid Antigen Test kits to the staff for self-tests amid the outbreak of fifth wave of the pandemic. At the same time, the Group continued its implementation of regular preventive measures to combat the pandemic, including enhancing daily cleaning work, regular disinfection, providing alcohol-based hand rub and sanitizing spray in the Company premises, installation of body temperature checking systems, disinfectant carpets and air purifiers at all main entrances and exits. In this way, we hope to connect our staff and their families and the community to fight against the pandemic together.

During the year, the Group continued to maintain a strong cash position with bank and cash balance of approximately HK\$454.4 million and the Group's gearing ratio was nil. We believe the sound financials and the progressive expansion strategy would lead us to a sustainable growth in the long run.

FINANCIALS

Financial Performance

For the year under review, the Group has continued to excel ourselves under the impact of the pandemic in our operating regions. The Group's revenue increased by 23.9% to HK\$1,350.0 million (FY2021: HK\$1,089.8 million), mainly attributable to (i) the resumption of the aesthetic medical business with the recovery of customer patrons amid the mild pandemic situation in the first three quarters of the financial year, (ii) the significant revenue growth from the hair growth treatment services in the medical business, (iii) but was offset by the reduction in operating days in relation to the outbreak of the Omicron variant especially in the last quarter of the fiscal year in both Hong Kong and China.

Management Discussion and Analysis

Revenue:

	Year ended 31 March			
	2022		2021	
	HK\$'000	%	HK\$'000	%
Hong Kong	975,146	72.2	679,015	62.3
Regions outside Hong Kong	374,825	27.8	410,753	37.7
	1,349,971	100.0	1,089,768	100.0

Value of sale contract by service type:

	Year ended 31 March	
	2022	2021
	%	%
Aesthetic Medical	66.0	66.3
Medical	17.4	13.6
Beauty and Wellness	16.6	20.1
	100.0	100.0

Customers Spending Pattern:

	Year ended 31 March	
	2022	2021
Average Spending per Client (Note) (HK\$)		
— Aesthetic Medical	26,149	27,152
— Medical	29,162	31,237
— Beauty and Wellness	9,371	10,397

Note: exclude Singapore operation which newly established in FY2022.

In face of the worrisome of the pandemic outbreak and the potential impact towards our business operation under periodic city lockdown, the Group has implemented strict and effective cost control to mitigate the operating expenses and optimize our operation under this difficult circumstance.

Management Discussion and Analysis

In particular, the employee benefit expenses increased by 18.9% to HK\$412.7 million (FY2021: HK\$347.2 million), in line with the revenue growth. The Group has maintained a tight control in its marketing expenses for the year under review in order to maintain a stable profit of the Company. The marketing expenses increased by 19.1% to HK\$182.6 million (FY2021: 153.3 million) as a result. The rental lease related expenses (Note 1) increased by 25.0% to HK\$164.7 million (FY2021: HK\$131.8 million). The escalation in rental expenses was in line with the expansion in service areas during the year.

Key Cost Components:

	Year ended 31 March		
	2022 HK\$'000	2021 HK\$'000	% Change
Cost of inventories and consumables	28,321	17,914	+58.1%
Employee benefit expenses	412,677	347,162	+18.9%
Marketing expenses	182,633	153,277	+19.1%
Depreciation of property, plant and equipment	76,988	55,101	+39.7%
Rental lease related expenses ^{Note 1}	164,744	131,814	+25.0%
Other operating expenses	116,913	94,772	+23.4%
	982,276	800,040	+22.8%

Note 1: The rental lease related expenses include "depreciation of right-of-use assets", "expenses related to short term leases of stores and offices" and "Interest expenses on lease liabilities".

At earnings before interest, tax and depreciation of property, plant and equipment ("EBITDA") level, the Group increased by 11.5% to HK\$469.5 million (FY2021: HK\$421.0 million), representing the EBITDA margin of 34.8% for the year (FY2021: 38.6%). As a result of the abovementioned cost control measures and the smaller amount of one-off government subsidies received during the year, operating profit increased by 7.3% and reached HK\$392.5 million (FY2021: HK\$365.9 million), representing an operating profit margin of 29.1% (FY2021: 33.6%). Profit attributable to equity holders of the Company was HK\$305.2 million, gained 7.2% year-on-year (FY2021: HK\$284.6 million), representing a net profit margin of 22.6% for FY2022 (FY2021: 26.1%). Basic earnings per share was HK24.8 cents (FY2021: HK24.3 cents).

After adjusting for the one-off government subsidies in both years, the adjusted net profit after tax for FY2022 increased by 29.8%.

Dividend and Share Buyback

The Company has been listed in the Stock Exchange since year 2012. In order to reward the shareholders' unwavering support throughout the years of the good and bad, the Board recommends the payment of a final dividend of HK7.1 cents per share to shareholders whose names appear on the register of members of the Company as at 24 August 2022. Together with the interim dividend of HK17.7 cents per share, the total dividend per share is expected to be HK24.8 cents per share for the full year, representing a total dividend payout ratio of 100.0%.

Hair Growth Specialty



Medical Beauty



Preventive Medicine



5 MAJOR BUSINESS SECTORS



Reproductive Medicine

Pain Management Specialty



Management Discussion and Analysis

In view of the confidence in the Company's future performance, the Company has bought back a total of 3.1 million shares, equivalent to approximately HK\$21.6 million, in the market to further reward and compensate to the shareholders for their continuous support and trust. In addition, the management has also increased 26.9 million shares during the year, equivalent to HK\$176.5 million.

BUSINESS OVERVIEW

Hong Kong Operation

The economy in Hong Kong enjoyed a prosperous start at the beginning of the financial year. With the increasing vaccination rate and the stringent anti-pandemic measures during the year, we have observed a gradual recovery of the consumption amid the relax of social distancing measures in Hong Kong. However, the emergence of the Omicron variant since January 2022 has impacted on the recovery on the Hong Kong economy, creating a sense of uncertainty in the future economic outlook.

Revenue from Hong Kong Operation increased by 43.6% to HK\$975.1 million (FY2021: HK\$679.0 million), thanks to the significant improvement in revenue contribution in the aesthetic medical and medical businesses as well as the additional revenue contributed from the new service centres established in the past years, but offset by the closure of all service centres for 84 days since January 2022 owing to the Omicron outbreak in the region. As of 31 March 2022, the Group has a well established network of service centres in Hong Kong covering a total of 198,000 square feet. Currently, revenue from Hong Kong Operation accounted for 72.2% (FY2021: 62.3%) of the Group's revenue.

Aesthetic Medical Business

Aesthetic medical business continued to be our core business in Hong Kong. The Group has seized opportunity to expand three service centres in Tsim Sha Tsui, Shatin and Central during September to November 2021 in order to expand our geographical reach and strengthen our market leadership position in Hong Kong. During the year, we witnessed a strong recovery to its aesthetic medical business thanks to the stable pandemic situation for the most part of the year. The new service centre in Central also incorporates the men's specialty clinic offering men's health management service. While cross border tourism is not feasible at the moment, the Group has been proactively preparing for such cross border consumption in the medical tourism segment, particularly in the Greater Bay Area, through the new shop expansion and current shop revamp.

Medical Business

Leveraging on the strong foundation in the aesthetic medical business in Hong Kong, the Group has consistently reviewed its service portfolio with a view to providing additional value-added services to enhance the customers' stickiness. In the last two years, the Group has made subsequent investments in a range of medical services to boost cross-selling and lower the acquisition cost of the customers. For the year under review, the Group has enjoyed a fruitful result in the medical business segment. The hair growth treatment business has demonstrated a particular success this year. We believe there is a huge market potential for such treatments in Hong Kong in the upcoming future as the hair loss situation worsen for majority of the public nowadays.

Management Discussion and Analysis

Regions outside Hong Kong

Revenue from regions outside Hong Kong decreased by 8.8% to HK\$374.8 million (FY2021: HK\$410.8 million) due to the poor market sentiment and the continual lockdown under the pandemic. Particularly, the service centres in Australia and Macau have been closed for 107 and 26 days respectively during the year. Currently, revenue from regions outside Hong Kong accounted for 27.8% (FY2021: 37.7%) of the Group's revenue.

China and Macau

In China, the economy has resumed its growth momentum in all aspects during the year, supported by the government's "zero-COVID-19" strategy. However, with the resurgence of the pandemic and the appearance of Omicron confirmed case in several provinces across China in the latter part of the financial year, periodic lockdown was reintroduced which essentially hindered the growth in the second half of the year. As for the industry, the government has implemented and updated on related policies to better regulate the industry development, such as the introduction of 《打擊非法醫療美容服務專項整治工作方 案》 in June 2021 and 《醫療美容廣告執法指南》 in November 2021. This would forever change the dynamics of the industry towards a more regulated and healthier growth direction and would benefit the well established companies in the industry in the long run.

As one of the pioneers in the aesthetic medical industry in China since 2009, the Group has been focusing on key coastal first tier cities in Southern and Eastern China as well as the country's capital in Beijing, in order to cultivate a premium branding image across China. Currently, the service centres in China differs from the operation mode in Hong Kong, with a key focus on a standardised shop size inside a premium shopping mall and the offering of selected premium energy-based treatments in order to take advantage of the customer flow and enhance the brand awareness in the premium locations in China. With the customers beginning to aware the better quality of the aesthetic services compared to the traditional ones in recent years, the Group has rejuvenated our shop expansion plan during the past two years.

In addition to the current non-invasive, female-focused service centres operating in China, as announced in November 2020, the Group has introduced the Men's Beauty Centre at Super Brand Mall in Shanghai to capture the tremendous market potential for the men's beauty and weight management services in China with satisfactory result.

Subsequently, the Group has been examining on the potential of the full launch of the complementary aesthetic medical and medical services model into China, especially at the time of border closure and the encourage of internal consumption trend in China in recent years. The Group has opened the flagship service centres at AIA Tower, Macau, introducing aesthetic medical, hair growth treatment and men's beauty and weight management services. In July 2021 and August 2021, the Group has introduced the same for the first time inside mainland China, with the setup of the first flagship service centre in prestigious location in Guangzhou and Shanghai incorporating the complementary services model. With the escalating customers' demand on a more all-round and professional aesthetic medical services, we hope the China and Hong Kong operations can foster a stronger operation loop and a synergy to better serve our customers in the Greater Bay Area.

Management Discussion and Analysis

Australia and Singapore

Despite the challenging business environment resulting from the pandemic, the Group views global expansion favourable given the resilient and strong demand for aesthetic medical and medical services. The Group extends its geographical reach to the international space since 2020 with the establishment of our service centres in Sydney and Melbourne, Australia.

In July 2021, the Group entered into the Singapore market with the establishment of the first shop in Wisma Atria, Singapore to tap into the Asian aesthetic medical market. The overall performance was on track during the fiscal year as the Group is trying to establish its presence in the market.

As of 31 March 2022, the Group has an extensive network in China, Macau, Sydney, Melbourne and Singapore, covering a gross service area of approximately 124,000 square feet.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

The Group continues to maintain a strong financial position with bank and cash balance of approximately HK\$454.4 million as at 31 March 2022 (2021: HK\$498.8 million), without external bank borrowing. The total equity of the Group as at 31 March 2022 was HK\$494.3 million (2021: HK\$684.8 million). The Group generally finances its operation with internally generated cash flows. The Group's gearing ratio as at 31 March 2022 was nil (2021: 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 2022, the Group had net current liabilities of approximately HK\$14.8 million (FY2021: net current assets of HK\$94.3 million). Excluding the deferred revenue balances of HK\$236.7 million that would be recognised as revenue instead of requiring operating cash outflow, the Group had net current assets of HK\$221.9 million.

Net cash generated from operating activities in FY2022 was approximately HK\$513.9 million (FY2021: HK\$597.9 million). With the abundant bank and cash balances on hand, the Group's liquidity position remains strong and it has sufficient financial resources to fund its future expansion and acquisition 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 2022 amounted to HK\$165.6 million, which were mainly used in leasehold improvement and equipment in connection with the expansion of service network.

Management Discussion and Analysis

Capital Commitments

As at 31 March 2022 and 2021, the Group had the following capital commitments:

	2022	2021
	HK\$'000	HK\$'000
Capital expenditure contracted for but not yet incurred in respect of acquisition of property, plant and equipment	4,530	12,636

Contingent Liabilities

As at 31 March 2022, the Group did not have any significant contingent liabilities.

Foreign Exchange Exposure

The Group principally engages its business operation in Hong Kong, Macau, Mainland China, Australia and Singapore. The Group has subsidiaries operating in Mainland China, Macau, Australia and Singapore, in which most of their transactions are denominated and settled in Chinese Renminbi ("RMB"), Macau Patacas ("MOP"), Australian dollars ("AUD") and Singapore dollar ("SGD"). In respect of transactions settled in RMB, MOP, AUD and SGD, 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.

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 2022, some of the Group's banking facilities in respect of credit card and instalment sales arrangement was secured by financial assets and pledged bank deposits as set out in Notes 19, 20 and 26 to the consolidated financial statements.

Management Discussion and Analysis

PROSPECTS

Looking ahead, the Omicron variant continued to spread rapidly in the global landscape, adversely impacted on the recovery of the economy in the near future. In view of the changing business environment under the new normal, we have reviewed and successfully fine-tuned our strategy and operation. Thus, the Group achieved a record-high revenue of HK\$1,345.0 million for the year.

In April 2022, the Group has established a new service centre at Mong Kok with the gross service area of approximately 17,000 square feet, encompassing the latest state-of-the-art services. The new service centre would create synergies to the current aesthetic medical operations in the same location and provide additional income stream to the Group. With the announced relaxation of social distancing measures since late April, the Group is well positioned to capture the rebound of customers' demand in the post-pandemic era. In the future, the Group will continue to adopt its aesthetic medical and medical service model and will gear up its effort both organically and inorganically to offer additional and complementary services to our customers.

In China, the Group will continue to rejuvenate its expansion strategy to further improve the operating efficiency. The Group has established its regional office in Shenzhen, Guangzhou and Shanghai with a view to better understand the operating dynamics and customers' demand in the surrounding areas. In the future, we will continue to look into strategic locations to introduce the aesthetic medical and medical service model to offer a comprehensive service to the customers in the Greater Bay Area and Eastern part in China.

For the international expansion, the Group would focus on keeping up its effort to streamline the current operations in Australia and Singapore. The Group will proceed with its international business development in a prudent and steady manner with relentless dedication to customer satisfaction. We will continue to focus on providing quality services that serves our customers well and enhance our brand awareness.

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 1,414 employees as at 31 March 2022 (2021: 1,333 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.

Management Discussion and Analysis

DIVIDENDS

The Directors recommended a payment of a final dividend equivalent to HK7.1 cents per share for the year ended 31 March 2022 subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company to be held on 12 August 2022 (the "AGM") to the Shareholders whose names appear on the register of members of the Company on Wednesday, 24 August 2022. After taking into account an interim dividend of HK17.7 cents per share, a total annual dividend for the year ended 31 March 2022 will amount to HK24.8 cents per share.

The Directors proposed that the Shareholders be given the option to receive the final 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 12 August 2022; and (2) the 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, 30 August 2022. It is expected that the final dividend warrants and share certificates for the scrip dividend will be despatched to the Shareholders on or about Friday, 30 September 2022.

Management Discussion and Analysis

SIGNIFICANT INVESTMENTS

The information of the Group's significant investments held at 31 March 2022 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 31.3.2021 HK\$'000	Fair value as at 31.3.2022 HK\$'000	Unrealised (gains)/ losses on change in fair value during the Year HK\$'000	Dividend received HK\$'000	Percentage to the Group's total assets
11	Hang Seng Bank Limited	Mainly engaged in the banking business	Investment in shares	50,000	0.0026%	8,385	7,525	7,545	(20)	489	0.59%
66	MTR Corporation Limited	Principally engaged in railway operation	Investment in shares	300,000	0.0049%	14,218	13,215	12,680	535	372	0.99%
388	Hong Kong Exchanges and Clearing Limited	Principally engaged in operation the only Stock Exchange in Hong Kong	Investment in shares	60,000	0.0047%	30,277	27,444	22,241	5,203	531	1.74%
700	Tencent Holdings Limited	Principally engaged in the provision of VAS, FinTech and Business Services and Online Advertising services	Investment in shares	120,000	0.0012%	72,171	61,000	44,817	23,399	1,289	3.50%
0005	HSBC	Principally engaged in banking business	Investment in shares	120,000	0.0006%	6,973	0	6,491	482	-	0.51%
3690	Meituan	Principally engaged in the provision of a platform using technology to connect consumers and merchants	Investment in shares	100,000	0.0017%	33,494	29,820	15,530	14,290	-	1.21%
9618	JW-SW	Principally engaged in the provision of e-commerce business	Investment in shares	4,762	0.0001%	1,116	0	1,116	-	-	0.09%
						166,634	139,004	110,420	43,889	2,681	

MATERIAL ACQUISITION AND DISPOSAL

Save as disclosed in this report, there was no material acquisition and disposal processed by the Group during FY2022.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this report, the Group had no other future plans for material investments or capital assets.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Dr. Au-Yeung Kong (“Dr. Au-Yeung”), aged 50, 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 17 years of management and operation experience in medical and aesthetic medical 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 53, 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 16 years of experience in medical and aesthetic medical industry. Ms. Au-Yeung Wai is the sister of Dr. Au-Yeung and Ms. Au-Yeung Hung.

Ms. Au-Yeung Hung, aged 58, 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 13 years of experience in medical and aesthetic medical 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 52, was appointed as an independent non-executive director of the Company on 5 December 2011. She is also the chairman of the audit committee of the Company and member of each of the remuneration committee and nomination committee of the Company. Ms. Hsu has more than 20 years’ experience in accounting. Ms. Hsu graduated from The Chinese University of Hong Kong with a bachelor degree in business administration. Ms. Hsu had been working with Ernst & Young for 18 years and was a partner of Ernst & Young before she retired from the firm in February 2011. Ms. Hsu is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants.

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), China Display Optoelectronics Technology Holdings Limited (stock code: 334), Beijing Gas Blue Sky Holdings Limited (stock code: 6828), all of them are listed on the Main Board of the Stock Exchange and Perfect Optronics Limited (stock code: 8311), a company listed on GEM of the Stock Exchange.

Ms. Hsu was an independent non-executive director of Harmonicare Medical Holdings Limited (stock code: 1509) from August 2020 to March 2021, a company which was canceled listing on the Main Board of the Stock Exchange on 25 March 2021. Ms. Hsu was also an independent non-executive director of Circle International Holdings Limited (stock code: CCH) from September 2017 to May 2020, which is listed on the National Stock Exchange of Australia (NSX).

Mr. Chi Chi Hung, Kenneth (“Mr. Chi”), aged 53, 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 24 years of experience in accounting and financial control. He holds a Degree of Bachelor of Accountancy from the Hong Kong Polytechnic University and is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom. He is also an associate member of the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrator in the United Kingdom.

Mr. Chi is currently an independent non-executive director of Hong Kong ChaoShang Group Limited (stock code: 2322), a company listed on the Main Board of the Stock Exchange.

Mr. Chi was an executive director of DeTai New Energy Group Limited (stock code: 559) from January 2010 to March 2020, and an independent non-executive director of Greentech Technology International Limited (stock code: 195) from October 2012 to April 2020, both companies are listed on the Main Board of Stock Exchange. Mr. Chi was also an independent non-executive director of Union Asia Enterprise Holdings Limited (stock code: 8173) from November 2019 to March 2022, a company listed on GEM of the Stock Exchange.

Ms. Cho Yi Ping (“Ms. Cho”), aged 44, 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), a company listed on the Main Board of the Stock Exchange.

SENIOR MANAGEMENT

Mr. So Hin Lung (“Mr. So”), aged 45, 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 18 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.

On 1 January 2022, the amendments to the Corporate Governance Code (the “New CG Code”) came into effect and the requirements under the New CG code would apply to corporate governance reports for financial year commencing on or after 1 January 2022. The Board will continue to review and enhance its corporate governance practice of the Company to ensure compliance with the New CG Code and align with the latest developments.

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 year ended 31 March 2022, 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 (subsequently rearranged and renumbered as C.2.1 in the New 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 year ended 31 March 2022, 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 medical and aesthetic medical 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 2022.

Corporate Governance Report

BOARD OF DIRECTORS

Composition of the Board of Directors

As at 31 March 2022, 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

The biographical details of all Directors are set out on pages 27 to 28 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 (the “Articles of Association”). All minutes of Board meetings were recorded in sufficient detail the matters considered by the Board and the decisions reached.

Corporate Governance Report

During the year ended 31 March 2022, the Board passed several written resolutions and held 10 meetings and 3 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
Executive Directors		
Dr. Au-Yeung Kong (<i>Chairman and Chief Executive Officer</i>)	2/3	10/10
Ms. Au-Yeung Wai	3/3	10/10
Ms. Au-Yeung Hung	2/3	10/10
Independent Non-executive Directors		
Ms. Hsu Wai Man, Helen	3/3	10/10
Mr. Chi Chi Hung, Kenneth	3/3	10/10
Ms. Cho Yi Ping	3/3	10/10

During the year ended 31 March 2022, 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 (subsequently rearranged and renumbered as D.1.2 in the New 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 2021, and shall continue thereafter unless and until terminated by not less than three months prior written notice to the other party and subject to the early termination provisions contained therein.

Ms. Hsu Wai Man, Helen and Mr. Chi Chi Hung, Kenneth have entered into a letter of appointment with the Company for a term of three years commencing from 10 February 2021 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 2021 until terminated by not less than three months written notice to the other party and subject to the early termination provisions contained therein.

Corporate Governance Report

By virtue of article 83(3) of the Articles of Association, 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 (subsequently rearranged and renumbered as B.2.2 in the New 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, 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 (subsequently rearranged and renumbered as C.2.7 in the New CG Code), the chairman should at least annually hold a meeting with the independent non-executive directors without the presence of other directors. The Company complied the code provision A.2.7 of the CG Code (subsequently rearranged and renumbered as C.2.7 in the New CG Code) that the chairman of the Board met the independent non-executive Directors without the presence of the executive Directors.

Chairman and Chief Executive Officer

Code provision A.2.1 (subsequently rearranged and renumbered as C.2.1 in the New CG Code) 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 CEO 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.

Corporate Governance Report

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 CEO 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 (subsequently rearranged and renumbered as C.1.4 in the New 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 (subsequently rearranged and renumbered as C.1.4 in the New CG Code) on the directors' training. During the year ended 31 March 2022, all the Directors have participated in continuous professional development by attending seminars or reading materials on the following topics to develop and refresh their knowledge and skills and provided a record of training to the Company.

Directors

Topic on training covered (Note)

Executive Directors

Dr. Au-Yeung Kong	(a), (b)
Ms. Au-Yeung Wai	(a), (b)
Ms. Au-Yeung Hung	(a), (b)

Independent Non-executive Directors

Ms. Hsu Wai Man, Helen	(a), (b), (c), (d)
Mr. Chi Chi Hung, Kenneth	(a), (b), (d)
Ms. Cho Yi Ping	(a), (b), (c), (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 2022 fell within the following bands:

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

Directors' and Officers' Liabilities

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

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 2022.

During the year ended 31 March 2022, the Audit Committee has reviewed the audited consolidated financial statements for the year ended 31 March 2021, the unaudited consolidated financial statements for the six months ended 30 September 2021, the internal control and corporate governance issues related to financial reporting of the Company 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:

	Attendance
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.

Corporate Governance Report

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

During the year ended 31 March 2022, the Remuneration Committee had passed several written resolutions and held 1 meeting 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:

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

Remuneration Policy for Directors and Senior Management

The remuneration payable to the employees includes salaries and allowances. The Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly. The primary goal of the remuneration policy with regard to the remuneration packages of the executive Directors is to enable the Group to retain and motivate executive Directors by linking their compensation with performance as measured against corporate objectives achieved. Each of the executive Directors is entitled to the remuneration packages 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 Share Option Scheme was terminated and a new share option scheme (the "2021 Share Option Scheme") was adopted by the Shareholders at the annual general meeting of the Company held on 13 August 2021. 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 and the 2021 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 2022, 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, make recommendation on re-appointment of Directors and discuss the roles of the Chairman and the CEO. Details of the attendance of members of the Nomination Committee are as follows:

	Attendance
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 (the “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 2022, 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.

Corporate Governance Report

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

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

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

ACCOUNTABILITY AND AUDIT

Directors' and Auditor's Responsibilities for the Financial Statements

The Board acknowledges its responsibility to prepare the Group's financial statements for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 March 2022, 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 61 to 67 of this annual report.

Auditor's Remuneration

During the year ended 31 March 2022, there is no remuneration paid or payable to the Company's auditor, PricewaterhouseCoopers in respect of non-audit services. The remuneration paid or payable to the Company's auditor in respect of the audit services is as follow:

	HK\$'000
Audit services	2,000

Corporate Governance Report

CORPORATE GOVERNANCE FUNCTIONS

According to code provision D.3 of the CG Code (subsequently rearranged and renumbered as A.2.1 in the New 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 to enhance the corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;
- to review the Company's 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 is responsible.

During the year ended 31 March 2022, 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 responsible for monitoring the risk management and internal control systems of the Group on an ongoing basis and reviewing 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 ended 31 March 2022, 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.

Corporate Governance Report

During the year ended 31 March 2022, the Group appointed BT Corporate Governance Limited (“BTCGL”) to:

- assist in identifying and assessing the risks of the Group through discussions and interviews with the management of the Group; and
- independently perform internal control review and assess the 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 BTCGL 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 BTCGL as well as the comments of the Audit Committee, the Board considered the internal control and risk management systems are effective and adequate.

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

Our Enterprise Risk Management Framework

The Group has established its enterprise risk management framework in 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.

Corporate Governance Report

Our Risk Control Mechanism

The Group adopts a “three lines of defense model” 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 team and the professional annual review conducted by BTCGL. 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 Group’s internal audit function is performed by an internal audit team, which consisted of professional staff with relevant expertise, such as Certified Public Accountant, which provides its findings and recommendations for the improvement to the Audit Committee. Nevertheless, 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.

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 2022.

Corporate Governance Report

COMMUNICATION WITH SHAREHOLDERS

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.

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 and/or dispatching circulars, notices, and other announcements; (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 at www.perfectmedical.com offering the latest information relating to the Group and its business; and (v) the Company's branch share registrars in Hong Kong serving the Shareholders in respect of all share registration matters.

The Board has established a shareholder communication policy and will review it on a regular basis to ensure its effectiveness.

SHAREHOLDERS RIGHTS

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 (subsequently rearranged and renumbered as F.2.2 in the New CG Code), the management will ensure the external auditor to attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

All Shareholders have statutory rights to call for extraordinary general meetings and put forward agenda items for consideration by Shareholders. According to article 58 of the Article of Association, 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.

Corporate Governance Report

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.

INVESTOR RELATIONS AND CORPORATE COMMUNICATION

The management of the Company is committed to meet with Shareholders, institutional investors, research analyst and financial media on a regular basis and provide timely update on the financial and business performance and recent development of the Company. A dedicated Investor Relations section is also available on the Company’s website.

Investors are welcome to direct their enquiries to the Company’s Investor Relations Department at:

Tel: (852) 2770 2099

Email: ir@perfectmedical.com

During the financial year, the Company has conducted 88 meetings with over 240 institutional investors and research analysts in Hong Kong and elsewhere. One-on-one, telephone conferences, roadshows, media interview, marketing activities for investors and specialist industry forums are conducted from time to time in order to facilitate two-way communication between the Company, Shareholders and investment community.

CONSTITUTIONAL DOCUMENT

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 2022.

The Board proposes to amend the existing memorandum and articles of association of the Company (the “Memorandum and Articles”) and to adopt the amended and restated memorandum and articles of association of the Company incorporating the amendments (the “New Memorandum and Articles”) for the purposes of, among others, bringing the Memorandum and Articles in line with the relevant requirements of the Listing Rules (in particular the core standards set out in Appendix 3 thereto) and the applicable laws of the Cayman Islands; and make other consequential and housekeeping amendments to the Memorandum and Articles.

The proposed amendments to the Memorandum and Articles and the proposed adoption of the New Memorandum and Articles are subject to the approval of the Shareholders by way of a special resolution at the forthcoming AGM to be held on 12 August 2022. The New Memorandum and Articles will take effect on the date on which the proposed amendments are approved by the Shareholders at the AGM.

Directors' Report

The Directors submit herewith their annual report together with the audited consolidated financial statements for the year ended 31 March 2022.

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 medical and aesthetic medical 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 2022 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 68 to 72.

DIVIDEND

The Directors recommended a payment of a final dividend equivalent to HK7.1 cents per share for the year ended 31 March 2022 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 Wednesday, 24 August 2022. After taking into account an interim dividend of HK17.7 cents per share, a total annual dividend for the year ended 31 March 2022 will amount to HK24.8 cents per share.

The Directors proposed that the Shareholders be given the option to receive the final 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 12 August 2022; and (2) the 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, 30 August 2022. It is expected that the final dividend warrants and share certificates for the scrip dividend will be despatched to the Shareholders on or about Friday, 30 September 2022.

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.

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

- 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 Articles of Association.

BUSINESS REVIEW AND COMMENTARY

Business Review

The business review, including an analysis of the Group's performance during the year ended 31 March 2022 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 26 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 2022, 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.

Directors' Report

Principal Risks and Uncertainties

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

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

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

Environmental Protection Policy and Performance

The Group 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 Medical's strategies, efforts and performance with respect to environmental, social and governance (ESG) for the year ended 31 March 2022 are available in the Group's ESG Report, which will be published within two months after the publication of this annual report on the websites of the Company and the Stock Exchange.

RELATIONSHIPS WITH KEY STAKEHOLDERS

Employees

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

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

Customers

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

Suppliers

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 9 August 2022 to Friday, 12 August 2022 (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, 8 August 2022.

The proposed final dividend is subject to the approval of the Shareholders at the AGM. The record date for the proposed final dividend is at the close of business on Wednesday, 24 August 2022. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Friday, 19 August 2022 to Wednesday, 24 August 2022 (both dates inclusive), during which period no transfer of Shares will be registered. In order to qualify for the proposed final 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 (if the transfer will be lodged before 15 August 2022) or 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (if the transfer will be lodged on or after 15 August 2022), for registration no later than 4:30 p.m. on Thursday, 18 August 2022.

Remark: The address of the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, will be changed to 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong with effect from 15 August 2022. For details, please refer to the Company's announcement to be made in due course.

Directors' Report

MAJOR CUSTOMERS AND SUPPLIERS

The Group's top five customers accounted for approximately 0.6% of the total sales. The top five suppliers accounted for approximately 30.0% of the total purchases for the year ended 31 March 2022. In addition, the Group's largest customer accounted for approximately 0.2% of the total sales and the Group's largest supplier accounted for approximately 10.3% of the total purchases for the year ended 31 March 2022.

During the year ended 31 March 2022, 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 2022, the Company's reserves available for distribution represent the share premium and retained earnings amounting to approximately HK\$1,098,165,000.

The Directors recommend a payment of a final dividend equivalent to HK7.1 cents per share for the year ended 31 March 2022.

There is no arrangement pursuant to which a Shareholder has waived or agreed to waive any dividends.

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 2022 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 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.

According to code provision A.4.3 of the CG Code (subsequently rearranged and renumbered as B.2.3 in the New CG Code) as set out in Appendix 14 to the Listing Rules, if an independent non-executive Director serves more than nine years, any further appointment of such independent non-executive Director should be subject to a separate resolution to be approved by the Shareholders. Ms. Hsu Wai Man, Helen and Mr. Chi Chi Hung, Kenneth had been appointed as the independent non-executive Directors since 5 December 2011, they have served the Company as the independent non-executive Directors for more than nine years. The reasons why the Board believes they are still independent and shall be re-elected would be included in the papers to the Shareholders accompanying the condition for their respective re-election.

According to the above all, Ms. Au-Yeung Wai, Ms. Au-Yeung Hung, Ms. Hsu Wai Man, Helen and Mr. Chi Chi Hung, Kenneth shall retire from office at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election at the forthcoming AGM.

Biographical details of the Directors are set out in pages 27 to 28 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 2021 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 2021 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 2021 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 2022 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. The Share Option Scheme was terminated by the Shareholders at the annual general meeting of the Company held on 13 August 2021.

(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, no outstanding number of options available for issue under the Share Option Scheme.

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

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

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

Directors' Report

(i) Duration of the Share Option Scheme

The Share Option Scheme was terminated by the Shareholders at the annual general meeting of the Company held on 13 August 2021.

2021 Share Option Scheme

The following is a summary of principal terms of the share option scheme of the Company (the "2021 Share Option Scheme") adopted by the Shareholders at the annual general meeting of the Company held on 13 August 2021 (the "New Adoption Date"). The terms of the 2021 Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

(a) Purpose of the 2021 Share Option Scheme

The purpose of the 2021 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 2021 Share Option Scheme

The Board may, at its absolute discretion, grant all Directors (whether executive or non-executive and whether independent or not), any employee (whether full-time or part-time), any consultant or adviser of or to the Company or the Group (whether on an employment or contractual or honorary basis and whether 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 2021 Share Option Scheme

The total number of Shares which may be allotted and issued upon exercise of all options to be granted under the 2021 Share Option Scheme and any other share option scheme of the Company must not in aggregate exceed 10% (the "Scheme Mandate Limit") of the total number of Shares in issue on the date on which the New Adoption Date unless the Company obtains a fresh approval from its shareholders.

As at the date of this annual report, the outstanding number of options available for issue under the 2021 Share Option Scheme is 121,578,339 Shares, representing approximately 9.80% of the issued shares of the Company.

(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 2021 Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

Where the Board proposes to grant any option to a participant who is a substantial shareholder or an independent non-executive director of the Company (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 2021 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 "New Relevant Date"): (a) representing in aggregate more than 0.1% of the total number of Shares in issue at the New Relevant Date; and (b) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the New Relevant Date, in excess of HK\$5,000,000, such proposed grant of options and any proposed change in the terms of options granted to a grantee who is a substantial shareholder or an independent non-executive director of the Company (or its subsidiaries) shall be approved by the shareholders of the Company by way of a poll in general meeting with all connected persons of the Company abstaining from voting in favour of the resolution at the 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 2021 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 in respect of each Share issued pursuant to the exercise of options granted shall be a price determined by the Board in its absolute discretion and notified to a participant (which shall be stated in the offer letter) 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.

Directors' Report

(i) Duration of the 2021 Share Option Scheme

The 2021 Share Option Scheme will remain in force for a period of ten years commencing from the New Adoption Date. Accordingly, the 2021 Share Option Scheme will expire on 12 August 2031.

Details of the options movements during the year ended 31 March 2022 under the Share Option Scheme and the 2021 Share Option Scheme are as follows:

Name or category of grantees	Date of grant of options	Exercise price (HK\$)	Exercise period	Number of share options					
				Balance as at 01.04.2021	Granted during the Year	Exercised during the Year	Lapsed during the Year	Canceled during the Year	Balance as at 31.03.2022
Directors									
Dr. Au-Yeung Kong	18/08/2021 (Note 1)	HK\$7.052	18/08/2021– 17/08/2024 (Note 3)	—	709,000	709,000 (Note 4)	—	—	—
Ms. Au-Yeung Wai	08/07/2021 (Note 2)	HK\$10.140	08/07/2021– 07/07/2024 (Note 3)	—	493,000	493,000 (Note 5)	—	—	—
Ms. Au-Yeung Hung	08/07/2021 (Note 2)	HK\$10.140	08/07/2021– 07/07/2024 (Note 3)	—	493,000	493,000 (Note 5)	—	—	—
Total				—	1,695,000	1,695,000	—	—	—

Notes:

1. The closing price of the Shares immediately before 18 August 2021, on which those options were granted, was HK\$6.827.
2. The closing price of the Shares immediately before 8 July 2021, on which those options were granted, was HK\$9.946.
3. The options shall be exercisable immediately on the Date of Grant.
4. The weighted average closing price of the Shares immediately before the date on which the options were exercised by Dr. Au-Yeung Kong was HK\$6.71.
5. The weighted average closing price of the Shares immediately before the date on which the options were exercised by Ms. Au-Yeung Wai and Ms. Au-Yeung Hung was HK\$9.42.

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 2022, 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 options	Percentage of the issued share capital of the Company (Note 2)
Dr. Au-Yeung Kong	Beneficial owner	89,422,747 (L)	—	72.72
	Interest of controlled corporation (Note 1)	812,364,636 (L)	—	
Ms. Au-Yeung Wai	Interest of controlled corporation (Note 1)	812,364,636 (L)	—	65.51
Ms. Au-Yeung Hung	Beneficial owner	19,132,000 (L)	—	67.05
	Interest of controlled corporation (Note 1)	812,364,636 (L)	—	

(L): Long position

Notes:

- The 812,364,636 Shares are held by Sure Sino Investments Limited, among which 156,275,100 Shares are held through its wholly-owned subsidiary Market Event Holdings Limited and 204,578,313 Shares are held through its wholly-owned subsidiary Earlsong 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 812,364,636 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 2022 (i.e. 1,239,965,900 Shares).

Directors' Report

Save as disclosed above, as at 31 March 2022, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 March 2022 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 2022, 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 2022, 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	451,511,223 (L)	65.51%
	Interest of controlled corporation (Note 1)	360,853,413 (L)	29.10%
Earlson Holdings Limited (Note 1)	Beneficial owner	204,578,313 (L)	16.49%
Market Event Holdings Limited (Note 1)	Beneficial owner	156,275,100 (L)	12.60%

(L): Long position

Notes:

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 204,578,313 Shares held by Earlson Holdings Limited and 156,275,100 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 2022 (i.e. 1,239,965,900 Shares).

Save as disclosed above, as at 31 March 2022, 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.

Directors' Report

CHANGES OF DIRECTORS' INFORMATION

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

Mr. Chi Chi Hung, Kenneth has resigned as an independent non-executive director of Union Asia Enterprise Holdings Limited (stock code: 8173), a company listed on GEM of the Stock Exchange, with effect from 4 March 2022.

SUFFICIENCY OF PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of the Directors, during the year ended 31 March 2022, the Company maintained the public float required by the Listing Rules.

DONATION

The Group made a donation of HK\$3,634,000 during the year ended 31 March 2022 (2021: HK\$378,000).

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 2022 or at any time during the year ended 31 March 2022.

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 2022.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 March 2022, none of the Directors or their respective associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company's subsidiaries or its parent company was a party and in which a Director had a material interest, where directly or indirectly, subsisted at 31 March 2022 or at any time during the year ended 31 March 2022.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken during the year ended 31 March 2022 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 Articles of Association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

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 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

- (a) During the year ended 31 March 2022, the Company repurchased 3,110,000 of its own shares. The total amount paid for this repurchase was HK\$21,668,000 and was charged to share premium within shareholders' equity. All of the repurchased 3,110,000 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\$	
July 2021	1,000,000	8.70	8.10	8,474,000
August 2021	500,000	7.08	6.89	3,511,000
August 2021	610,000	6.46	6.36	3,934,000
September 2021	1,000,000	5.73	5.73	5,749,000
	3,110,000			21,668,000

Directors' Report

- (b) During the year ended 31 March 2022, the Company issued 1,695,000 (2021: 4,860,000) shares for proceeds of approximately HK\$14,998,000 (2021: HK\$14,988,000), as a result of the exercise of options. The weighted average exercise price was approximately HK\$8.848 per share (2021: HK\$3.048 per share). As a result, HK\$169,000 (2021: HK\$486,000) was credited to the share capital account and HK\$14,829,000 (2021: HK\$14,502,000), being proceeds received net of the nominal value of the issued Shares were credited to the share premium account. An amount of HK\$4,582,000 (2021: HK\$3,117,000) previously included in share-based compensation reserve was reclassified to the share premium account upon the issuance of options.

Save as disclosed above, during the year ended 31 March 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company maintains a high standard of corporate governance practices. Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 29 to 43. 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 2020, 31 March 2021 and 31 March 2022 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 2022

Independent Auditor's Report



羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of Perfect Medical Health Management Limited (the “Company”) and its subsidiaries (together as the “Group”), which are set out on pages 68 to 72, comprise:

- the consolidated balance sheet as at 31 March 2022;
- 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 significant accounting policies and other explanatory information.

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 2022, 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.

Independent Auditor's Report

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) 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 2.16(a) to the consolidated financial statements)

During the year ended 31 March 2022, revenue from service contracts of approximately HK\$1,349,971,000 was recognised in the Group's consolidated statement of comprehensive income. As at 31 March 2022, the Group had deferred revenue of approximately HK\$236,683,000.

As described in the accounting policies in Note 2.16(a) to the consolidated financial statements, revenue from the provision of medical and aesthetic medical services are recognised when the services have been rendered to customers. Receipts 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 its 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 and assessment process of breakage estimation and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty, complexity and subjectivity;
- 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 at the end of the relevant service period;
- 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;

Independent Auditor's Report

KEY AUDIT MATTERS — CONTINUED

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

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.

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.

- c. Checking the number and type of utilised treatments shown in the treatment service records to the corresponding documents acknowledged by the respective customers; and
- d. Recalculating the amount of breakage recognised based on the proportion of treatments used by customers.

We assessed the reasonableness of management's estimate on breakage by performing the following procedures:

- a. Testing, on a sample basis, the accuracy of the historical data of customers' utilisation used by management to develop the estimate; and
- 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.

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

Independent Auditor's Report**OTHER INFORMATION**

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

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Independent Auditor's Report

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 HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, 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.

Independent Auditor's Report**AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS — CONTINUED**

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, actions taken to eliminate threats or safeguards applied.

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 2022

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2022

	Note	2022 HK\$'000	2021 HK\$'000
Revenue	6	1,349,971	1,089,768
Other income	7	9,617	56,943
Other (losses)/gains — net	8	(907)	6,077
Cost of inventories and consumables		(28,321)	(17,914)
Employee benefit expenses	14	(412,677)	(347,162)
Marketing expenses		(182,633)	(153,277)
Depreciation of property, plant and equipment	17	(76,988)	(55,101)
Depreciation of right-of-use assets	18	(142,058)	(116,155)
Expenses related to short-term leases of stores and offices	18	(6,589)	(2,515)
Other operating expenses	9	(116,913)	(94,772)
Operating profit		392,502	365,892
Finance costs — net	10	(14,349)	(7,732)
Profit before income tax		378,153	358,160
Income tax expenses	11	(72,908)	(73,526)
Profit for the year attributable to equity holders of the Company		305,245	284,634
Other comprehensive (losses)/income:			
<i>Item that has been reclassified or may be reclassified subsequently to profit or loss:</i>			
Currency translation differences		(3,836)	20,091
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Investments at fair value through other comprehensive income:			
— Fair value losses taken to reserves		(84,421)	(30,219)
Total other comprehensive losses for the year, net of tax		(88,257)	(10,128)
Total comprehensive income for the year attributable to equity holders of the Company		216,988	274,506
Earnings per share attributable to equity holders of the Company for the year			
— basic	13	HK24.8 cents	HK24.3 cents
— diluted		HK24.8 cents	HK24.3 cents

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

As at 31 March 2022

	Note	2022 HK\$'000	2021 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	250,189	162,385
Right-of-use assets	18	302,411	251,783
Deposits and prepayments	24	53,633	49,448
Financial assets at fair value through other comprehensive income	19	110,420	309,077
Deferred income tax assets	30	56,452	53,858
		773,105	826,551
Current assets			
Inventories	22	5,872	2,799
Trade receivables	23	14,841	77,986
Other receivables, deposits and prepayments	24	33,013	40,146
Financial assets at fair value through profit or loss	20	—	34,097
Term deposits with initial terms of over three months	25	214	214
Pledged bank deposits	26	9,555	8,802
Cash and cash equivalents	27	444,599	489,773
		508,094	653,817
Total assets		1,281,199	1,480,368
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	28	123,996	122,289
Reserves	29	370,270	562,558
Total equity		494,266	684,847

Consolidated Balance Sheet

As at 31 March 2022

	Note	2022 HK\$'000	2021 HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	30	71,304	69,324
Provision for reinstatement costs	31	17,032	10,708
Lease liabilities	18	175,699	156,001
		264,035	236,033
Current liabilities			
Provision for reinstatement costs	31	2,690	2,458
Trade payables	32	1,592	729
Accruals and other payables	33	56,818	88,440
Lease liabilities	18	135,373	105,598
Deferred revenue	34	236,683	316,723
Tax payables		89,742	45,540
		522,898	559,488
Total liabilities		786,933	795,521
Total equity and liabilities		1,281,199	1,480,368

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 68 to 140 were approved by the Board of Directors on 30 June 2022 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 2022

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
For the year ended 31 March 2022									
At 1 April 2021	122,289	333,265	12,779	7,734	(857)	—	(50,195)	259,832	684,847
Comprehensive income									
Profit for the year	—	—	—	—	—	—	—	305,245	305,245
Other comprehensive (losses)/income									
Currency translation differences	—	—	—	—	(3,836)	—	—	—	(3,836)
Equity investments at fair value through other comprehensive income:									
— Fair value losses taken to reserves	—	—	—	—	—	—	(84,421)	—	(84,421)
— Fair value losses recycled to retained earnings upon disposal of the relevant financial assets	—	—	—	—	—	—	67,461	(67,461)	—
Total comprehensive (losses)/income	—	—	—	—	(3,836)	—	(16,960)	237,784	216,988
Total transactions with owners, recognised directly in equity									
Share-based payment (Note 15)	—	—	—	—	—	4,582	—	—	4,582
Issuance of shares upon the exercise of share options (Note 28(a))	169	19,411	—	—	—	(4,582)	—	—	14,998
Repurchase and cancellation of ordinary shares (Note 28(b))	(311)	(21,668)	—	311	—	—	—	—	(21,668)
Issuance of shares from settlement of scrip dividends (Note 12)	1,849	117,915	—	—	—	—	—	—	119,764
Dividends — cash and scrip dividends (Note 12)	—	(119,764)	—	—	—	—	—	(405,481)	(525,245)
Appropriation (Note 29(b))	—	—	494	—	—	—	—	(494)	—
	1,707	(4,106)	494	311	—	—	—	(405,975)	(407,569)
At 31 March 2022	123,996	329,159	13,273	8,045	(4,693)	—	(67,155)	91,641	494,266
For the year ended 31 March 2021									
At 1 April 2020	111,552	128,743	11,621	7,633	(20,948)	—	(7,131)	447,526	678,996
Comprehensive income									
Profit for the year	—	—	—	—	—	—	—	284,634	284,634
Other comprehensive income/(losses)									
Currency translation differences	—	—	—	—	20,091	—	—	—	20,091
Equity investments at fair value through other comprehensive income:									
— Fair value losses taken to reserves	—	—	—	—	—	—	(30,219)	—	(30,219)
— Fair value gains recycled to retained earnings upon disposal of the relevant financial assets	—	—	—	—	—	—	(12,845)	12,845	—
Total comprehensive income/(losses)	—	—	—	—	20,091	—	(43,064)	297,479	274,506
Total transactions with owners, recognised directly in equity									
Share-based payment (Note 15)	—	—	—	—	—	3,117	—	—	3,117
Issuance of shares upon the exercise of share options (Note 28(a))	486	17,619	—	—	—	(3,117)	—	—	14,988
Repurchase and cancellation of ordinary shares (Note 28(b))	(101)	(4,489)	—	101	—	—	—	—	(4,489)
Dividends (Note 12)	10,352	191,392	—	—	—	—	—	(484,015)	(282,271)
Appropriation (Note 29(b))	—	—	1,158	—	—	—	—	(1,158)	—
	10,737	204,522	1,158	101	—	—	—	(485,173)	(268,655)
At 31 March 2021	122,289	333,265	12,779	7,734	(857)	—	(50,195)	259,832	684,847

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 31 March 2022

	Note	2022 HK\$'000	2021 HK\$'000
Cash flows from operating activities			
Cash generated from operations	37(a)	542,377	682,726
Interest received		1,748	5,762
Income tax paid		(30,230)	(90,625)
Net cash generated from operating activities		513,895	597,863
Cash flows from investing activities			
Purchase of property, plant and equipment		(144,552)	(78,224)
Proceeds from disposal of property, plant and equipment	37(b)	1,599	1,897
Reinstatement costs paid for leased premises	31	(864)	(788)
Purchase of financial assets at fair value through other comprehensive income	19	(233,509)	(684,286)
Purchase of financial assets at fair value through profit or loss	20	—	(36,270)
Proceeds from disposal of financial assets at fair value through other comprehensive income	19	354,328	388,836
Proceeds from disposal of financial assets at fair value through profit or loss	20	31,052	37,113
Dividend income from financial assets at fair value through profit or loss	7	—	804
Dividend income from financial assets at fair value through other comprehensive income	7	2,020	1,769
Decrease in term deposits with initial terms of over three months		—	70,902
Net cash generated from/(used in) investing activities		10,074	(298,247)
Cash flows from financing activities			
Dividends paid	12	(405,481)	(282,271)
Repurchase of ordinary shares	28(b)	(21,668)	(4,489)
Payment of principal element of lease liabilities	37(d)	(137,724)	(109,497)
Payment of interest element of lease liabilities	37(d)	(16,097)	(13,144)
Issuance of shares upon the exercise of share options	28(a)	14,998	14,988
Net cash used in financing activities		(565,972)	(394,413)
Net decrease in cash and cash equivalents		(42,003)	(94,797)
Cash and cash equivalents at 1 April		489,773	563,591
Effect of foreign exchange rate changes		(3,171)	20,979
Cash and cash equivalents at 31 March		444,599	489,773

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

Perfect Medical Health Management Limited (the “Company”) and its subsidiaries (together, the “Group”) are principally engaged in the provision of medical and aesthetic medical services in Hong Kong (“HK”), the People’s Republic of China (the “PRC”), Macau, Australia and Singapore.

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 2022.

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.

As at 31 March 2022, the Group recorded net current liabilities of approximately HK\$14,804,000. Excluding the deferred revenue balances of approximately HK\$236,683,000 that would be recognised as revenue instead of requiring operating cash outflow, the Group had net current assets of approximately HK\$221,879,000 which comprised cash and cash equivalent of approximately HK\$444,599,000. In addition, the Group generated net cash flows of approximately HK\$513,895,000 from its operating activities during the year ended 31 March 2022. Therefore, when taking into account the Group’s financial resources and its internally generated cash, the Directors of the Group are of the opinion that the Group has sufficient capital to meet its liquidity needs for at least twelve months from 31 March 2022.

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 amendments to existing standards adopted by the Group

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
Amendments to HKFRS 16	COVID-19 Related Rent Concession

The adoption of the new amendments listed above did not have material impact on the Group's accounting policies and consolidated financial statements.

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

Annual Improvements to HKFRSs 2018–2020 Cycle	Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41 ⁽¹⁾
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁽¹⁾
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use ⁽¹⁾
Amendments to HKAS 37	Onerous Contracts — Costs of Fulfilling a Contract ⁽¹⁾
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations ⁽¹⁾
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current ⁽²⁾
HKFRS 17 and Amendments to HKFRS 17	Insurance Contracts ⁽²⁾
Amendments to Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁽²⁾
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ⁽²⁾
Amendments to HKAS 8	Definition of Accounting Estimates ⁽²⁾
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction ⁽²⁾
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture ⁽³⁾

(1) Effective for the Group for annual periods beginning on or after 1 January 2022

(2) Effective for the Group for annual periods beginning on or after 1 January 2023

(3) 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 standards and amendments and is in the process of assessing the impact of those new standards and amendments on the Group's accounting policies and consolidated financial statements.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 March 2022.

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.

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.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

2.2 Consolidation — continued

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

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

2.3 Segment reporting

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

2.4 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

2.4 Foreign currency translation — continued

(iii) Group companies

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

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

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

2.5 Property, plant and equipment

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

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

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

2.5 Property, plant and equipment — continued

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.

2.6 Impairment of non-financial assets

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

2.7 Financial assets

2.7.1 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.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

2.7 Financial assets — continued

2.7.1 Classifications — continued

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.

2.7.2 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.

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 gains/(losses) — 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.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

2.7 Financial assets — continued

2.7.3 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.

2.7.4 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.

2.8 Inventories

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

2.9 Receivables

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

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

2.10 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.

2.11 Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. Financial liabilities (as disclosed in Note 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.

2.12 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.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

2.12 Current and deferred income tax — continued

(b) Deferred income tax

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

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

Deferred income tax liabilities 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.

2.13 Employee benefits

(a) Pension obligations

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

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

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED**2.13 Employee benefits — continued****(a) Pension obligations — continued**

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.

2.14 Share-based payments***Equity-settled share-based payment transactions***

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

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

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

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

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

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

2.15 Provisions

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

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

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

2.16 Revenue and income recognition

Revenue comprises the fair value of the consideration received or receivable for the 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.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

2.16 Revenue and income recognition — continued

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 medical and aesthetic medical services are recognised in the accounting period when the services have been rendered to customers. Receipts 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.

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Dividend income

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

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

2.17 Leases

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.

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.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

2.17 Leases — continued

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.

The change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract is accounted for as lease modification. The lease modification is recognised as a separate lease when the modification increases the scope of the lease by adding the underlying assets and the increase in the consideration is commensurate with the stand-alone price for the increase in scope. The lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification when the lease modification is not accounted for as a separate lease.

2.18 Government subsidies

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

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

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

2.19 Dividend distributions

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

Notes to the Consolidated Financial Statements

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, Australia and Singapore with most of the transactions denominated and settled in HK\$, Macau Patacas ("MOP"), RMB, Australian dollar ("AUD") and Singapore dollar ("SGD") 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, AUD and SGD, 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 (2021: Nil).

(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

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT — CONTINUED

3.1 Financial risk factors — continued

(b) Credit risk — continued

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 prepayment 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.

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.

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 — continued

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, Australia and Singapore, 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, Australia and Singapore, and are due to refund upon the expiry of the tenancy agreement and handover of the leased premium. 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 immaterial 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.

During the years ended 31 March 2022 and 2021, 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.

Taking into account the Group's financial resources and its internally generated cash, the Directors of the Group are of the opinion that the Group has sufficient capital to meet its liquidity needs for at least twelve months from 31 March 2022. For details, please refer to Note 2.1.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT — CONTINUED

3.1 Financial risk factors — continued

(c) Liquidity risk — continued

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	Over 5 years HK\$'000	Total HK\$'000
At 31 March 2022					
Trade payables	1,592	—	—	—	1,592
Accruals and other payables	35,775	—	—	—	35,775
Lease liabilities	153,587	103,364	84,894	—	341,845
Total	190,954	103,364	84,894	—	379,212
At 31 March 2021					
Trade payables	729	—	—	—	729
Accruals and other payables	41,965	—	—	—	41,965
Lease liabilities	121,593	92,663	70,428	1,664	286,348
Total	164,287	92,663	70,428	1,664	329,042

(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 2022 and 2021 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 2022, 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\$5,521,000 higher/lower (2021: HK\$7,586,000 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 2022 and 2021. 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
At 31 March 2022				
Financial assets at fair value through other comprehensive income				
— Listed equity investments	110,420	—	—	110,420
At 31 March 2021				
Financial assets at fair value through other comprehensive income				
— Listed equity investments	309,077	—	—	309,077
Financial assets at fair value through profit or loss				
— Unlisted fund investments	—	34,097	—	34,097

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 2022 and 2021.

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\$444,599,000 as at 31 March 2022 (2021: HK\$489,773,000), and has no outstanding bank loans, overdrafts or other borrowings at 31 March 2022 (2021: 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 2.16, 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.

Notes to the Consolidated Financial Statements

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS — CONTINUED

(b) Provision for refund policy

Except for the specific refundable service programmes as described in Note 2.16, the Group generally adopts a non-refundable service policy as contractually stipulated in all service contracts. Nevertheless, the Group may, depending on facts and circumstances for each case, accommodate certain amount of refunds upon customers' complaints and claims against treatment outcome. Taking into account the historical pattern of refund and actual amount incurred with respect to sales volume, management assesses any 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 medical and aesthetic medical 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 2022 and 2021, 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 primarily operates in Hong Kong as well as, the PRC, Macau, Australia and Singapore (the “Regions outside Hong Kong”). Its revenue was derived from the following regions:

	2022 HK\$'000	2021 HK\$'000
Hong Kong	975,146	679,015
Regions outside Hong Kong	374,825	410,753
	1,349,971	1,089,768

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

	2022 HK\$'000	2021 HK\$'000
Hong Kong	237,834	143,686
Regions outside Hong Kong	140,319	214,474
	378,153	358,160

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:

	2022 HK\$'000	2021 HK\$'000
Hong Kong	432,269	351,245
Regions outside Hong Kong	173,964	112,371
	606,233	463,616

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:

	2022 HK\$'000	2021 HK\$'000
Hong Kong	101,044	63,356
Regions outside Hong Kong	64,534	12,421
	165,578	75,777

6 REVENUE

	2022 HK\$'000	2021 HK\$'000
Revenue from treatment service contracts (Note 34(b))	1,349,971	1,089,768

7 OTHER INCOME

	2022 HK\$'000	2021 HK\$'000
Government subsidies (Note)	6,303	54,258
Dividend income from financial assets at fair value through profit or loss	—	804
Dividend income from financial assets at fair value through other comprehensive income	3,136	1,769
Others	178	112
	9,617	56,943

Note: Government subsidies represent cash received from the Government of the Hong Kong Special Administrative Region under the Anti-Epidemic Fund, exemption on valued-added tax granted by the government authority in the PRC and incentives granted by the local municipal government in the PRC 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

	2022 HK\$'000	2021 HK\$'000
Gains/(losses) on disposal of property, plant and equipment	134	(469)
Net exchange gains	2,004	5,131
(Losses)/gains on financial assets at fair value through profit or loss	(3,045)	1,415
	(907)	6,077

9 OTHER OPERATING EXPENSES

Included in other operating expenses are the following:

	2022 HK\$'000	2021 HK\$'000
Doctor consultation fee	6,917	1,741
Auditor's remuneration	2,000	2,000
Credit card and instalment arrangement commissions	49,774	48,594
Other tax and surcharges	1,473	373
Printing, stationeries and general office expenses	4,104	4,284
Utility charges	3,582	1,981
Courier, postages and delivery charges	3,425	2,270
Other expenses	45,638	33,529
	116,913	94,772

10 FINANCE COSTS — NET

	2022 HK\$'000	2021 HK\$'000
Interest income on bank deposits	1,748	5,412
Interest expenses on lease liabilities	(16,097)	(13,144)
Finance costs — net	(14,349)	(7,732)

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% (2021: 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% (2021: 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 2022 and 2021. Companies incorporated in Australia are subject to Australian income tax at the rate of 25% (2021: 26%). Companies incorporated in Singapore are subject to Singapore income tax at the rate of 17% (2021: 17%).

	2022 HK\$'000	2021 HK\$'000
Current income taxation		
— Hong Kong profits tax	35,377	16,944
— PRC and overseas income tax	33,620	50,943
	68,997	67,887
(Over)/under-provision in prior years		
— Hong Kong profits tax	(3,520)	539
Total current income taxation	65,477	68,426
Deferred taxation (Note 30)	7,431	5,100
	72,908	73,526

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:

	2022 HK\$'000	2021 HK\$'000
Profit before income tax	378,153	358,160
Tax calculated at the applicable domestic tax rates (Note a)	68,982	71,263
Income not subject to tax	(665)	(4,604)
Expenses not deductible	99	36
Tax effect of unrecognised tax losses	7,302	4,191
Utilisation of tax losses previously not recognised	(4,795)	(3,312)
Effect of PRC withholding taxes	6,130	6,130
Tax credit (Note b)	(545)	(627)
(Over)/under-provision in prior years	(3,520)	539
Others	(80)	(90)
Tax charge	72,908	73,526

Notes:

- (a) The weighted average applicable tax rate for the year ended 31 March 2022 was 18.2% (2021: 19.9%).
- (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.

Notes to the Consolidated Financial Statements

12 DIVIDENDS

	2022 HK\$'000	2021 HK\$'000
Interim, paid, of HK17.7 cents (2021: HK13.0 cents) per ordinary share (notes i and iii)	219,474	159,106
Final, proposed, of HK7.1 cents (2021: HK12.0 cents) per ordinary share (notes ii and iv)	88,038	146,746
Special, proposed, of nil (2021: HK13.0 cents) per ordinary share (notes ii and iv)	—	158,975
	307,512	464,827

Notes:

- (i) At a board meeting held on 30 November 2020, the directors declared an interim dividend for the year ended 31 March 2021 of HK13.0 cents per ordinary share, totalling HK\$159,106,000, which was paid on 12 January 2021 and was reflected as an appropriation of retained earnings for the year ended 31 March 2021.
- (ii) At a board meeting held on 30 June 2021, the directors recommended the payment of a final and special dividend of HK12.0 cents and HK13.0 cents per ordinary share, totalling HK\$146,746,000 and HK\$158,975,000 respectively. The directors proposed a scrip dividend alternative to all shareholders of the Company in respect of these dividend. The Company allotted and issued 18,493,507 new ordinary shares of the Company at HK\$6.476 per share, amounting to a total of approximately HK\$119,764,000 in lieu of dividends pursuant to the scrip scheme set out in the circular of the Company dated 7 September 2021. The dividend, with scrip dividend alternative was reflected as an appropriation of retained earnings and share premium for the year ended 31 March 2022.
- (iii) At a board meeting held on 29 November 2021, the directors declared an interim dividend for the year ended 31 March 2022 of HK17.7 cents per ordinary share, totalling HK\$219,474,000, which was paid on 10 January 2022 and was reflected as an appropriation of retained earnings for the year ended 31 March 2022.
- (iv) At a board meeting held on 30 June 2022, the directors recommended the payment of a final dividend of HK7.1 cents per ordinary share, totalling HK\$88,038,000. The directors proposed a scrip dividend alternative to all Shareholders of the Company in respect of this dividend. The dividend with scrip dividend 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 2023 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.

Notes to the Consolidated Financial Statements

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.

	2022	2021
Profit attributable to equity holders of the Company (HK\$'000)	305,245	284,634
Weighted average number of ordinary shares for the purposes of basic earnings per share (thousands of shares)	1,230,628	1,168,988
Basic earnings per share (HK cents)	24.8	24.3

Diluted

Diluted earnings per share is of the same amount as the basic earnings per share. During the years ended 31 March 2022 and 2021, the exercise of the outstanding share options would be anti-dilutive.

14 EMPLOYEE BENEFIT EXPENSES

	2022 HK\$'000	2021 HK\$'000
Wages and salaries	377,920	319,601
Pension costs — defined contribution plans (Note a)	18,135	10,898
Share-based payment expenses	4,583	3,117
Other staff welfares	12,039	13,546
Total employee benefit expenses (including directors' remunerations)	412,677	347,162

Notes to the Consolidated Financial Statements

14 EMPLOYEE BENEFIT EXPENSES — CONTINUED

(a) Pension costs — defined contribution plans

Hong Kong

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

The PRC

As stipulated under the relevant rules and regulations in the PRC, the subsidiaries operating in the PRC contribute to state-sponsored retirement plans for its employees. Depending on the provinces of their registered residences and their current regions of work, the employees contribute their basic salaries, while the subsidiaries contribute 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.

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.

Notes to the Consolidated Financial Statements

15 SHARE-BASED PAYMENT — CONTINUED

The terms and conditions of the share options granted and effective during the years ended 31 March 2022 and 2021 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 2021, 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.

b) 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 2021, 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**c) 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 2021, 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.

d) 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 2021, 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

e) Share options granted to a director on 2 July 2020

On 2 July 2020, the Company granted 3,144,000 share options to the two of its executive directors. The exercise price is HK\$3.18 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 1 July 2023. The Company does not have a legal or constructive obligation to repurchase or settle the options in cash. During the year ended 31 March 2021, all of the 3,144,000 share options were exercisable and exercised.

The fair values of these share options granted determined using the Binominal Option Pricing Model was HK\$0.7508 per option. The significant inputs into the model were the exercise price of HK\$3.18 at the grant date, volatility of 52.72%, dividend yield of 10.16% and an annual risk-free interest rate of 0.21%. 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.

f) Share options granted to a director on 17 August 2020

On 17 August 2020, the Company granted 1,716,000 share options to an executive director. The exercise price is HK\$2.908 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 16 August 2023. The Company does not have a legal or constructive obligation to repurchase or settle the options in cash. During the year ended 31 March 2021, all of the 1,716,000 share options were exercisable and exercised.

The fair values of these share options granted determined using the Binominal Option Pricing Model was HK\$0.7508 per option. The significant inputs into the model were the exercise price of HK\$2.908 at the grant date, volatility of 52.04%, dividend yield of 11.12% and an annual risk-free interest rate of 0.11%. 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**g) Share options granted to directors on 8 July 2021**

On 8 July 2021, the Company granted 493,000 share options to each of its two executive directors, amounting to a total of 986,000 share options granted. The exercise price is HK\$10.14 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 7 July 2024. The Company does not have a legal or constructive obligation to repurchase or settle the options in cash. During the year ended 31 March 2022, all of the 986,000 share options were exercisable and exercised.

The fair values of these share options granted determined using the Binominal Option Pricing Model was HK\$3.4259 per option. The significant inputs into the model were the exercise price of HK\$10.14 at the grant date, volatility of 59.06%, dividend yield of 3.68% and an annual risk-free interest rate of 0.30%. 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.

h) Share options granted to directors on 18 August 2021

On 18 August 2021, the Company granted 709,000 share options to an executive director. The exercise price is HK\$7.052 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 17 August 2024. The Company does not have a legal or constructive obligation to repurchase or settle the options in cash. During the year ended 31 March 2022, all of the 709,000 share options were exercisable and exercised.

The fair values of these share options granted determined using the Binominal Option Pricing Model was HK\$2.2102 per option. The significant inputs into the model were the exercise price of HK\$7.052 at the grant date, volatility of 59.49%, dividend yield of 5.32% and an annual risk-free interest rate of 0.33%. 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:

	2022		2021	
	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	—	—	—	—
Granted during the year	8.85	1,695	3.08	4,860
Exercised during the year	8.85	(1,695)	3.08	(4,860)
At 31 March	—	—	—	—

As at 31 March 2022 and 2021, there were no outstanding options that were exercisable.

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 money value of other benefit (Note) HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	Remunerations paid or receivable in respect of accepting office as director HK\$'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the company or its subsidiary undertaking HK\$'000	Total HK\$'000
Year ended 31 March 2022									
Executive directors									
Dr. Au-Yeung Kong (Chief executive officer)	25,000	—	—	—	1,448	—	—	—	26,448
Ms. Au-Yeung Hung	3,000	—	—	—	1,567	—	—	—	4,567
Ms. Au-Yeung Wai	3,000	—	—	—	1,567	—	—	—	4,567
Independent non-executive directors									
Ms. Hsu Wai Man, Helen	180	—	—	—	—	—	—	—	180
Mr. Chi Chi Hung, Kenneth	180	—	—	—	—	—	—	—	180
Ms. Cho Yi Ping	180	—	—	—	—	—	—	—	180
	31,540	—	—	—	4,582	—	—	—	36,122

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 money value of other benefit (Note) HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	Remunerations paid or receivable in respect of accepting office as director HK\$'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking HK\$'000	Total HK\$'000
Year ended 31 March 2021									
Executive directors									
Dr. Au-Yeung Kong (Chief executive officer)	18,000	—	—	—	757	—	—	—	18,757
Ms. Au-Yeung Hung	3,600	—	—	—	1,180	—	—	—	4,780
Ms. Au-Yeung Wai	3,600	—	—	—	1,180	—	—	—	4,780
Independent non-executive directors									
Ms. Hsu Wai Man, Helen	180	—	—	—	—	—	—	—	180
Mr. Chi Chi Hung, Kenneth	180	—	—	—	—	—	—	—	180
Ms. Cho Yi Ping	180	—	—	—	—	—	—	—	180
	25,740	—	—	—	3,117	—	—	—	28,857

No directors waived or agreed to waive any emoluments during the years ended 31 March 2022 and 2021.

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	
	2022	2021
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:

	2022	2021
	HK\$'000	HK\$'000
Basic salaries	7,390	4,118
Pension costs — defined contribution plans	—	—
	7,390	4,118

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	
	2022	2021
HK\$1,500,001 to HK\$2,000,000	—	1
HK\$2,000,001 to HK\$2,500,000	—	1
HK\$3,000,001 to HK\$3,500,000	1	—
HK\$4,000,001 to HK\$4,500,000	1	—

During the years ended 31 March 2022 and 2021, 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
At 1 April 2020						
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)
Net book amount	15,614	35,577	75,655	9,656	5,660	142,162
Year ended 31 March 2021						
Opening net book amount	15,614	35,577	75,655	9,656	5,660	142,162
Additions	—	30,506	29,064	12,127	4,080	75,777
Disposals	—	—	(11)	(7)	(2,348)	(2,366)
Depreciation	(496)	(19,083)	(27,714)	(6,129)	(1,679)	(55,101)
Exchange differences	—	550	1,108	255	—	1,913
Closing net book amount	15,118	47,550	78,102	15,902	5,713	162,385
At 31 March 2021						
Cost	16,516	174,887	369,848	62,983	8,467	632,701
Accumulated depreciation	(1,398)	(127,337)	(291,746)	(47,081)	(2,754)	(470,316)
Net book amount	15,118	47,550	78,102	15,902	5,713	162,385
Year ended 31 March 2022						
Opening net book amount	15,118	47,550	78,102	15,902	5,713	162,385
Additions	—	92,414	63,111	8,505	1,548	165,578
Disposals	—	—	(1,323)	(142)	—	(1,465)
Depreciation	(496)	(33,699)	(32,557)	(8,632)	(1,604)	(76,988)
Exchange differences	—	119	490	70	—	679
Closing net book amount	14,622	106,384	107,823	15,703	5,657	250,189
At 31 March 2022						
Cost	16,516	269,843	429,996	69,243	9,681	795,279
Accumulated depreciation	(1,894)	(163,459)	(322,173)	(53,540)	(4,024)	(545,090)
Net book amount	14,622	106,384	107,823	15,703	5,657	250,189

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 6 years (2021: 2 to 6 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

(b) Movement of right-of-use assets

	2022 HK\$'000	2021 HK\$'000
At 1 April	251,783	246,386
Acquisition of leases	197,723	126,671
Depreciation of right-of-use assets	(142,058)	(116,155)
Lease modification due to rent concession	(6,270)	(5,667)
Early termination of leases	(79)	(3,530)
Exchange differences	1,312	4,078
At 31 March	302,411	251,783

(c) Amounts recognised in the consolidated balance sheet

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

	2022 HK\$'000	2021 HK\$'000
Right-of-use assets		
Properties	302,411	251,783
Lease liabilities		
Non-current	175,699	156,001
Current	135,373	105,598
	311,072	261,599

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:

	2022 HK\$'000	2021 HK\$'000
Depreciation of right-of-use assets		
Properties	142,058	116,155
Interest expenses on leases liabilities (Note 10)	16,097	13,144
Expenses related to short-term leases of stores and offices	6,589	2,515
Gain on lease modification due to rent concession	—	(6)
Gain on early termination of leases	(3)	(44)

(e) During the years ended 31 March 2022 and 2021, the total cash outflows for leases were analysed as below:

	2022 HK\$'000	2021 HK\$'000
Cash flows from operating activities (Note)		
Payments for short-term leases in respect of stores and offices	6,589	2,515
Cash flows from financing activities		
Payment of interest element of lease liabilities	16,097	13,144
Payment of principal element of lease liabilities	137,724	109,497
	153,821	122,641

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

	2022 HK\$'000	2021 HK\$'000
At 1 April	309,077	37,232
Additions	234,625	684,286
Fair value losses taken to reserves	(84,421)	(30,219)
Disposals	(354,328)	(388,836)
Exchange differences	5,467	6,614
At 31 March	110,420	309,077
	2022 HK\$'000	2021 HK\$'000
Equity investments listed in Hong Kong	110,420	207,314
Equity investments listed in the United States of America ("USA")	—	42,280
Exchange traded funds listed in the USA	—	59,483
	110,420	309,077

As at 31 March 2022 and 2021, 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 2022, certain equity investments listed in Hong Kong were pledged for certain banking facilities of the Group in respect of credit card and instalment sales arrangement as set out in Note 36.

Notes to the Consolidated Financial Statements

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 HK\$'000	2021 HK\$'000
Unlisted fund investments, at fair value, in Hong Kong	—	34,097

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 2022, losses on financial assets at fair value through profit or loss of approximately HK\$3,045,000 (2021: gains of HK\$1,415,000) 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 31 March 2022 and 2021 and as at 31 March 2022 and 2021, 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.

Notes to the Consolidated Financial Statements

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
Assets included in the consolidated balance sheet				
At 31 March 2022				
Trade receivables	14,841	—	—	14,841
Financial assets at fair value through other comprehensive income	—	110,420	—	110,420
Financial assets at fair value through profit or loss	—	—	—	—
Other receivables and deposits	67,058	—	—	67,058
Term deposits with initial terms of over three months	214	—	—	214
Pledged bank deposits	9,555	—	—	9,555
Cash and cash equivalents	444,599	—	—	444,599
	536,267	110,420	—	646,687
At 31 March 2021				
Trade receivables	77,986	—	—	77,986
Financial assets at fair value through other comprehensive income	—	309,077	—	309,077
Financial assets at fair value through profit or loss	—	—	34,097	34,097
Other receivables and deposits	50,571	—	—	50,571
Term deposits with initial terms of over three months	214	—	—	214
Pledged bank deposits	8,802	—	—	8,802
Cash and cash equivalents	489,773	—	—	489,773
	627,346	309,077	34,097	970,520

Notes to the Consolidated Financial Statements

21 FINANCIAL INSTRUMENTS BY CATEGORY — CONTINUED

	2022 HK\$'000	2021 HK\$'000
Liabilities included in the consolidated balance sheet		
Trade payables	1,592	729
Accruals and other payables (excluding accrued salaries and other taxes payables)	35,775	41,965
Lease liabilities	311,072	261,599
	348,439	304,293

22 INVENTORIES

	2022 HK\$'000	2021 HK\$'000
Trading merchandises and consumables	5,872	2,799

23 TRADE RECEIVABLES

	2022 HK\$'000	2021 HK\$'000
Trade receivables	14,841	77,986

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

	2022 HK\$'000	2021 HK\$'000
HK\$	12,145	74,604
RMB	892	1,816
MOP	563	1,566
AUD	27	—
SGD	1,214	—
	14,841	77,986

Notes to the Consolidated Financial Statements

23 TRADE RECEIVABLES — CONTINUED

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.

The credit terms of the Group's trade receivables generally range from 3 days to 180 days (2021: 3 days to 180 days). The ageing analysis of trade receivables by the dates on which the relevant invoices are issued is as follows:

	2022 HK\$'000	2021 HK\$'000
Less than 60 days	4,499	70,624
60 days to 90 days	1,107	—
91 days to 120 days	7,358	3,108
121 days to 180 days	1,877	4,254
	14,841	77,986

As at 31 March 2022, trade receivables of approximately HK\$914,000 (2021: HK\$3,804,000) 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:

	2022 HK\$'000	2021 HK\$'000
Less than 60 days	914	3,804

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 2022 and 2021, no collateral was received from these counterparties.

As at 31 March 2022 and 2021 and during the years then ended, no trade receivables was impaired.

Notes to the Consolidated Financial Statements

24 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2022 HK\$'000	2021 HK\$'000
Current		
Prepayments	18,882	17,581
Deposits	12,984	21,056
Other receivables	1,147	1,509
	33,013	40,146
Non-current		
Prepayments for the acquisition of property, plant and equipment	706	21,442
Rental and utility deposits	52,927	28,006
	53,633	49,448
	86,646	89,594

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

	2022 HK\$'000	2021 HK\$'000
HK\$	49,077	34,515
RMB	12,613	11,855
MOP	2,229	2,352
AUD	4	1,849
SGD	3,135	—
	67,058	50,571

25 TERM DEPOSITS WITH INITIAL TERMS OF OVER THREE MONTHS

As at 31 March 2022, the weighted average effective interest rate of the Group's term deposits with initial terms of over three months was 0.22% (2021: 0.22%).

The Group's term deposits with initial terms of over three months were denominated in MOP.

Notes to the Consolidated Financial Statements

26 PLEDGED BANK DEPOSITS

As at 31 March 2022 and 2021, 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 2022, the weighted average effective interest rate of these deposits was 2.10% (2021: 1.90%).

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

	2022 HK\$'000	2021 HK\$'000
HK\$	2,330	2,520
AUD	6,241	6,282
SGD	984	—
	9,555	8,802

27 CASH AND CASH EQUIVALENTS

	2022 HK\$'000	2021 HK\$'000
Cash at banks	380,944	453,823
Cash on hand	648	1,355
Term deposits with initial terms of less than three months	63,007	34,595
	444,599	489,773

Cash and cash equivalents were denominated in the following currencies:

	2022 HK\$'000	2021 HK\$'000
HK\$	151,347	187,841
RMB	113,627	179,889
United States dollars ("US\$")	144,629	87,156
MOP	8,599	6,267
AUD	20,714	24,459
SGD	5,683	4,161
	444,599	489,773

Notes to the Consolidated Financial Statements

27 CASH AND CASH EQUIVALENTS — CONTINUED

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.

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 2020	1,115,516	111,552
Issuance of shares (Note a)	4,860	486
Issuance of shares upon the distribution of scrip dividends (Note 12)	103,519	10,352
Cancellation of shares (Note b)	(1,008)	(101)
At 31 March 2021	1,222,887	122,289
Issuance of shares (Note a)	1,695	169
Issuance of shares upon the distribution of scrip dividends (Note 12)	18,493	1,849
Cancellation of shares (Note b)	(3,110)	(311)
At 31 March 2022	1,239,965	123,996

- (a) During the year ended 31 March 2022, the Company issued 1,695,000 (2021: 4,860,000) shares of the Company for proceeds of approximately HK\$14,998,000 (2021: HK\$14,988,000), as a result of exercise of share options. The weighted average exercise price was approximately HK\$8.848 per share (2021: HK\$3.084 per share). As a result, HK\$169,000 (2021: HK\$486,000) were credited to the share capital account and HK\$14,829,000 (2021: HK\$14,502,000), being proceeds received net of the nominal value of the issued shares were credited to the share premium account. An amount of HK\$4,582,000 (2021: HK\$3,117,000) previously included in share-based compensation reserve were reclassified to the share premium account upon the issuance of share options.

Notes to the Consolidated Financial Statements

28 SHARE CAPITAL — CONTINUED

- (b) During the year ended 31 March 2022, the Company repurchased 3,110,000 (2021: 1,008,000) of its own shares. The total amount paid to repurchase was approximately HK\$21,668,000 (2021: HK\$4,489,000) and was charged to share premium within shareholders' equity. All of the repurchased 3,110,000 (2021: 1,008,000) shares were cancelled during the year ended 31 March 2022.

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:

	2022 HK\$'000	2021 HK\$'000
Deferred income tax assets		
Deferred income tax assets to be recovered after more than 12 months	56,452	53,858
Deferred income tax liabilities		
Deferred income tax liabilities to be settled after more than 12 months	(4,399)	(3,691)
Deferred income tax liabilities to be settled within 12 months	(66,905)	(65,633)
	(71,304)	(69,324)
Deferred income tax liabilities — net	(14,852)	(15,466)

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

	2022 HK\$'000	2021 HK\$'000
At 1 April	(15,466)	(17,769)
Charged to profit or loss (Note 11)	(7,431)	(5,100)
Payment during the year	7,863	7,085
Exchange differences	182	318
At 31 March	(14,852)	(15,466)

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 accrued expenses		Lease liabilities		Total	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
At 1 April	—	—	4,651	4,620	3,465	2,904	46,385	45,246	54,501	52,770
(Charged)/credited to profit or loss	—	—	(1,249)	29	(62)	266	3,485	68	2,174	363
Exchange differences	—	—	1	2	157	295	503	1,071	661	1,368
At 31 March	—	—	3,403	4,651	3,560	3,465	50,373	46,385	57,336	54,501

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 2022, the Group did not recognise certain deferred income tax assets of approximately HK\$9,860,000 (2021: HK\$7,501,000) in respect of accumulated tax losses amounting to approximately HK\$45,848,000 (2021: HK\$39,784,000) that can be carried forward against future taxable income. The tax losses of the PRC subsidiaries will expire in 5 years, while the tax losses of the Company and the other non-PRC subsidiaries do not have an expiry date.

As at 31 March 2022 and 2021, the expiry dates for the Group's unused tax losses are as follows:

	2022 HK\$'000	2021 HK\$'000
Expiry in		
2023	—	773
2024	1,861	7,167
2025	3,317	3,189
2026	4,083	—
No expiry date	36,587	28,655
	45,848	39,784

Notes to the Consolidated Financial Statements

30 DEFERRED TAXATION — CONTINUED

Deferred income tax liabilities

	Accelerated tax depreciation		PRC advertising expenses		PRC withholding taxes		Right-of-use assets		Total	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
At 1 April	(3,691)	(3,849)	(643)	(557)	(21,299)	(22,254)	(44,334)	(43,879)	(69,967)	(70,539)
(Charged)/credited to profit or loss	(708)	158	(213)	(37)	(6,130)	(6,130)	(2,554)	546	(9,605)	(5,463)
Reversal of deferred income tax liability upon distribution of profits and remittance of royalties from subsidiaries	—	—	—	—	7,863	7,085	—	—	7,863	7,085
Exchange differences	—	—	(28)	(49)	—	—	(451)	(1,001)	(479)	(1,050)
At 31 March	(4,399)	(3,691)	(884)	(643)	(19,566)	(21,299)	(47,339)	(44,334)	(72,188)	(69,967)

As at 31 March 2022, total unremitted earnings and unremitted royalty income of PRC subsidiaries amounted to approximately HK\$372,428,000 (2021: HK\$406,694,000).

31 PROVISION FOR REINSTATEMENT COSTS

The movement of provision for reinstatement costs is as follows:

	2022 HK\$'000	2021 HK\$'000
At 1 April	13,166	11,111
Provision during the year	6,652	2,834
Actual costs paid	(864)	(788)
Under/(over)-provision	663	(637)
Exchange differences	105	646
At 31 March	19,722	13,166
Represented by:		
— Non-current	17,032	10,708
— Current	2,690	2,458
	19,722	13,166

Notes to the Consolidated Financial Statements

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 (2021: 30 days to 180 days).

At 31 March 2022 and 2021, the ageing analysis of trade payables based on invoice date is as follows:

	2022 HK\$'000	2021 HK\$'000
Less than 60 days	650	237
60 days to 120 days	485	116
Over 120 days	457	376
	1,592	729

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

	2022 HK\$'000	2021 HK\$'000
HK\$	938	128
RMB	498	485
MOP	6	41
AUD	150	75
	1,592	729

33 ACCRUALS AND OTHER PAYABLES

	2022 HK\$'000	2021 HK\$'000
Accrued operating expenses	33,608	63,009
Other payables	23,210	25,431
	56,818	88,440

Notes to the Consolidated Financial Statements

33 ACCRUALS AND OTHER PAYABLES — CONTINUED

Accruals and other payables were denominated in the following currencies:

	2022 HK\$'000	2021 HK\$'000
HK\$	30,295	60,728
RMB	22,497	21,279
MOP	765	901
AUD	1,966	838
SGD	1,295	4,694
	56,818	88,440

34 DEFERRED REVENUE

The deferred revenue is mainly related to the provision of medical and aesthetic medical services.

The service period for medical and aesthetic medical is generally six months and all customers are required to prepay the packages in full prior to utilisation of services.

The amount of revenue recognised for the year ended 31 March 2022 (2021: year ended 31 March 2021) that was included in deferred revenue as at 1 April 2021 was HK\$316,723,000 (1 April 2020: HK\$158,701,000).

All of the deferred revenue as at 31 March 2022 and 2021 is expected to be recognised as revenue within six months from the end of the reporting period.

Notes to the Consolidated Financial Statements

35 CAPITAL COMMITMENTS

	2022 HK\$'000	2021 HK\$'000
Capital expenditure contracted for but not yet incurred in respect of acquisition of property, plant and equipment	4,530	12,636

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 2022 and 2021, 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 2022 and 2021 as set out in Note 26; (iv) certain listed equity securities as at 31 March 2022 as set out in Note 19; and (v) certain unlisted fund investments as at 31 March 2022 and 2021 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

	2022 HK\$'000	2021 HK\$'000
Profit before income tax	378,153	358,160
Adjustments for:		
— Depreciation of property, plant and equipment	76,988	55,101
— Depreciation of right-of-use assets	142,058	116,155
— (Gains)/losses on disposal of property, plant and equipment	(134)	469
— Dividend income from financial assets at fair value through profit or loss	—	(804)
— Dividend income from financial assets at fair value through other comprehensive income	(3,136)	(1,769)
— Losses/(gains) on financial assets at fair value through profit or loss	3,045	(1,415)
— Gain on lease modification due to rent concession	—	(6)
— Gain on early termination of leases	(3)	(44)
— Under/(over)-provision for reinstatement costs	663	(637)
— Interest income	(1,748)	(5,412)
— Interest expenses	16,097	13,144
— Share-based payment expenses	4,582	3,117
	616,565	536,059
Changes in working capital:		
— Inventories	(3,068)	(1,004)
— Trade receivables	63,209	(3,195)
— Other receivables, deposits and prepayments	(17,714)	(5,585)
— Trade payables, accruals and other payables	(34,293)	6,841
— Deferred revenue	(81,828)	155,085
— Pledged bank deposits	(794)	(5,475)
Cash generated from operations	542,377	682,726

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:

	2022 HK\$'000	2021 HK\$'000
Net book amount disposed (Note 17)	1,465	2,366
(Gains)/losses on disposal of property, plant and equipment (Note 8)	134	(469)
Proceeds from disposal of property, plant and equipment	1,599	1,897

(c) Other non-cash transactions

During the year ended 31 March 2022, the Group received a special interim dividend from Tencent Holdings Limited (“Tencent”) in the form of a distribution in specie of Class A ordinary shares of JD.com (“JD.com Shares”) in proportion to its respective shareholding in Tencent on the basis of 1 Class A ordinary share of JD.com for every 21 shares held by the Group. As at 31 March 2022, the Group held 4,762 JD.com Shares and had an investment cost of HK\$1,116,000 (amounting to approximately RMB906,000). The distributed JD.com Shares are designated as “Financial assets at fair value through other comprehensive income” (Note 19) and were measured at fair value.

Notes to the Consolidated Financial Statements

37 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS — CONTINUED

(d) 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	Dividend Payable HK\$'000
As at 1 April 2020	252,004	—
Acquisition of leases	123,837	—
Interest expenses on lease liabilities	13,144	—
Dividends declared	—	540,034
Cash flows		
Payment of principal element of leases liabilities	(109,497)	—
Payment of interest element of lease liabilities	(13,144)	—
Dividends paid	—	(282,271)
Other non-cash movements		
Settlement of scrip dividends via issuance of shares	—	(257,763)
Lease modification due to rent concession	(5,673)	—
Early termination of leases	(3,574)	—
Exchange difference	4,502	—
As at 31 March 2021	261,599	—

Notes to the Consolidated Financial Statements

37 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS — CONTINUED

(d) Reconciliation of liabilities arising from financing activities — Continued

	Lease Liabilities HK\$'000	Dividend Payable HK\$'000
As at 1 April 2021	261,599	—
Acquisition of leases	191,071	—
Interest expenses on lease liabilities	16,097	—
Dividends declared	—	525,245
Cash flows		
Payment of principal element of leases liabilities	(137,724)	—
Payment of interest element of lease liabilities	(16,097)	—
Dividends paid	—	(405,481)
Other non-cash movements		
Settlement of scrip dividends via issuance of shares	—	(119,764)
Lease modification due to rent concession	(6,270)	—
Early termination of leases	(82)	—
Exchange difference	2,478	—
As at 31 March 2022	311,072	—

Notes to the Consolidated Financial Statements

38 PARTICULARS OF PRINCIPAL SUBSIDIARIES

As at 31 March 2022 and 2021, the Company had the following principal subsidiaries:

<u>Name of subsidiary</u>	<u>Place of incorporation/ establishment</u>	<u>Principal activities and place of operation</u>	<u>Registered/ issued and fully paid up capital</u>	<u>Effective interest held by the Group</u>
Direct interests:				
Perfect Shape Advertising Company Limited	Hong Kong	Provision of advertising services to group companies in Hong Kong	HK\$10,000	100%
Perfect Shape Holdings (China) Limited	The British Virgin Islands	Investment holding in the PRC	100 shares of US\$1 each	100%
Success Honour Holdings Limited	The British Virgin Islands	Investment holding in Hong Kong	100 shares of US\$1 each	100%
Perfect Shape & Skin Management Co. Limited	Hong Kong	Holding of trademarks in Hong Kong and the PRC	HK\$10,000	100%
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%
Indirect interests:				
Freedom Beauty Limited (formerly known as ABC Digital Agency Limited)	Hong Kong	Provision of medical and aesthetic medical 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 Men Limited	Hong Kong	Provision of medical and aesthetic medical services in Hong Kong	HK\$10,000	100%
Perfect Health Specialist Clinic Limited	Hong Kong	Provision of medical and aesthetic medical services in Hong Kong	HK\$10,000	100%
Perfect Health Care Limited (formerly known as Perfect Shape & Spa Limited)	Hong Kong	Provision of medical and aesthetic medical 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
Indirect interests: — continued				
New Beauty Medical Limited	Hong Kong	Provision of medical and aesthetic medical services in Hong Kong	HK\$10,000	100%
New Beauty Group Limited	Hong Kong	Provision of medical and aesthetic medical services in Hong Kong	HK\$10,000	100%
Perfect Shape & Skin (Macau) Limited	Macau	Provision of medical and aesthetic medical services in Macau	MOP100,000	100%
Perfect Medical Limited	Hong Kong	Provision of medical and aesthetic medical services in Hong Kong	HK\$10,000	100%
Hong Kong Doctor Healthcare Limited	Hong Kong	Provision of medical and aesthetic medical services in Hong Kong	HK\$10,000	100%
Perfect Shape Medical Limited	Hong Kong	Provision of medical and aesthetic medical 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%
Perfect Hair Limited	Hong Kong	Provision of medical and aesthetic medical services in Hong Kong	HK\$10,000	100%
Perfect Shape Investment (Shanghai) Limited	Hong Kong	Investment holding in the PRC	HK\$10,000	100%
MediSearch Limited (formerly known as Perfect App Technology Limited)	Hong Kong	Provision of medical and aesthetic medical services in Hong Kong	HK\$10,000	100%
Dr. Au Yeung Kong and Associates Limited	Hong Kong	Provision of medical and aesthetic medical services in Hong Kong	HK\$10,000	100%
Perfect Beauty Group Limited	Hong Kong	Provision of medical and aesthetic medical services in Hong Kong	HK\$20,000	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
Indirect interests: — continued				
Perfect Specialist Clinic Limited (formerly known as Harvard Pain Management Medical Center Limited)	Hong Kong	Provision of medical and aesthetic medical 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 medical and aesthetic medical services in Australia	AUD10	100%
New Beauty Australia Pty Ltd	Australia	Provision of medical and aesthetic medical services in Australia	AUD10	100%
Perfect Medical Aesthetics Clinic Pte. Limited	Singapore	Provision of medical and aesthetic medical services in Singapore	SGD400,000	100%
New Beauty Pte. Limited	Singapore	Provision of medical and aesthetic medical services in Singapore	SGD100	100%
廣州必瘦站纖體美容有限公司 (Guangzhou Perfect Shape Limited)*	The PRC	Provision of medical and aesthetic medical 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)*	The PRC	Investment holding in the PRC	RMB1,000,000	100%
廣州瘦必站纖體美容有限公司 (Guangzhou Shape Perfect Limited)*	The PRC	Provision of medical and aesthetic medical 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)*	The PRC	Provision of medical and aesthetic medical 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)*	The PRC	Provision of medical and aesthetic medical 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)*	The PRC	Provision of medical and aesthetic medical services in the PRC	RMB1,000,000	100%
上海必瘦站企業管理諮詢有限公司 (Shanghai Perfect Shape Consultancy Limited)*	The PRC	Provision of medical and aesthetic medical 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)*	The PRC	Provision of medical and aesthetic medical 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
Indirect interests: — continued				
必瘦站投資管理諮詢(上海)有限公司 (Shanghai Perfect Shape Investment Management Limited) [#]	The PRC	Investment holding in the PRC	RMB1,000,000	100%
上海必瘦站美容服務有限公司 (Shanghai Perfect Shape Cosmetic Limited) [®]	The PRC	Provision of medical and aesthetic medical services in the PRC	RMB10,000,000	100%
深圳瘦必站醫療美容診所 (Shenzhen Perfect Shape Cosmetic Limited) [®]	The PRC	Provision of medical and aesthetic medical 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) [®]	The PRC	Provision of medical and aesthetic medical services in the PRC	RMB1,000,000	100%
廣州臻美診所有限公司 (Guangzhou Zhenmei Clinic Limited) [®]	The PRC	Provision of medical and aesthetic medical services in the PRC	RMB1,000,000	100%
上海必瘦站醫療科技有限公司 (Shanghai Perfect Shape Cosmetic Technology Limited) [®]	The PRC	Provision of medical and aesthetic medical services in the PRC	RMB1,000,000	100%

[#] The company is established as a wholly foreign-owned enterprise in the PRC.

[®] The company is established as a limited liability company in the PRC.

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

Notes to the Consolidated Financial Statements

39 BALANCE SHEET OF THE COMPANY

	2022 HK\$'000	2021 HK\$'000
ASSETS		
Non-current assets		
Interests in subsidiaries	22,035	22,035
Amounts due from subsidiaries	1,215,845	1,201,404
	1,237,880	1,223,439
Current assets		
Prepayments and other receivables	155	149
Cash and cash equivalents	13,617	1,235
	13,772	1,384
Total assets	1,251,652	1,224,823
EQUITY		
Share capital	123,996	122,289
Reserves (Note (a))	1,127,595	1,102,503
Total equity	1,251,591	1,224,792
LIABILITY		
Current liability		
Accruals and other payables	61	31
Total equity and liabilities	1,251,652	1,224,823

The balance sheet of the Company was approved by the Board of Directors on 30 June 2022 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 2020	128,743	226,604	22,015	7,633	—	(4,843)	380,152
Profit for the year	—	998,902	—	—	—	—	998,902
Dividends (Note 12)	191,392	(484,015)	—	—	—	—	(292,623)
Currency translation differences	—	—	—	—	—	2,841	2,841
Share-based payment (Note 15)	—	—	—	—	3,117	—	3,117
Issuance of shares upon the exercise of share options (Note 28(a))	17,619	—	—	—	(3,117)	—	14,502
Repurchase and cancellation of ordinary shares (Note 28(b))	(4,489)	—	—	101	—	—	(4,388)
At 31 March 2021 and 1 April 2021	333,265	741,491	22,015	7,734	—	(2,002)	1,102,503
Profit for the year	—	432,996	—	—	—	—	432,996
Issuance of shares from settlement of script dividends (Note 12)	117,915	—	—	—	—	—	117,915
Dividends — cash and scrip dividends (Note 12)	(119,764)	(405,481)	—	—	—	—	(525,245)
Currency translation differences	—	—	—	—	—	1,372	1,372
Share-based payment (Note 15)	—	—	—	—	4,582	—	4,582
Issuance of shares upon the exercise of share options (Note 28(a))	19,411	—	—	—	(4,582)	—	14,829
Repurchase and cancellation of ordinary shares (Note 28(b))	(21,668)	—	—	311	—	—	(21,357)
At 31 March 2022	329,159	769,006	22,015	8,045	—	(630)	1,127,595

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 (2021: Nil).

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

During the year ended 31 March 2022, the Company did not pay consideration to any third parties for making available directors' services (2021: 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 2022, there were no loans, quasi-loans and other dealings in favour of the directors, controlled bodies corporate by and connected entities with such directors (2021: 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 2022 (2021: Nil).